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# JAPAN'S DEVELOPMENT FINANCING

## *Opportunities for U.S. Business*



May, 1989

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

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# JAPAN'S DEVELOPMENT FINANCING: OPPORTUNITIES FOR U. S. BUSINESS

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**Arthur Young**

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

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JAPAN'S DEVELOPMENT FINANCING:  
OPPORTUNITIES FOR AMERICAN BUSINESS

In 1989 Japan will pass the U.S. to become the world's largest donor of economic assistance to developing countries. Japanese aid of about \$10 billion a year represents an important source of business potential for American companies.

Japan's foreign aid system is very different from America's. U.S. firms will therefore have to employ different strategies in marketing goods and services for projects funded by Japanese Official Development Assistance (ODA). Success will require hard work and patience by U.S. firms. Japanese ODA agencies and companies active in ODA work, however, are increasingly inclined to tap the development expertise of foreign companies and include foreign equipment in projects.

The Scorecard on Tied Aid

Conventional wisdom holds that Japan's spending for foreign aid projects is so tightly tied to procurement from Japanese suppliers that attempts to crack this market are not worth the effort. Like most "conventional wisdom," this notion is increasingly obsolete.

- Japan is gradually untying its aid program, largely at the urging of other aid donors.
- Opportunities for U.S. firms are greatest in projects funded by Japan's concessional yen loan aid. In Japan's 1988 fiscal year, it committed to lend the equivalent of \$6.74 billion under completely untied terms.

Although engineering and consulting work is usually tied, increasingly procurement of equipment and construction services for aid projects is becoming untied, especially in East Asian and Latin American countries.

- The share of contracts going to Japanese companies is declining and the share won by foreign firms is rising.
- However, the share of contracts going to U.S. firms is dropping.
- This strongly suggests that the competitive environment has become more favorable but that potential American bidders are not widely aware of it.

### Preferred Sectors

Japanese development spending is highest in a number of sectors where American companies are competitive suppliers.

- In the past decade, Japan has shifted its aid emphasis from agriculture to promotion of recipient nations' export industries and the infrastructure needed to serve them.
- Preferred sectors now include power generation and transmission, road and railway construction, telecommunications, manufacturing industries, and water resource management.

### Getting to Know the Players

Several Japanese Government agencies are involved in foreign aid policy and implementation; interested U.S. companies should get to know as many of the actors as possible.

- Control over aid policy is shared by the Ministry of Foreign Affairs (MOFA), the Ministry of Finance and, to a lesser extent, the Ministry of International Trade and Industry.
- Three agencies actually implement Japan's bilateral aid efforts:
  - The Overseas Economic Cooperation Fund (OECF) disburses almost 60 percent of Japan's bilateral aid via concessional yen loans for large-scale capital projects and non-project structural adjustment efforts.
  - The Japan International Cooperation Agency (JICA), headquartered in Shinjuku, Tokyo, oversees all Japan's technical assistance programs, sponsors a large project design effort, manages Japan's version of the Peace Corps and also runs grant aid projects.
  - MOFA directs a number of grant aid programs itself.

### Joining the Process

Japanese law requires that requests for project loans, grants or technical assistance be initiated (formally, at least) by the prospective recipients themselves. Requests are reviewed by the Tokyo aid agencies. If approved and financing is offered, the recipient government bears responsibility for organizing competitive bidding on project contracts.

- It is therefore essential to plug in to key officials in both Tokyo and the aid recipient country's capital. Both, ideally, should be made aware of your firm's interest in bidding on Japanese-funded aid projects. Close coordination among a firm's U.S. headquarters, its Tokyo office and regional offices in LDC's will be required here.
- Bear in mind also that:
  - Japanese engineering and consulting firms often receive the initial design contracts and hence write the specifications for the construction phases of a project.
  - Japanese trading companies often play a lead role in identifying potential aid projects and organizing consortia to equip them.

#### Other Tips

In countries where most projects are open only to Japanese firms or companies from LDCs (so-called LDC-untied projects), U.S. companies will need to form joint ventures with LDC or Japanese firms to secure access to project tenders. A number of Japanese firms, particularly in the architecture and engineering sector, are actively looking for American joint venture partners.

American embassies (economic and commercial sections) and especially missions of the U.S. Agency for International Development can be valuable sources of information on local Japanese aid plans, though USAID officials' main responsibility is of course to administer U.S. aid efforts. JICA and OECF also have offices in many LDC capitals; these are not always connected to Japanese embassies. Economic officers in Japanese embassies in developing countries can also be useful sources of information on specific aid projects. Japan's Foreign Ministry says that it and other Tokyo aid agencies welcome inquiries from American businesses seeking information on specific projects.

#### In Conclusion

There is probably no substitute for a patient, multi-pronged approach to realizing business opportunities inherent in the expansion of Japanese foreign aid efforts. But challenges abound in doing any type of business overseas. The good news is that, with a new competitive environment, opportunities in the Japanese aid program deserve re-examination by American companies.

OPENING STATEMENT

AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON, D.C. 20523

May 9, 1989

THE ADMINISTRATOR

Dear Participant:

It is a pleasure to welcome you to "Japan's Development Financing: Opportunities for U.S. Business," sponsored by the Agency for International Development. The conference offers a great opportunity for U.S. firms to hear first hand about the trends and changes in the growing Japanese foreign aid program, and prospects for American involvement.

Former Ambassador Mike Mansfield wrote recently, "cooperation between the United States and Japan, as the two largest economic powers in the world and as two important democracies, is essential to address development and political problems around the world...these two countries by virtue of their economic strength will have to take a leading role along with like-minded states in creating and maintaining the kind of international environment that benefits everyone."

Private businesses in the United States and Japan have a crucial role to play in creating this environment and promoting a greater partnership in aid implementation. Your participation at this conference testifies to your interest in the developing world, and furthers our mutual goal of involving U.S. firms in encouraging economic growth in these countries. To achieve this in collaboration with Japan makes this conference particularly exciting and challenging.

My best wishes for a successful conference.

Sincerely,



Alan Woods

OVERVIEW OF JAPAN'S DEVELOPMENT ASSISTANCE

# JAPAN'S

OFFICIAL  
DEVELOPMENT  
ASSISTANCE



**1988**  
ANNUAL REPORT

Ministry of Foreign Affairs

## Executive Summary

Summary of the Overview Section (Chapter I) which represents general description of Japan's Development Aid is as follows:

### 1. Spectacular Growth of Japan's ODA

#### (1) 1987 was "Japan's year."

Japan's ODA in 1987 reached \$7.454 billion, rising 32.3% over the previous year in dollar terms and 13.5% in yen terms. Japan provided the second largest ODA in the world, next to the United States. It is expected to move into first place in the next year or so.

Japan's efforts to boost ODA are receiving international recognition. At the same time, expectations of Japan in this regard are growing steadily.

Japan's share in the total ODA provided by DAC member countries is growing, from 15.4% in 1986 to 18.1% in 1987.

Japan's share in the total resource flows from the world to developing countries (official development assistance, other government funds, and private-sector funds) has increased to 24.3% (\$20.46 billion) in 1987, which is estimated to be the highest in the world.

(2) Japan's economic cooperation exerts certain kind of influence on the economies of developing countries eventually.

The number of developing countries for which Japan is the largest donor rose from 6 in 1970 to 13 in 1975 and 25 in 1986.

(3) International expectations of Japan's assistance are growing

It is expected internationally that Japan plays more important role befitting its economic state, in the world economy.

### 2. Japan's Recent Main Policies in Aid and Establishment of the Fourth Medium-Term Target

#### (1) Japan's main aid policies implemented in recent years (1987-1988):

##### (a) Strengthening of support for LLDCs

- ▷ Implementation of program to provide around \$500 million in non-project grants
- ▷ Expansion of debt-relief grants measure
- ▷ Strengthening of assistance to LLDCs through international organizations

##### (b) Decision on fund-recycling measures amounting to more than \$200 million and steady implementation of the measures

##### (c) Qualitative improvement of aid

- ▷ Relaxation of conditions of ODA loans
- ▷ Further expansion of grants
- ▷ Diversification of aid

#### (2) Expansion of Japan's ODA through establishment of the Fourth Medium-Term Target

- ▷ Japan's total ODA disbursements in the five years from 1988 through 1992, to reach more than \$50 billion.
- ▷ Steady improvement of the ODA/GNP ratio
- ▷ Furtherance of grant aid and expansion of debt-relief measures toward LLDCs
- ▷ Promotion of the expansion of technical cooperation
- ▷ Further improvement of quality of the ODA loans

### 3. Basic Characteristics of Japan's Aid

- (1) Japan implements economic cooperation in accordance with the common international philosophy of aid, "Recognition of interdependency" and "humanitarian consideration."
- (2) Japan's aid stresses on "the development of developing countries" and "to support their self-help efforts."
- (3) Japan contributing to the world
  - As a major economic power and the world's leading creditor nation, Japan need to further contribute to the international community.
  - Aid is one of the most appropriate ways for Japan to contribute internationally.

### 4. Task of Japan's Aid

- (1) Expansion of ODA volume with steady improvement of the ODA/GNP ratio
- (2) Globalization of aid
  - Special attention to LLDCs, especially those in Africa
  - Contribution to solve problems requiring a global approach, such as prevention of environmental degradation
- (3) Better quality of aid
  - Aid that imposes less burden by such ways of raising the share of grants, and easing terms and condition of ODA loans
  - Assistance that is more open to the world (promotion of general untying of ODA loans)
  - Strengthening of aid evaluation activities
- (4) Implementation of comprehensive economic cooperation
  - Enhancement of private resources flow
  - Strengthening of links with NGO activities
- (5) Positive contribution to the economic policies of developing countries
  - Advice on macroeconomic policies of developing countries
  - Strengthening of policy dialogue with developing countries on the basis of adequate surveys and analyses of their economic and social conditions
- (6) Aid flexibility
  - Promptness of aid, centered on non-project assistance
  - "Offer method" for presenting a menu of possible aid programs
- (7) Improvement of aid administrative structure
  - Improvement of the aid implementing system
  - Training and ensuring necessary number of capable personnels
  - Utilization of private-sector
  - Fostering of development economists and specialists with extensive knowledge and skills of aid

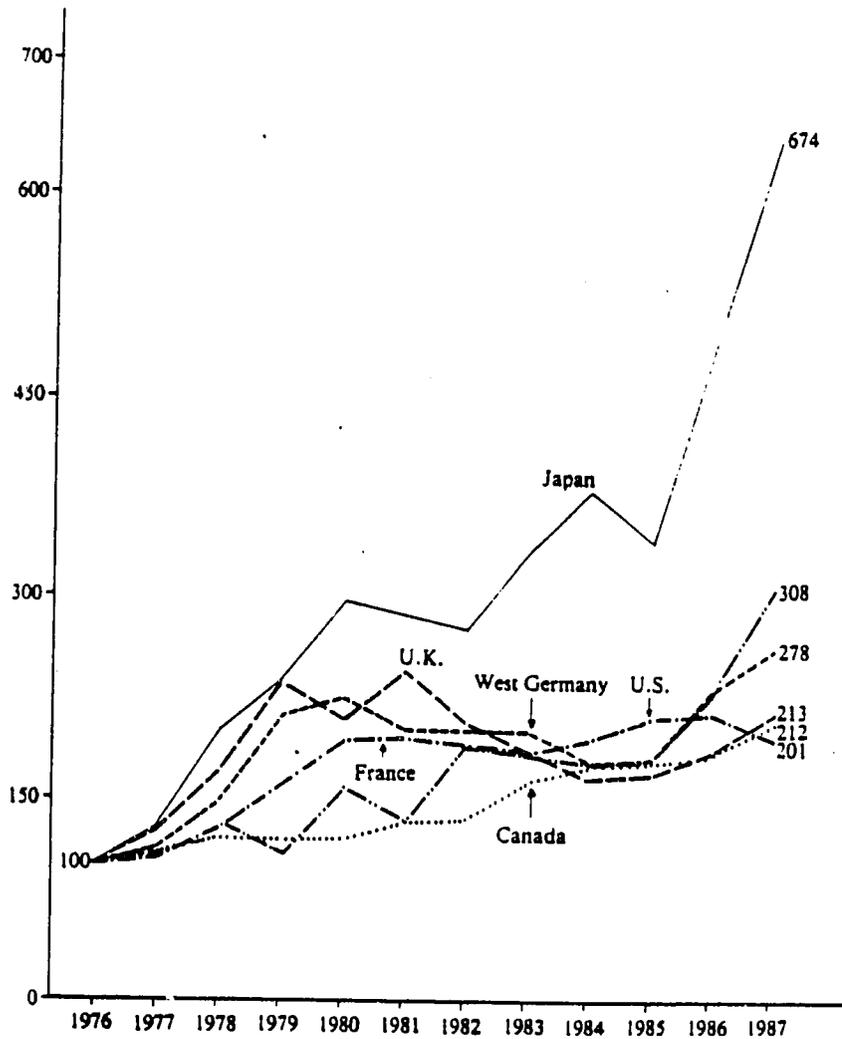
# I. Overview

## 1. Japan's Development Aid — The Domestic and International Environment

### (1) Introduction

In his annual report on the development aid achievements of major donor countries, the chairman of the DAC (Development Assistance Committee of OECD) referred to 1986 as "the year of Italy", thus praising the country's ODA (Official Development Assistance) performance which recorded in 1986 in real terms (Note) a 59.2% leap from the preceding year. In 1987, Japan's ODA showed such a sharp increase (by 32.3% in nominal terms or by 13.5% in real terms) that 1987 might as well be called "the year of Japan" after Italy's

**Chart I-1-1 The Transition of ODA (Index) of Major DAC Countries**



Indexed with 1976 as 100.

(Note) Amount is in U.S. Dollars, adjusted by taking into account the change of exchange rates and prices of goods and services.

10'

precedence.

In recent years, Japan has been making determined effort to increase its ODA by defining that contribution through ODA is one of the most important means of playing a larger role in the global community. As for the budget, successive "Medium-Term Targets" for ODA have been set thus far despite the severe fiscal constraints. Actually the ODA account of the national budget has shown a higher growth rate than any other items.

As a result of these efforts, Japan's ODA has been increasing more rapidly than those of any other Western countries and Japan has established its position as one of the largest donors. In particular, the increase in ODA volume in the last few years is conspicuous (chart I-1-1). Following an increase of 48.4% in 1986 over the previous year, Japan's ODA rose to \$7.454 billion in 1987, a sharp increase by 32.3% over 1986. Much of this sharp increase in the volume of Japanese ODA can, to a large extent, be attributed to the rapid rise of the Yen since September 1985. Nonetheless the Yen figure also recorded remarkable increases of 4.8% in 1986 over 1985 and 13.5% (the largest increase so far) in 1987 over 1986. Consequently, Japan's share in the total volume of ODA contributed by DAC countries increased sharply from 15.4% in 1986 to 18.1% in 1987. The ratio of Japan's ODA to its GNP was also improved from 0.29% in 1986 to 0.31% in 1987, thus raising its rank among the DAC countries to the 12th in 1987 from the 14th in 1986. The ODA/GNP ratio of Japan has now exceeded those of the U.S. and the United Kingdom among the Summit countries.

Accordingly, Japan ranks the second behind only the United States in ODA volume in 1986 and 1987 with the difference between the two countries' ODA volume shrinking from \$3.93 to \$1.32 billion. As for the budget, the total ODA budget in FY1988 is about \$10 billion. Although simple comparison might be difficult to make because of the difference in the budgetary systems, Japan's ODA budget in FY1988 exceeds the \$8.7 billion of the United States ODA budget in FY1988/89. It appears that Japan will become the world largest ODA donor in terms of ODA disbursement in the not to distant future. It was also predicted on the basis of these facts in the Joint Aid Review of the DAC made in June 1988 that Japan will be the largest ODA donor in the next one or two years.

In recent years, the overall ODA performance of the other DAC countries has stagnated due to budget constraints (the ODA amount of the DAC countries in real terms declined in 1987 by 2% over 1986 and the ODA/GNP ratio dropped from 0.35% to 0.34%). Especially the United States, which, as the world largest donor, has always played the lead role in tackling development problems and in formulating the international framework for aid, is compelled to cut back its aid budget and personnel. (In 1987, ODA decreased by about \$800 million, 11% in real terms, from the preceding year and the ODA/GNP ratio recorded a sharp decline from 0.23% to 0.20%). Under these circumstances, Japan's efforts to expand ODA are highly acknowledged internationally and at the same time the expectations of both donor and recipient countries vis-à-vis Japan have been ever increasing.

As for the recent economic conditions of developing countries, the Least-Developed Countries (LLDCs) such as those of Africa suffer deeply from increased economic difficulties caused by the vulnerability of their economic structures. On the other hand, many middle- and low-income countries in Asia and Central and South America face increasingly serious accumulated debt problems following the failure of some of their development strategies in the 1970's and in the subsequent changing international environment. In the last several years, the total resources flow from the developing countries to the developed countries is reportedly exceeding the total of the long-term private flow and the official resource flow excluding grants from the developed to the developing countries (about \$30.7 billion in 1986) and to make adjustment to this "backward flow" is an important task from the viewpoint of aiming at the sound development of the international economy. The Ministerial-

Level Council of the OECD in June 1988 also called on donors to increase resources flow including ODA to developing nations. Expanding ODA while emphasizing on the LLDCs is regarded as a particularly major task. It is in this context that Japan is asked to play a more active role as one of the leading aid donors. In order to respond to these expectations, Japan announced the expansion of ODA as one of the three pillars of "the International Cooperation Initiative" which Prime Minister Takeshita proposed on his visit to Europe in May 1988 and set, as a concrete measure, the Fourth Medium-Term Target on the occasion of the Toronto Summit in June, which aims at increasing the total amount of ODA to more than \$50 billion over a five year period.

On the other hand, it should be fully born in mind that the role as one of the leading donor countries will not be played by the quantitative expansion of ODA alone. Coordination and cooperation with other donors, international financial institutions such as the World Bank, the Asian Development Bank, and UN organizations (such as UNDP and WHO) as well as creating policy dialogues with recipient countries are required to ensure that the resources to be extended flow in a harmonious way to the areas and the projects truly needed by the recipient countries and that such resources be used in a proper and efficient manner. As it relates to the content of aid, positive contribution is to be made for such sectors as would require some response on a global scale, for instance environmental problems, wide-ranging and appropriate cooperation should be extended by supporting the activities of the NGOs. It will be all the more important for Japan to take more positive initiatives in these areas and to accumulate accomplishment and experiences. There is no denying that so far Japan, as a late-comer in aid, has tended to give priorities in the quantitative terms in order to catch up with other donors, but mere continuation of the past policy of quantitative expansion is clearly insufficient. Instead, new ideas and concepts for the future aid are most required.

In 1987 and the first half of 1988, some new initiatives were undertaken in the deployment of Japan's aid policy. This shows that Japan, recognizing its expanding role, has started preparing for a new deployment on the basis of the self-consciousness as a leading country in aid. In this sense, Japan is now in a transitional period in playing a more positive international role through aid and has begun to take new steps in this direction.

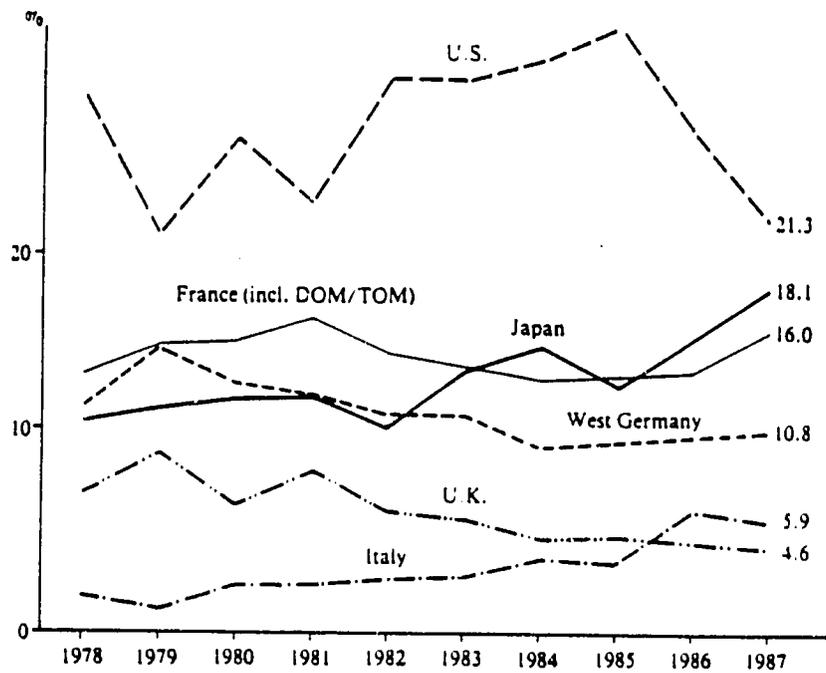
But there still remains a number of unsolved problems. It can be argued that the recent rapid expansion of Japan's ODA is attributed, to a greater extent, to the sharp appreciation of the Yen and the amount in Yen terms only recovered the level of 1984 when an increase was recorded because of the timing of the payments to international organizations. Japan's share of the total ODA of the DAC countries is 18% which is still below 20%, its share in GNP of these countries. Japan's ODA/GNP ratio increased to 0.31% in 1987, but has not regained 0.34% once achieved in 1984. It is not only far below the international goal of 0.7% (Note 1), but also still below the DAC average of 0.34%. For the Grant Element (Note 2) and the percentage of grants (Note 3) which are used as indices to measure the quality of aid,

(Note 1) The goal of 0.7% was set for the first time in "the International Development Strategy (IDS) for the 1970's" adopted in the UN General Assembly in 1970 and was also included in "the IDS for the 1980's" adopted at the same forum in 1980. It said that the developed countries which have not attained the ODA/GNP ratio of 0.7% should make the best efforts to achieve 0.7% by 1985, or at the latest by the end of the 1980's, and should thereafter achieve the goal of 1.0% as soon as possible. Japan reserved its position on the specific time limit of 1985 for achieving 0.7% ratio and on the goal of 1.0%.

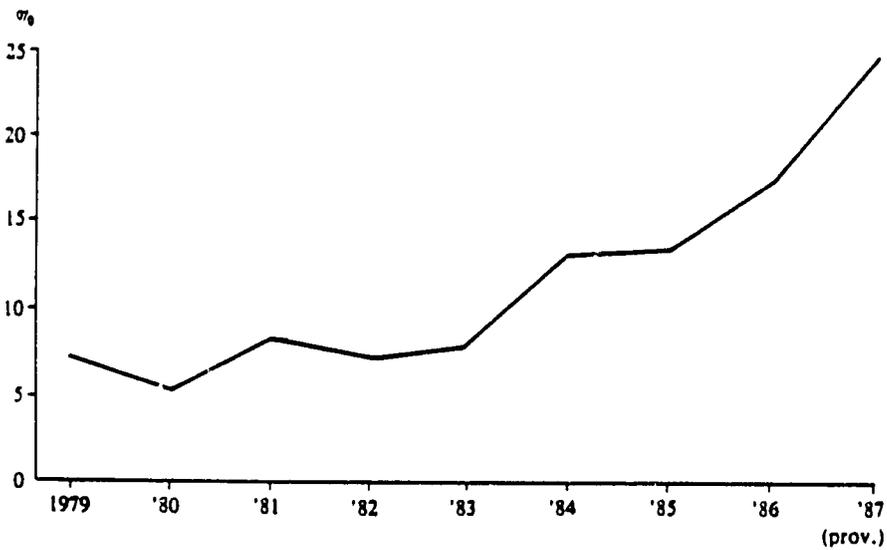
(Note 2) An index of financial terms of capital assistance. The grant element of a loan on a commercial basis (10% interest rate) is 0%, and as the terms (interest rate, repayment period, grace period) are adjusted, the G.E. figure is higher, reaching 100% in the case of a grant.

(Note 3) The share of grants (capital grant assistance, technical cooperation and capital subscriptions and contributions to international organizations) in the total ODA.

**Chart I-1-2 The Transition of ODA (Share) of Major DAC Countries**



**Chart I-1-3 The Share of Japan's Total Resource Flows to Developing Countries in the Worldwide Total**



Japan is nearly the lowest among the DAC countries in spite of a gradual improvement. In fact, Japan has frequently been criticized on these points.

It should also be remembered that, while the expansion of Japan's ODA which is more conspicuous than that of the other countries is internationally highly appreciated, it has also drawn closer scrutiny. It is, therefore, becoming increasingly important to ensure smooth coordination with other donors and international organizations in order to avoid "aid frictions". Japan must endeavor to tackle these problem as quickly as possible.

## (2) The International Circumstances Surrounding Japan's Aid

### A. The Growing Importance of Japan's Economic Cooperation

Japan has thus far given a special policy consideration to the expansion of aid and the performance of Japan's aid has shown a remarkable increase, compared with the stagnant performance in general of the other main donor countries. As a result, the ratio of Japan's ODA in the total volume of the DAC has increased steadily: from 12.9% in 1985 to 15.4% in 1986, to 18.1% in 1987. That is to say, while efforts have been made to increase the aid volume of the DAC countries as a whole, the role of Japan's ODA has become all the more important.

At the same time, Japan's multilateral assistance through international organizations has steadily expanded, and as a result the ratio of Japan's multilateral assistance in the total multilateral assistance of all the DAC countries has shown rapid growth: from an average of 9.0% in 1975-76 to 20.4% for 1985-86.

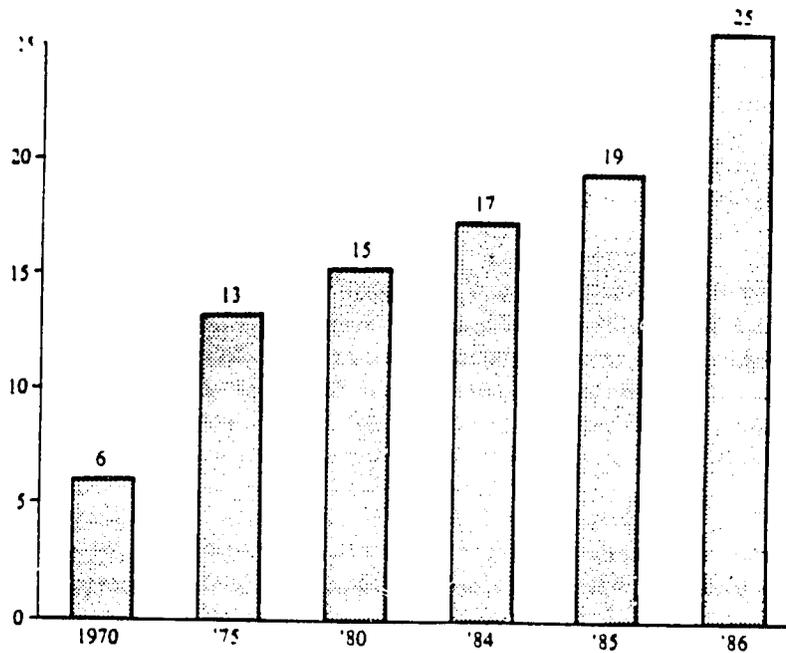
In terms of the total volume of resources flow to developing countries, including the private sector as well as ODA and Other Official Flows, Japan's position is even more important. In 1987, Japan's share was approximately 24% of the total resources flow from all over the world to developing countries. The economies of the developing countries have aggravated due to the serious accumulated debt problems against the background of the deteriorated terms of trade caused by the stagnant prices of primary commodities. Consequently, the resources flow to the developing countries has decreased and maldistribution of resources has become conspicuous. This situation has brought forth great hindrance for the healthy development of the world economy. Under these circumstances, resources flow from Japan, both official and private including ODA, has already accounted for a substantial portion in the world and has given a great impact on the global trend of aid and also on the healthy development of the world economy. Thus, it is now a crucial factor for determining the development of the world economy. Therefore, it is of great importance to expand ODA and to take various leadership for the expansion of aid of the world as a whole. At the same time, policy measures should be taken to ensure smooth flow of private funds to developing countries. From this standpoint, it is significant that in May 1987 as part of the Emergency Economic Measures, measures were taken to recycle the public and private funds amounting to \$20 billion for the next three years to developing countries on a completely untied basis.

### B. The Great Influence of Japan's Economic Assistance on the Economies of Developing Countries

As a result of the growth of Japan's aid on such a large scale, Japan's aid accounted for 10-20% of the annual national expenditures for some recipient countries. That is to say, Japan's aid has begun to exert great influence on the economies of many developing countries.

As is shown in Chart I-1-4, the number of countries for which Japan is the largest donor

**Chart I-1-4 The Number of Countries for which Japan is the Largest Donor Nation**



country is steadily increasing: from 6 countries in 1970 to 13 countries in 1975, to 15 countries in 1980, to 25 countries in 1986. The number of countries, especially Asian countries, which seek Japan's economic assistance in pursuing development under severe economic conditions, has been increasing recently. This is partly because they cannot expect increased aid from other donor nations. After all, this reflects a growing expectation for the expansion of Japan's aid. For example, in FY1987, Japan extended ODA loans of more than ¥120 billion exceeding by far that of the previous year for the Philippines, which has been tackling the problem of economic reconstruction since President Aquino came into power. In the case of Indonesia, which is now facing serious problems such as a shortage of development funds and accumulated debt problem stemming from the declined oil prices, Japan pledged to extend large-scale economic cooperation amounting to \$2.3 billion including the Export-Import Bank loans at the IGGI meeting held in June 1988, in total response to the strong requests made by Indonesia.

Furthermore, from the viewpoint of making contribution to the modernization of China as much as possible, Japan has extended active cooperation to China. For example, when Prime Minister Takeshita visited China in August 1988, he announced the policy of extending the third yen loan to China amounting to ¥810 billion.

These are a few examples of the active aid policy of Japan in response to the expectations of neighboring countries in Asia.

Japan's posture to extend active cooperation to countries suffering from economic difficulties has been highly appreciated. At the same time, however, this means that a situation is arising where Japan's aid has become an essential part of the development plan in many

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countries and without the smooth flow of assistance funds from Japan, implementation of the development plan will be hampered.

Such a situation will bring forth development of further close bilateral relations in the deepening economic cooperation relationships, and at the same time it accompanies greater responsibility.

### C. Increased Expectations of the International Community Regarding Expansion of Japan's Aid

Japan's GNP now accounts for more than 10% of the world GNP and its current account surplus has reached \$87 billion (1987). It is, therefore, taken for granted both at home and abroad that Japan should play international roles commensurate with its national power.

International roles to be played by a country have various forms such as contributions to international peace, to healthy development of the world economy, and contributions in the cultural fields. As for Japan, it is often internationally stressed that, as its role in the military and security fields has its own limitations, Japan as an economic power should make proper contribution in other fields such as the economic field, inter alia, greater contribution should be made in the field of aid to the developing countries.

Results of the public-opinion polls concerning Japan made in the U.S.A. and in European countries show that there are exceedingly more views that "Japan is not playing an international role commensurate with its economic power" than those in the opposite. These results need close attention, as these opinions are in many cases based on misunderstanding or lack of understanding. It is, therefore, necessary to correct these views by appropriate public relations activities. In the international arena, however, it is taken for granted for each nation to play a role commensurate with its economic or national power. It should be born in mind that many people in the developed countries consider that Japan is not necessarily carrying out its full role commensurate with its economic power.

Burden-sharing is very much a part of Japan's lexicon. While the increase in the general expenditure had been held down at around 1% under the stringent budgetary situation since FY1982, the ODA budget has increased by 60% since FY1982 exceeding that of the defense budget. As seen in the above example, Japan has made assiduous efforts to fulfill its responsibilities above all through the expansion of ODA. (Chart I-1-5) However, it can not be denied that Japan's international burden-sharing has not in some respect fully caught up with the speed of its economic development. Therefore, Japan is often urged to make further international contribution by expanding its aid.

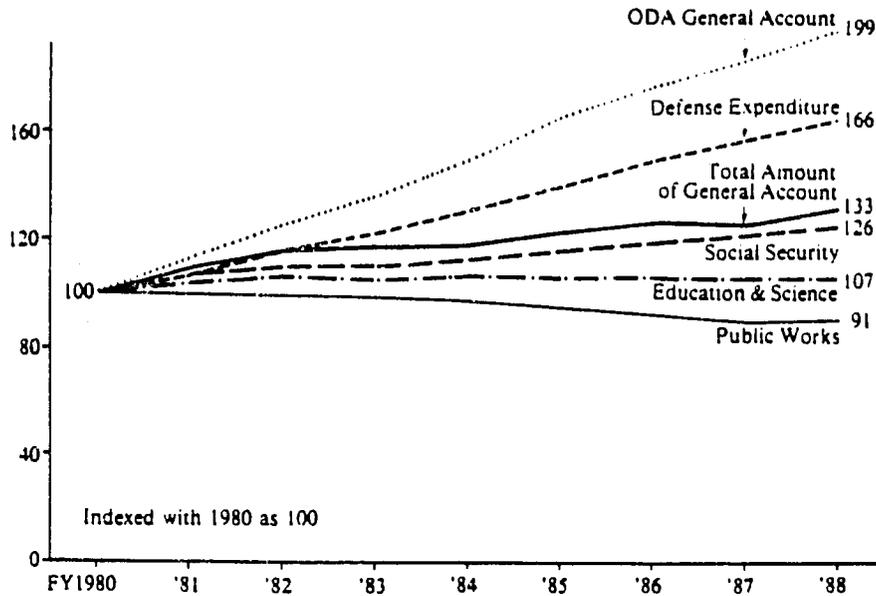
Furthermore, in implementing its aid, each donor nation has begun to demonstrate its stance to have consultations as much as possible and coordinate with Japan if possible. The above stance can be considered as an expression of expectations towards Japan's aid.

While the U.S. is expected to continue sharing large burdens in the international society despite its relatively weakening economic strength, other western nations, especially Japan are expected to make further international contributions. The U.S. Government has often expressed the view that Japan should contribute to global peace and stability by expanding its economic assistance. The U.S. Senate adopted a resolution in the autumn of 1987, which urged Japan to raise the ratio of ODA to GNP to approximately 3% by 1992. Regarding this resolution, it has to be pointed out that remarkable improvement in the ratio of ODA to GNP is unattainable (Note) at least for the time being. However, it should be born in mind

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(Note) The total ODA of the DAC countries in 1987 (US\$41.2 billion) accounts for 1.7% of Japan's GNP. Raising the ODA/GNP ratio to 3% means that Japan alone will disburse nearly twice as much as the total ODA of the DAC countries in 1987.

Chart I-1-5 The Transition of ODA Budget and Others (Index)



that appeals for burden-sharing will become stronger.

(3) Current Measures of Japan's ODA and the Establishment of the Fourth Medium-Term Target

The Japanese Government adopted various policy measures in 1987 and 1988 and established the Fourth Medium-Term Target in June 1988 which was officially announced in the Toronto Summit Meeting. Here, after summarizing current policy measures, we will examine content of the Fourth Medium-Term Target.

A. Current Policy Measures of Japan's ODA

(a) Expansion of aid for LLDCs

In recent years, many developing countries, especially LLDCs, have been suffering from worsening economic difficulties. In the first half of the 1980's, the GDP per capita of more than half the LLDCs decreased and in 1985 the GDP per capita of these countries was only equal to 2 percent of that in developed countries. Recently, LLDCs, especially Sub-Saharan African countries, are facing serious economic difficulties such as declined agricultural production due to natural calamities, decreased GDP, decreased export caused by falling primary product prices, subsequent balance of payment difficulties and accumulated debt problems. Taking into account the vulnerability of their economic and social structure, international discussions on the strengthening of aid for LLDCs have intensified. Also, from a humanitarian point of view, there is a strong appeal for aid more concentrated on these countries. In response, "The Substantial New Program of Action for the 1980s for the Least Developed Countries" (SNPA) was adopted at the U.N. Assembly in 1981 and in a final document from UNCTAD VII in 1987 the importance of strengthening the assistance for LLDCs, especially in the form of grants, was stressed.

With regard to the accumulated debt problem of LLDCs, even though the total external debt does not occupy a large share for developing countries, it has become an extremely serious problem for countries with small economies. In 1987, the debt problem of Sub Saharan African countries attracted the attention of international society, and various measures to rectify this situation has been discussed. In international fora such as DAC, the appeal for increasing aid, especially in the form of grants, has been termed the public consensus of global society.

To respond to international demands for expanding assistance to LLDCs, Japan has been strengthening its ODA activities for these countries and steadily increased the share of bilateral ODA, 11.5% (\$278 million) in 1984, 12.7% (\$325 million) in 1985, 15.0% (\$578 million) in 1986 and 18.8% (\$988 million) in 1987. Also important was the Emergency Economic Measures announced in May 1987. This initiative entailed an expansion of grants and debt relief including non-project-type grant assistance amounting to \$500 million over three years.

Non-project-type grant assistance is intended to support payment of imported commodities urgently needed for promoting economic structural adjustment policies by countries facing economic difficulties such as accumulated debt problems and worsening balance of payments.

This non-project-type grant assistance was first introduced to Japan's ODA system in FY 1987. It was highly welcomed by developing countries as assistance which would have direct and prompt effect to get out of their economic crises, and was also appreciated by industrialized countries.

In FY 1987 ¥22.1 billion was earmarked for non-project-type grant assistance for 11 African countries. This new aid program has had a good start.

As far as accumulated LLDC debt issues are concerned, many creditor countries have been canceling ODA loan debt or have introduced policies to extend only grants to LLDCs from 1978, in line with Resolution 165 of the 3rd term of the ninth Special Trade and Development Board (TDB) of UNCTAD held in March 1978.

In the case of Japan, as the relevant law does not permit the cancellation of ODA loan debt so, as a similar measure, Japan has been providing cash grant assistance which is equivalent to the aggregate amount principal and interest of ODA loans for LLDCs signed before March 1978.

Furthermore, as the debt problem of LLDCs has exacerbated in the last few years rather than being improved and internationally there is a strong appeal for expanding support measures, Japan decided to expand debt relief aid to LLDCs in the Fourth Medium-Term Target announced in June 1988. More concretely, these measures for LLDCs will also be applied to the debt burden based on the ODA loans signed between FY 1978 and FY 1987.

Apart from these measures, when reduction of interest rates for ODA loans was decided in April 1988, it was also decided to adjust substantially the terms and conditions of newly committed ODA loans for LLDCs. In the Forth Medium-Term Target, the expansion of grant assistance to LLDCs was clarified.

Lastly, Japan intends to strengthen aid for LLDCs by expanding multilateral cooperation. Japan announced the subscription of 300 million SDR (\$400 million approximately) and the extension of through the Export-Import Bank credits amounting to 2.2 billion SDR (\$3 billion approximately) for the Expanded Structural Adjustment Facility (ESAF) of IMF. Furthermore, Japan will extend ODA loans amounting to \$300 million as co-financing with the Structural Adjustment Loans of IDA to the Special Facility for Sub-Saharan Africa.

The debt problem of LLDCs was a major topic of discussion at the June 1988 Toronto Economic Summit and unprecedentedly heated discussions were conducted during the

meeting.

The announcement of the Japanese initiative was, accordingly, warmly received by the participants.

(b) Implementation of the recycling measure

Because total resource flows to developing countries have recently decreased, Japan realizes the importance of a comprehensive economic cooperation program that embraces both ODA and private flows. Consequently measures have been proposed to promote comprehensive economic cooperation, especially is vitalizing private-sector economic cooperation utilizing ODA as a catalyst. International expectations that Japan adopt measures to promote a comprehensive economic cooperation are increasing, with emphasis on recycling of its huge current account surplus to developing countries. In order to respond to such expectations, in the Emergency Economic Measures announced in May 1987, Japan decided to recycle in the next three years over \$20 billion in official and private funds on a completely untied basis, a very important initiative to materialize comprehensive economic cooperation, which was highly evaluated internationally.

These measures have been steadily implemented and \$13.81 billion (69% of total amount to be recycled) has been already disbursed as of July 1988. In implementing this program, special attention is being paid to middle income countries, especially those which are highly indebted in Latin America and Asia. With regard to Latin American countries, former Prime Minister Nakasone announced in September 1987 in Washington to step up cooperation with those countries, bearing in mind to recycle \$4 billion over the next three years out of the total \$12 billion to be recycled on a bilateral basis. Another component is the "ASEAN-Japan Fund" to which Japan would be extending no less than \$2 billion over three years mainly through the recycling measures to support development of the private sectors of these countries and the inter-regional economic cooperation of ASEAN. The establishment of this Fund was officially announced by Prime Minister Takeshita at the Japan-ASEAN Summit Meeting held in Manila in December 1987. Furthermore, in autumn of 1987 former Prime Minister Nakasone expressed his intention to extend economic assistance to China up to ¥100 billion, and in May 1988 Foreign Minister Uno announced more concrete measures for financial cooperation.

The recycling measure has thus far been smoothly implemented. This really proves the importance and effectiveness of comprehensive economic cooperation embracing ODA and the Private Flows which Japan has been advocating.

In implementing such recycling measures, the importance of ODA which plays the role of catalyst to expand total resources flow has been recognized again. It is noteworthy that many countries hope to receive bilateral ODA within the framework of the recycling measures.

(c) Enhancement of ODA quality

1) Adjusting the terms and conditions of ODA loans

Because of serious economic difficulties and worsening debt problems many recipient countries have requested adjustments in ODA loan conditionality. Even though a compromise was reached on the so-called "Mixed Credit Issue" in March 1987, international discussions continue aimed at improving the quality of ODA loans. In order to be responsive, the Japanese government deciding in April 1988 to lower the interest rate by an average of about 0.4% and to improve the terms and conditions of the consultant service portion of ODA loans. Interest rates were lowered by about 0.6% in January 1987 and in total this amounts to an about 1% interest rate reduction over two years.

**Table I-1-1 Tying Status of Major Donors' Bilateral ODA Loans**

(Gross Disbursement Basis, %)

|           | Tying Status     | 1983    | 1984    | 1985 | 1986 |
|-----------|------------------|---------|---------|------|------|
| Japan     | Untied           | 62.3    | 70.4    | 60.7 | 64.6 |
|           | Partially untied | 33.7    | 28.1    | 35.6 | 33.0 |
|           | Tied             | 4.0     | 1.7     | 3.7  | 2.4  |
| U.S.      | Untied           | 32.5    | 30.4    | 13.8 | 12.5 |
|           | Partially untied | 10.6    | 8.6     | 7.1  | 6.5  |
|           | Tied             | 56.9    | 61.0    | 79.1 | 81.0 |
| France    | Untied           | 27.6    | 42.6    | 39.0 | 43.5 |
|           | Partially untied | 31.2    | 24.5    | —    | 23.2 |
|           | Tied             | 41.2    | 32.9    | 61.0 | 33.3 |
| Germany   | Untied           | 74.3    | 80.0    | 69.2 | 71.0 |
|           | Partially untied | —       | —       | —    | —    |
|           | Tied             | 25.7    | 20.0    | 30.8 | 29.0 |
| Italy     | Untied           | 32.9    | —       | 3.1  | 2.4  |
|           | Partially untied | —       | —       | —    | —    |
|           | Tied             | 67.1    | 100.0   | 96.9 | 97.6 |
| U.K.      | Untied           | 30.6    | 31.8    | 30.7 | 42.9 |
|           | Partially untied | 2.0     | 5.8     | —    | —    |
|           | Tied             | 67.4    | 62.4    | 69.3 | 57.1 |
| Canada    | Untied           | —       | —       | —    | —    |
|           | Partially untied | —       | —       | n.a. | n.a. |
|           | Tied             | (100.0) | (100.0) | —    | —    |
| Total DAC | Untied           | 46.9    | 52.1    | —    | —    |
|           | Partially untied | 18.3    | 15.4    | n.a. | n.a. |
|           | Tied             | 34.8    | 32.5    | —    | —    |

(DAC reports)

As a result, the interest rate of ODA loans has been reduced a level almost equal to the average interest rate of ODA loans of all DAC countries in 1986.

ODA loans are expected to clarify the qualitative difference compared with private funds because of the recent worldwide decline of interest rate. In this connection, the substantial easing of the terms of ODA loans in a short period was timely and has been evaluated internationally. Japan has been promoting the untying of its ODA loans since the initial announced its policy objective of basic untying in 1978. As a result, its untying ratio of ODA loans is now very high, when compared with that of the United States and other major donor countries. There remains, however, deep-rooted suspicion that Japan's ODA loans are used to promote Japanese exports. In a series of measures aimed at adjusting the terms of ODA loans, the Government reconfirmed its intention of promoting further untying and started gradual introduction of general untying of the consultant service portion (or engineering service loans) which has remained altogether LDC untied. This was a really epoch-making measure to increase opportunities for Western consultant companies to participate in implementing Japan's ODA. As a result of these measures, quality improvement of ODA loans has been achieved.

2) Further expansion of grants (increase of grant aid and technical cooperation)

In the international community, ODA quality is judged by the share of grants and the grant element (G.E.). This is because the idea that grants should be the principal form of aid is now the basic trend internationally. On the other hand, Asian countries are the major reci-

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ipients of Japan's aid and ODA loans are the main form of Japanese aid. As a result, the share of grants and grant element are low.

Loan aid will continue to play an important role in development and the bulk of Japan's ODA will continue to be directed to ODA loans in order to respond the needs of middle income countries such as those which predominate Asia.

Taking into account, however, the international recognition that grants should be the principal form of aid and increased needs for grants, especially, directed to LLDCs, the Japanese government has been expanding grants. In the Fourth Medium-Term Target, this was particularly emphasized. Grant aid expansion has been steadily achieved by such important measures as the debt relief measure and non-project-type grant assistance amounting to \$500 million.

Moreover, with regard to technical cooperation, Japan has been making efforts to expand this form of aid *inter alia* through the acceptance of more trainees, dispatch of experts, assistance to foreign students.

### 3) Diversification of aid content

A number of LLDCs such as those in Sab Saharan Africa have been suffering from serious economic crises due to large-scale natural disasters causing problems such as famine, while "middle-income countries" such as Korea and Singapore have achieved rapid economic development in recent years with a level of per capita national income approaching that of developed countries. At the same time, there are other countries, such as those in Central and South America, where the standard of living cannot but decline because of their vast accumulated debt, inevitably creating diversified situations. It is no exaggeration to say that the greatest characteristic of the economies of developing countries today is their diversity. With a view to ensuring effective aid implementation in response to the different situations of each developing country, it is becoming all the more important to diversify as much as possible the forms and contents of aid and to combine them in a most appropriate manner during the process of concrete implementation of aid.

In Japan's bilateral aid, assistance has been extended in combination of the three forms: loan aid (ODA loans), grant aid and technical cooperation. More diversification and flexibility have been sought in terms of forms, contents and sectors in each aid program.

In recent years, the so-called non-project-type aid has drawn people's attention and has been continuously expanded. This non-project-type aid is to provide funds needed for the implementation of economic development plans rather than for specific projects such as construction of dams and roads. Under the current circumstances where developing countries face various serious economic problems such as accumulated debt, it is becoming particularly important for these countries to implement growth oriented development programs while promoting reform of their economic structures.

To this end, there are strong needs from developing countries for non-project-type aid which will have an immediate effect to their balance of payments difficulties and budgetary constraints, rather than implementing new projects. The international financial institutions, such as the World Bank and the IDA, and the other major donor countries also attach increased importance to non-project aid to support the improvement of the economic structure of developing countries on condition that concrete measures be adopted for reforming their economic structures. Stress on this type of aid is becoming a main stream in the international aid community.

Traditionally, Japan has stressed project-based aid in order to promote the economic and social infrastructure of developing countries. Recently, however, Japan has also been expanding non-project aid in response to its increasing need in developing countries. In May 1987, the Emergency Economic Measures were announced stipulating that ODA loans would

be utilized for recycling measures amounting to over \$20 billion in support of developing countries' economic policies and to extend co-financing with international financial institutions. In addition \$500 million in non-project type grant assistance over a three-year period to the Least Developed Countries, principally in Africa, will be implemented. Taking some examples of ODA loans recently extended to Asian countries from this point of view, in the 14th ODA loan package to the Philippines (E/N signed in December 1987), ¥30 billion out of the total ¥80.208 billion ODA loan package was extended in the form of commodity loan to support structural adjustment measures such as trade liberalization, tax and public works reform. As for Indonesia, Japan decided to provide quick-disbursing non-project type loan assistance amounting to \$2.3 billion in which \$2 billion would be newly extended in FY1988 (ODA loan \$1.4 billion, Ex-Im bank untied loan \$0.6 billion), in order to cope with balance of payments difficulties and budget constraints caused by the recent decline of oil prices.

When international financial institutions such as the World Bank extend non-project type assistance, funds are provided on the condition that recipients implement structural adjustment policies (i.e. imposing conditionality). However, when non-project type ODA loans are extended to support the economic policies of the developing countries, there are some limitations in imposing certain policy measures or bilaterally attaching conditionality to recipient countries. Instead, Japan has been extending non-project type assistance, taking fully into account the policies of international financial institutions in order to support the self-help efforts of developing countries and encourage continuous implementation of thoroughly evaluated adjustment policies.

In the field of technical cooperation, in order to respond to the diversification and upgrading of the aid needs of developing countries, Japan has started dispatching experts and accepting trainees, making full use of the private sector. This will allow useful technology accumulated in private companies to be transferred to developing countries. Scientific technical cooperation has been implemented with ASEAN countries in the field of biotechnology, material science, and micro-electronics. Linkage with local governments and NGOs has also been strengthened. In addition to those measures, Japan has been steadily developing a more comprehensive system for sending international relief teams in the case of natural disasters and other emergencies which occur in developing countries and areas, and in August 1987 a law concerning the dispatch of the international emergency relief team was enacted.

As a result of these efforts, 19 international emergency relief teams have been dispatched as of August 1988 for conducting rescue activities in areas stricken by large-scale disasters such as earthquakes and typhoons.

There is an increasingly strong appeal internationally for strengthening world-wide cooperation activities in the field of environmental problems, such as deforestation, desertification, acid rain, extinction of endangered species and urban environment deterioration. These problems have become more critical in recent years especially in developing countries. Taking fully into account the growing significance of environmental issues, Japan has been steadily expanding environmental protection cooperation. In June 1988, an "Aid Study Group on Environment" was established in JICA with the participation of experts on environmental issues and the Group has started studies, in cooperation with other ministries and agencies, on the expansion and improvement of environment-related projects.

#### B. Expansion of Japan's ODA under the Fourth Medium-Term Target

(a) Japan has set four Medium-Term Targets since 1978 and has been working for the planned expansion of ODA. The Third Medium-Term Target set forth in September 1985 was to aim at increasing the total amount of ODA during the period of 1986 through 1992 to more

than \$40 billion, and at doubling the amount of ODA in 1992 compared with that of 1985. However, given the rapid appreciation of the yen as well as continuous efforts to expand the ODA budget, this target will be achieved in a much shorter period of time than scheduled. In this situation, in the Emergency Economic Measures announced in May 1987, Japan decided, as a positive contribution to the international community, to make efforts to move up the targets in the Third Medium-Term ODA expansion program by advancing the original seven-year doubling target by two years which will make ODA disbursements in 1990 more than \$7.6 billion.

In 1987, with the continued appreciation of the yen, ODA disbursement remarkably increased. As a result, the doubling target has been almost achieved (\$7.45 billion in 1987) in this year and it was expected that the Third Medium-Term Target would lose its significance as a medium-term ODA expansion program. Under these circumstances, based on the fundamental recognition that it is Japan's responsibility as a major industrialized democracy to contribute to a peaceful world order, Prime Minister Takeshita announced, in a speech made during his visit to London in May 1988, Japan's "International Cooperation Initiative". The initiative consists of the following three pillars: the strengthening of cooperation to achieve peace, the strengthening of international cultural exchange and the expansion of Japan's official development assistance. With regard to ODA, on the 14th of June 1988, just before the Toronto Economic Summit, the Government of Japan announced the Fourth Medium-Term Target in order to make a more significant contribution to the world through the expansion of its ODA.

(b) In the Fourth Medium-Term Target, with a view to raising the share of Japan's ODA as a total of the DAC members to the level which corresponds to the share of Japan's gross national products (GNP) in that of the DAC members, the Government of Japan will aim at increasing the aggregate amount of ODA during the period of 1988 to 1992 to more than \$50 billion, thus more than doubling the aggregate volume of ODA disbursed in the last five years (1983-1987).

In addition, the Government of Japan will continue its endeavor to steadily improve the ratio of its ODA to GNP. Through these measures, Japan aims at raising the ratio of its ODA to GNP virtually to the average level of those of other DAC countries. In the Target, Japan will also give due consideration to qualitative improvements of ODA by taking such measures as the further increasing grant aid to the least developed countries (LLDCs), expansion of debt relief measures to LLDCs, expansion of technical assistance through positive measures for overseas students, promotion of international cultural exchanges and strengthening cooperation with non-governmental organizations (NGOs), undertake measures to support the financial base of international organizations, improve terms of ODA loans and promote general untying. In addition, the strengthening of the ODA implementation system and coordination with private sector activities are explicitly mentioned in the Target.

As mentioned above, the Target is intended to demonstrate the future course of Japan which is becoming the largest donor country in the world, in promoting its aid policies both in terms of quantity and quality based on the various policy measures already implemented. These proposals were favorably received at the Toronto Summit held in June 1988, and interpreted as a manifestation of Japan's positive attitude. It is also expected that consistent efforts be made to achieve the objectives set forth in the Target.

## 2. Basic Characteristics and Problems of Japan's Aid

As has been explained in the previous chapter, Japan has already become one of the largest donor countries as a result of its past efforts to expand ODA. The Fourth Medium-Term Target declares that Japan will double its volume of ODA and further enhance the quality of aid.

It is expected that Japan will become the largest donor country in the world. Under this situation, it is necessary to fully recognize the reality of Japan's aid which has become so large and consider the direction Japan's aid should take from now on. This chapter will examine the development of Japan's aid and its basic characteristics as well as the objectives and problems of Japan's future aid.

### (1) Development of Japan's Aid and Its Basic Characteristics

(a) It is meaningful to review briefly the origin of Japan's aid and its development in order to consider its future direction.

Historically, Japan's assistance was started with the implementation of technical cooperation to South East Asian countries after its entry into the Colombo Plan in 1954 and by the extension of reparations to Burma in the same year. Private level economic cooperation had already been started as a form of "overseas investment" or "export credit", but in 1958, stemming from such private level economic cooperation, a Government sponsored ODA loan was extended to India for the first time. Subsequently, ODA loans evolved into a major pillar of Japan's aid. From the late 1950s to the 1960s, Japan entered a period of high economic growth. Promoting exports and procuring natural resources were of urgent necessity for Japan which was highly dependent on external economies due to the lack of natural resources, while originally aiming at the development of developing countries. It cannot be denied that reparations and ODA loans were consequently used for promoting exports or procuring national resources. Furthermore, Japan's aid was concentrated in Asian countries where Japan's economic ties were strong and the form of Japan's aid was mostly so called tied aid, while originally aiming at the development of developing countries.

(b) From the late 1960s and to the 1970s, Japan's aid expanded due to the smooth development of the economy and the strengthened relationship between Japan and developing countries. During this period, Japan's aid gradually began to change. This is because developing countries were expressing concern over Japan's economic penetration. This gave the impression that the Japanese Government and private sector were orchestrating such penetration. Industrialized countries also intensified their criticism of Japan linking trade with aid. It was therefore important for Japan to clarify its position to the world on the philosophy and the goal of its aid, whose volume was growing. Reflecting the emergence of many independent countries in Asia and Africa in the 1960s, various policies were set in the context of the "Decade of the United Nation's Development". In addition, discussions concerning the North-South Problem internationally intensified, for instance, through the submission of the "Pierson Report" (1969) and the "Tinbergen Report" (1970); consequently, it has become gradually recognized that the issue of Third World development should be promoted throughout world community. This concept, further stimulated by the "Brandt Committee" report in 1980, was increasingly accepted in the aid community as a common international rationale for the necessity of providing aid in recognition of interdependence and humanitarian concerns. "Recognition of interdependence" means that international economic problems cannot be resolved without the economic development of developing countries, based upon the realization that the North and the South are interdependent in one world economy. "Humanitarian consideration" means that rich countries ought to extend

aid to poor countries out of concern over their economic welfare.

At that time, in Japan, the Report of the Overseas Economic Cooperation Council in 1971 emphasized that it was an urgent matter that Japan promote overseas economic cooperation and establish a basic philosophy toward overseas economic cooperation in order to foster peace and prosperity in the international economic society through the common efforts of humankind to construct a more efficient global economy, coupled with the self-help efforts by developing countries.

Japan has thus begun to make its position clear to engage in the actual implementation of economic cooperation in accordance with the common international philosophy of aid. The enhancement of the quality of Japan's aid has also gradually increased. The untying of ODA loans which started in 1972 was followed by the establishment of a general untying policy in principle in 1978. These are conspicuous examples of Japan's efforts to improve the quality of its ODA.

(c) It is of course natural that Japan's aid shows, at the actual implementation stage, to a certain extent, its own characteristics because of the environment surrounding Japan. It is particularly worth noting that the concept of economic security had been emphasized in view of Japan's high external dependence on natural resources and the ratio of trade with developing countries. Thus the maintenance of friendly relationships with developing countries through aid and promotion of harmonious development of the North-South relationship have also been sought. Japan's vulnerability has been recognized since the 1970s. The two oil crises provided ample evidence of Japan's over dependence on external economies. This was complicated by the rise of nationalism in developing countries which possess an abundance of natural resources. Under these circumstances, Japan's aid to oil producing Middle East countries rapidly expanded (the share of the Middle East: 7.9% in 1976, 24.5% in 1977, 22.7% in 1978).

(d) Going into the 1980s, Japan began to demonstrate fairly strong economic performance, while other developed countries were still facing various problems such as low growth rate, inflation, and unemployment stemming from the oil crises of the 1970s. This has stimulated the rapid expansion of Japan's current account surplus since 1981. Under these circumstances, Japan decided to extend aid in a broader perspective. This was emphasized in a 1980 Report of the Overseas Economic Cooperation Council which stressed the following point:

"As the second largest economic power in the free world after the United States, Japan should engage in economic cooperation for the purpose of economic and social development and promote the welfare of developing countries commensurate with its economic power."

The concept of "responsibility as an economic power" became stronger in subsequent discussions on aid. As the current account surplus increased annually throughout the 1980s, the necessity of expanding Japan's aid as an international responsibility became fully realized as stipulated in the 1987 Report of the Overseas Economic Cooperation Council:

"The Japan's current account imbalance has had substantial influence on the world economy, and therefore, it is an important task for Japan to take the lead in the world to strengthen the support for the economic development of developing countries.

(e) Despite recognizing the universal concept of "interdependence" and "humanitarian considerations" as basic philosophy for aid, Japan has altered its approach in the actual implementation of aid in accordance with the changing environment. Throughout the history of Japan's aid program, there are two characteristics that have been fundamentally pursued as goals for aid and which Japan continues to respect in the future.

The first characteristic is that Japan's aid has been basically oriented toward development assistance. In other words, diplomatic considerations in promoting bilateral relation is

always given in implementing aid, and, in order to elevate the diplomatic effect, each aid project must contribute to the economic and social development of the recipient countries.

When compared with other countries, one of the purposes of U.S. foreign aid has been the enlightenment and dissemination to developing countries of its value system (freedom and democracy), while also aiming at the development of developing countries and placing emphasis on aid for Basic Human Needs (BHN). The United States, in addition to Development Assistance, extends "Economic Support Funds", which is a flexible fund which can disburse aid rapidly to countries that are vitally important to the United States. In short, the United States views diplomatic considerations as a higher priority in providing aid, while attaching importance to the needs of developing countries. This is clearly illustrated by the fact that about 40% of the U.S. aid is concentrated on Israel and Egypt. In the case of France, about one third of its aid (\$6.6 billion in 1987; net disbursement ODA) goes to its overseas territories, or a third to former colonies. As this figure shows, the relationship with former colonies is given much importance in implementing aid, and the dissemination of French culture and language is also an important point. As for other major donor countries, diplomatic considerations are emphasized, as a matter of course, in implementing aid, if not so clear as in the cases of the United States and France.

With regard to Japan's bilateral aid about two thirds (almost 100 % in the past) goes to Asian countries, where Japan has strong historical, political, and economic relationships. In implementing aid, diplomatic considerations are naturally factored in but in order to enhance the effect of promoting friendly relationships with recipient countries through aid, Japan makes it a prerequisite that aid meets genuine needs and appropriate projects for development are identified. Feasibility study surveys for each project are, therefore, conducted in a particularly careful manner.

Countries like Korea, Singapore and Thailand where Japan has so far extended substantial aid have increasingly demonstrated smooth development and are about to accomplish an economic take off. It is needless to say that this is the result of the tenacious self-help efforts of these countries, but there is no doubt that the build-up of the economic infrastructures, for instance, implemented by Japan's aid has greatly supported such self-help efforts.

The other characteristic of Japan's aid is that it is aimed at providing indirect support for the self-help efforts of developing countries. It is fair to say that developing countries themselves are primarily responsible for their own development, and, therefore, donors should be extremely careful not to take actions which might be interpreted as intervening into their domestic affairs. Japan has attached particular importance to this point. This is partly because in the post war period Japan has tried to avoid exercising political influence in developing countries especially because of the unfortunate history of Japan's colonial management. Plus Japan itself was a developing country until recently. It can also be pointed out that Japan has fully realized the importance of self-help efforts from its own history of development after World War II. The Japanese way of extending aid is a little different from that of other donor countries like the United States and France which tend to try to influence the domestic economies and administrative policies of the recipient countries by sending their government officials to the departments concerned in the recipient countries in charge of development.

The principle of "request basis" is a vivid reflection of Japan's stance of paying respect to the self-help efforts of developing countries. In supporting the self-help efforts of the recipient country, the true style of extending Japan's aid is oriented toward assisting the particular projects under the development program planned by each developing country. In addition, ODA loans, which are an important part of Japan's aid system, also support the self-help efforts of developing countries by imposing repayment obligations.

(2) Increasing Importance of Contribution to the World through the Expansion of Aid  
(a) After 30 years of experience, Japan's aid is now facing a new turning point at the close of the 1980s and toward the upcoming 21st century. This is because of drastic changes in the environment surrounding Japan's aid.

It is well known that Japan, exceeding 10% of the world GNP, has become not only the second largest economy after the United States but also the largest creditor nation with more than \$87 billion (1987) in its current account surplus.

As Japan is expected to become the largest aid donor soon, it is obvious that Japan is expected more than before to take active initiatives and to play the role of leading other donor countries.

Japan has now become one of the richest countries in the world, after having achieved unprecedented rapid economic growth after World War II. The time has come for Japan to consider seriously how to utilize its national wealth (or national power) for the development of the international community and for the prosperity of the future generations in Japan.

Historically, leading powers have defined their respective international roles in each era commensurate with their national power. The United Kingdom once made its great contribution to the development of the world economy through the dissemination of the industrial revolution and the promotion of trade and commerce. The United States, with its immense national power after World War II, has contributed to the peace and the stability of the world in such fields as security, free trade, and international monetary order. Japan also hopes that it will be fairly evaluated by future historians in terms of playing its international role commensurate with its national power.

(b) Then, what is the appropriate contribution Japan should make internationally? Contribution to the international community should be not to just one field but to various. Considering the surrounding environment and Japan's capability, some contributions need to be stressed over others. And expansion of aid would be most appropriate from the following viewpoints.

1) Various international efforts have been made to tackle unresolved North-South issues; nonetheless, the economic conditions of some developing countries continue to deteriorate. This is particularly true for the LLDCs in Africa and in Southwest Asia. Japan must apply its economic strength to positive efforts aimed at solving the North-South problem. This would be highly evaluated and Japan would gain international respect.

2) Since Japan adopted a "peace" constitution after World War II, its primary contributions should be in non-military fields. Thus the expansion of economic aid has become an important part of Japan's foreign policy.

3) Furthermore, Japan has its own history of rapid development in an environment historically and culturally different from those in Western nations. The history of modernization in a non-Western environment, therefore, could be a model of economic development. Having such a history, Japan should, in response to the expectations of developing countries which are also in pursuit of their economic development, carry out cooperation to these countries. This is an extremely appropriate and fitting way of making an international contribution for Japan.

(c) What is the purpose of Japan's aid?

As already mentioned, Japan's aid is implemented based upon the recognition of interdependence and humanitarian considerations. The following should be further pointed out, taking into account the recent movements surrounding aid:

1) What Japan's aid seeks is to promote global economic growth through the economic development of developing countries. As already mentioned, one salient characteristic of Japan's official development assistance is that "development" is the main theme. This point should be fully taken into consideration in the future. Efforts should be made, based on the recognition of interdependence between the North and South, to narrow the gap between rich and poor by distributing resources from a global perspective to countries with increased needs.

2) Next, aid contributes to peace and stability in the international community. Playing a role commensurate with its expanded national power to ensure the world peace and the prosperity is increasingly important for Japan as major member of the industrialized world. As some of the causes of various disputes in developing regions are attributed to economic instability and difficulties including problems related to poverty, aid would consequently contribute to the world peace and stability. It is increasingly necessary to make an approach of selecting the regions and countries from the viewpoint of contributing to the peace and the stability of international society. Now that Japan's aid volume has reached such a magnitude, the diplomatic implications have increased more than ever. This point must be reaffirmed in the actual implementation of aid. There is an increasing necessity that Japan, as a responsible member of the advanced democracies, uphold firmly the basic position of its own judgement on how to contribute to the regional peace and stability, consequently to the peace and stability of the whole world, by utilizing its aid effectively from a wider point of view rather than only seeking the comprehensive security of Japan;

3) The alleviation of poverty in the 21st century is an important goal for aid implementation in such international fora as the World Bank and the DAC. Extension of more concessional aid, mostly grant aid, to poorer countries through strict application of the income level criteria is an example of one aspect of humanitarian consideration of Japan's aid. The larger the volume of aid becomes, the more the macro economic effect is noticeable. However, the aspect of "humanitarian considerations", which is the very basis of aid and easy to understand that "the richer help the poorer", must be reemphasized. Implementation of aid targeted to the LLDCs and LDCs is indispensable in alleviating the poverty in these countries. This is particularly important for Japan in pursuing, from a wider global perspective, aid which would be appreciated from the international society.

### (3) Task of Japan's Aid

Lastly, let us examine the task of Japan's aid.

#### A. Expansion of ODA Volume

A premise for positive contribution through aid to the global development is to ensure sufficient aid resources. In spite of the fact that many developing countries face inadequacies in this area, which constrains smooth economic development, the present flow of resources, including ODA, from developed to developing countries has declined or remained stagnant. That is why it is essential for Japan to take initiative in expanding the flow of resources, especially ODA. Japan is attempting to make international contributions commensurate with its national power.

Japan has sometimes been criticized its low percentage of ODA to GNP. However, the size of Japan's GNP, over ¥350 trillion, is so huge that improving of the ODA/GNP ratio is not an easy task. Furthermore, one can obviously argue that it is not necessarily appropriate to measure the degree of contribution of each donor country only by its ODA/GNP ratio

because such a method presents a too simplified picture of aid. However, the ODA/GNP ratio is an internationally recognized criterion for aid, and expansion of ODA volume will not be appreciated without improving the ODA/GNP ratio in today's international fora. Hence, as announced in the Fourth Medium-Term Target, Japan will steadily improve its ODA/GNP ratio.

On the other hand, as Japan can not solely bear the burden to meet the huge demand for resources in developing countries, it is also imperative for Japan to appeal for the expansion of ODA in other donor countries such as the United States. At this moment, among Western developed countries, an 'aid fatigue' phenomenon can be seen and doubtful eyes are now cast on the effect of aid; Japan, based upon its past experience on aid, is required to actively advocate in such fora as the United Nations and the OECD, the significance of the economic cooperation for developing countries. Japan must also propose the establishment of an international framework which will promote the smoother flow of aid resources from donor countries.

In this context, Japan is contributing to the activities of international aid organizations such as the World Bank, the IDA, the DAC/OECD and the UNDP in terms of their finance and personnel, and is taking initiative in the deliberations of these organizations. This could be one of the tasks to be tackled by Japan.

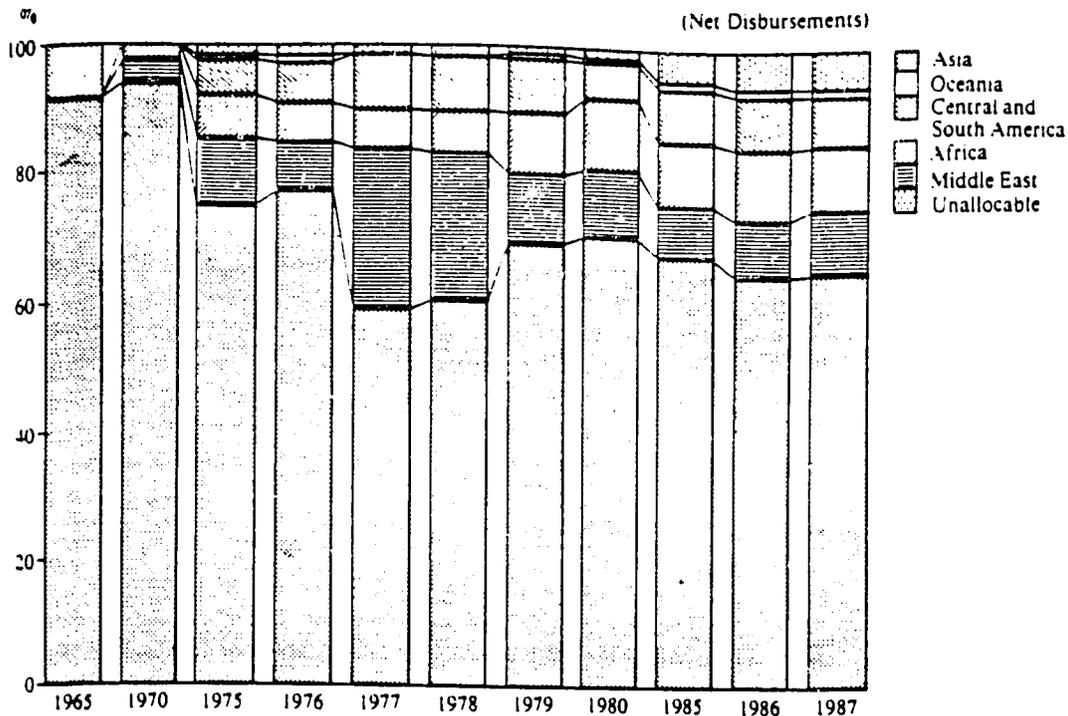
#### B. Aid Based Upon a Wider Perspective — Globalization of Aid —

Japan has placed a high priority on Asian countries, especially ASEAN, in allocating its bilateral aid. In the past nearly 100 percent of its bilateral aid was allocated to Asian countries. Recently, however, approximately two thirds of Japan's bilateral aid is extended to Asia, and in 1987 that share was about 65 percent. This is a reflex of geographic, historical and economic close relations between Japan and Asian countries and also a result of Japan's positive response, mainly in the form of ODA loans, to meet the huge financial needs of these countries. East Asia is a region which has achieved the most vigorous economic development in the world partly because of the effect of Japan's aid, and this can be internationally evaluated in terms of the positive role Japan's ODA has played. As aid strengthens bilateral relations it is quite natural that Japan should extend a great deal of its aid to countries with which Japan has maintained such close relations; nevertheless, now that Japan aims at achieving global development of the world economy through aid, it is not sufficient for Japan to concentrate its aid on the countries or regions with which Japan has strong interdependent relations. In this context, it is absolutely imperative to implement wide-ranging aid based upon a wider perspective. More concretely, it is important to review the allocation of aid, in consideration of which countries and regions are in need of grant aid, ODA loans or technical cooperation. Once seen from such a viewpoint, aid can expand to least developed countries such as in Africa.

With this background, Japan's aid to African countries has steadily expanded, reaching 9.8 percent of its total bilateral aid. Furthermore, the share of Japan's aid to Africa as a total of bilateral aid is expected to increase through such measures as non-project-type capital grant aid amounting to \$500 million in three years to African and other countries, implemented since FY1987, and expanded grant aid for debt relief to LLDCs. Aid to such regions as South Pacific Island Countries and the Caribbean countries, to which Japan's aid has not been extended to a large extent, has been expeditiously expanded.

As the basis of Japan's aid has become wide-ranging, the share of aid to Asian countries has been gradually declined or leveling off. Since a number of Asian countries have already attained considerable development stages, from a long-term viewpoint, priority for these countries should be gradually shifted from cooperation on a governmental basis to a com-

**Chart I-2-1 Geographical Distribution of Bilateral ODA**



mercial basis. At the moment as a number of Asian countries have generally achieved vigorous economic development but still have huge financial demands for Japan's ODA loans, the share of aid to Asian countries may be sometimes increased. However, as the basis for Japan's aid becomes wide-ranging due to expanded aid to Africa, it is expected that the share of aid to Asia will slightly decline as a general trend, and further globalization of Japan's aid will be promoted.

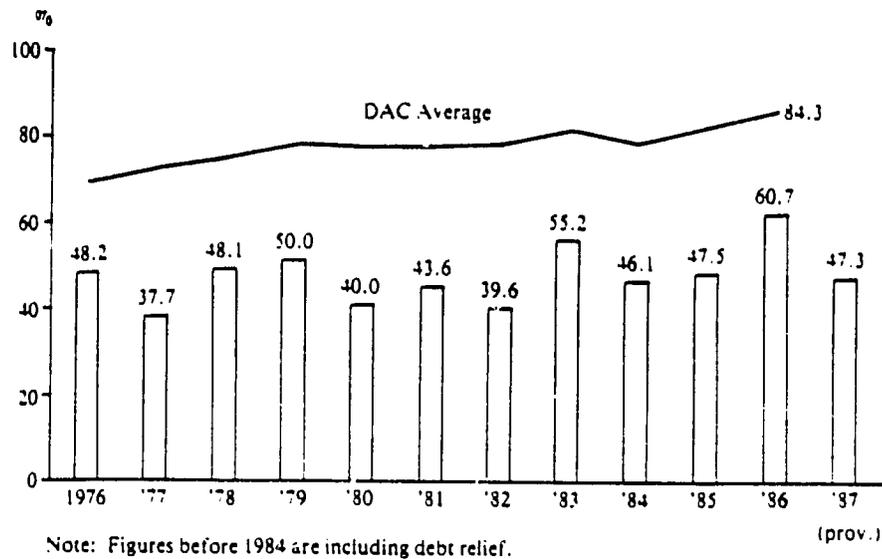
With regard to the content of aid, Japan is expected to positively address itself to the problems to be tackled in a global context. In particular, problems such as deforestation and progressive desertification in developing countries are becoming more serious than ever, and environmental and urban problems such as air and water pollution, which are very common in developed countries, are also very apparent. Positive contributions by Japan to find solutions to these problems on which it has abundant experience and technology is highly important in that it would make clear Japan's standpoint to aim at international contribution.

### C. Aid with Higher Quality

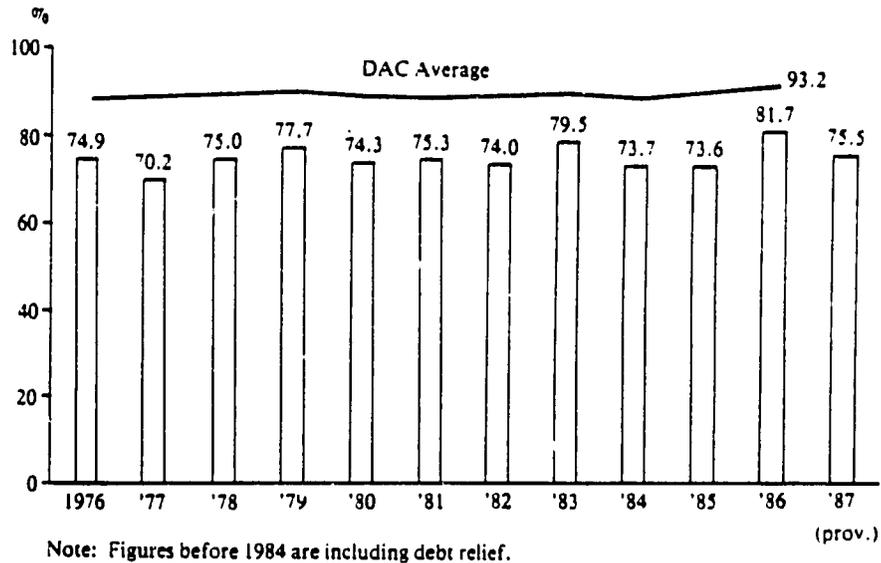
(a) As Japan is making larger and better contributions through aid than other developed countries, the quality of its aid must also be improved. The "quality of aid" in this context means that: on the one hand, Japan's aid truly contributes to the socio-economic development of recipient countries as well as it imposes less burden on them and is easy to be utilized; on the other hand, Japan's aid is globally open to other countries and Japan is not the only beneficiary of its aid.

It is often pointed out that the share of grants and the grant element of Japan's aid are

**Chart I-2-2 The Transition of Japan's Grant Share**



**Chart I-2-3 The Transition of Japan's Grant Element of Total ODA**



low since ODA loans account for a large share of Japan's ODA. In response to such criticism, it can be rebutted by explaining the characteristic of ODA loans, which encourage self-help efforts of developing countries, the significance of the existence as a type of aid situated between export credit and grant assistance, and growing needs in developing countries for such assistance; this has been repeatedly elucidated in international fora.

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ODA loans will continue to be important mainly for Middle Income Countries. It is thus not realistic for Japan to suddenly raise the share of grants in its aid. In the light of the prospective direction of Japan's aid for further globalization and expanded aid to poorest countries including African countries, it is inevitable that the importance of grants (the total of capital grant assistance, technical cooperation and multilateral ODA) will increase.

(b) For the purpose of responding in an appropriate manner to the diversified needs of developing countries, types and menu of Japan's ODA are also required to be abundant in variety. Japan's ODA consists of three pillars, namely, capital grant assistance, ODA loans and technical cooperation and each has its own programs to meet the varied needs of developing countries in an appropriate manner. This mechanism is quite unique in comparison with those in other donor countries and is one of the merits of Japan's aid.

However, against the background of accelerated of the diversification of the needs in developing countries, some issues which cannot be successfully dealt with in the present framework of Japan's aid system have actually emerged.

In order to cope with this situation, responses have been formulated in new sectors such as science and technology, culture and environment as well as promoting expansion of non-project-type assistance, provision of local-cost finance, expansion of rehabilitation and follow-up assistance, and the dispatch of specialists from private sector. Diversified and flexible implementation of Japan's aid needs to be further enhanced.

For the purpose of appropriate implementation of aid in response to the needs of developing countries, it is also important to further expand cooperation in software conducive to human resources development in developing countries and to facilitate appropriate technology transfer.

(c) With regard to the point that Japan's aid should be more open to the world, it is true that Japan's aid, especially ODA loans, still receives criticism that the main purpose of Japan's aid is to promote its economic interests. This criticism should not be overlooked when aims at making international contribution through aid, and this criticism must be dispersed.

Obviously, the untied ratio of Japan's ODA loans is high compared with those of other donors and most of these criticisms are based on misunderstanding of Japan's aid. Efforts should be made to enlighten other countries on the system and the content of Japan's aid. However, an imperative task for Japan, with huge trade surplus, is to take necessary measures, ahead of other donors, to wipe out the image that aid is utilized to promote exports.

To this end, it is significant for Japan to take a stance to open its aid to other countries as much as possible, *inter alia* by promoting further untying of ODA loans including engineering service loan.

(d) In order to realize aid of a higher quality, the significance of improving of aid evaluation should be remembered. Evaluation has been implemented for more than one hundred projects mainly by the Ministry of Foreign Affairs, and recently efforts have been made for the establishment of systematic response: the setting up of a "Committee for Evaluation of Economic Cooperation" in 1981, and the publication of the "Evaluation Report of Economic Cooperation" to enhance the people's understanding of aid. The purpose of evaluation is not limited to grasping the present situation and problems of each project; the main aim is "feed-back", namely to consider rectification measures to solve problems, and to reflect on the lessons drawn from implementing projects. Such feed-back is already recognized as a part of the so-called the aid cycle. It is all the more important to make further efforts for the realization of more proper, effective and efficient aid through improved evaluation activities.

D. Implementation of Comprehensive Economic Cooperation — Realization of Economic Cooperation Including Cooperation in the Private Sector with the Participation of the People —

(a) Another objective for Japan is to implement comprehensive economic cooperation comprising not only of ODA but also economic cooperation on a commercial basis (investment and finance to developing countries). Especially, in Middle Income Countries in Latin America and Southeast Asia, there is a limit in extending ODA resources. In order to support the economic development of countries suffering from accumulated debt problems, an important task is how to secure the steady and smooth flow of private resources to these countries.

However, one of the fundamental characteristics of economic cooperation on a commercial basis is to make profits and it cannot be easily implemented in countries suffering from economic difficulties such as accumulated debt problems. The recent drop in the flow of resources to developing countries is attributable to the severe decline in the flow of private resources, which should initially play a key role in the economies of developing countries to which the flow of ODA cannot be expanded. If the present situation continues, maldistribution of financial resources will become more significant, and the further deterioration of economic difficulties in the "South" including accumulated debt will be a matter of concern. For the breakthrough of such situation, policy-oriented measures to encourage as much as possible the flow of private resources to developing countries were taken, and contributions to the investment environment is being made by providing two-step loans and development cooperation programs (packages comprising of soft loans and technical assistance). In this context, ODA is expected to play the role of catalyst in enhancing the flow of private resources. Consequently, ODA may contribute to the solution of accumulated debt problem.

From this viewpoint, Japan has been advocating the importance of comprehensive economic cooperation including economic cooperation on a commercial basis, and expectations for such cooperation are quite strong. To meet these expectations, it was decided in the Emergency Economic Measures announced in May 1987 to adopt a scheme of recycling more than \$20 billion of completely untied private and government funds for three years. This scheme is important in that it has materialized the idea of comprehensive economic cooperation and was highly appreciated in the international fora; such measures need to be strengthened and expanded further in the future.

Increased importance should be attached to the following points from now on: rearrangement of the flow of resources to developing countries according to their characters and purposes; provision of the resources in accordance with development stages and priority sectors in developing countries, in conformity with each role; and contribution to the development in developing countries as a whole.

(b) Furthermore, the importance of aid activities by NGOs should not be forgotten in aiming at comprehensive economic cooperation. NGOs have been implementing minute and delicate activities utilizing each speciality in various sectors. The Government is required to support the activities by NGOs and strengthen its links with their activities, paying due respect to the independence of these organizations. Since cooperation by NGOs is to support self-help efforts by the people in developing countries through contact at the grass-roots level, it is important for Japan's aid, one of whose principles is "humanitarian consideration", to support NGO activities and facilitate the establishment of an information exchange network among NGOs as well as make efforts to enable the efficient utilization of NGOs by the country as a whole. Furthermore, as NGOs are based upon voluntary participation of the people, strengthened NGO activities will become a more important task from the viewpoint

of deepening the people's understanding of aid activities and the problems of developing countries.

**E. A More Positive Contribution to the Economic Development Policies of LDCs**

Japan's aid is based on the premise that the LDCs themselves are responsible for their own development and foreign aid only assists their self-help efforts. For a number of LDCs, however, Japan has become the largest source of foreign aid and its economic assistance can have substantial impact on their economies. Also, within the world donor community there is a widely held view that major aid donors have a responsibility to lead the LDCs on a smooth path of development by giving them advice on development strategies and macro-economic policies.

The objective circumstances being such, for a major donor such as Japan give only aid and make no requests on the recipients' economic management could be even called an evasion of responsibility. Of course, one should note that the relations between the LDCs and advanced countries could be strained any time, and utmost attention should be paid to the respect for the sovereignty of the LDCs and the principle of non-interference in their domestic affairs. It can be a point of extreme subtlety as to the extent that donors can intervene and give advice on policy questions which concern LDCs.

It is the view of Japan to influence recipients to increase the effectiveness of aid and induce them to work out a more appropriate overall economic policy in consideration of the individual economic conditions which they face. This must be handled with the utmost sensitivity since LDCs could react to it as an interference in their domestic affairs, and furthermore, other developed nations could be alerted, seeing it as another attempt of Japan to strengthen economic dominance over the LDCs by using economic assistance as leverage.

It is a practice of the World Bank, the IMF and other international organizations to demand economic policy improvements of the recipient countries and attach what is called conditionality to non-project policy support aid. This is only possible, because these are neutral international organizations. A similar practice in the context of bilateral aid is highly difficult, considering the problems referred to above.

Aid is a cooperative joint work by two countries and aims to only assist the self-help efforts of the LDCs. Starting from this philosophy, we as a donor should be careful not to force certain economic policies on the recipients. Extensive socio-economic studies of each of the countries, and strengthened policy dialogue with them based on such analysis is essential for thoughtful cooperation with the LDCs.

In fact, as far as Japan's aid goes, these are the areas where more efforts for improvement are required in the future than anywhere else. Japan's past aid was extended mainly in the form of project aid and had few policy support schemes. This is certainly one of the reasons for the relative shortage, compared with other major donors and international organizations, of highly-qualified staff, capable of macro-economic analysis of the developing countries. This is especially true of the countries in Africa and other regions where our economic and cultural ties have not been too close. Mobilization of economic development specialists, their education, strengthening of research organizations are extremely important issues for us at this stage, where Japan, as a major donor, is going to promote a new policy of expanding policy support non-project aid, such as economic support loans and non-project grant assistance. The first steps have already been made: JICA has assigned to its research institute a number of "lifework specialists" who, unlike other contracted specialists, are on the permanent staff of JICA; the institute has now several study "panels", each devoted to certain country or aid fields. In June 1987, former Foreign Minister Okita headed a large-scale economic cooperation mission to the Philippines for the purpose of a

high-level policy dialogue with the Philippine government. Establishment of "International Development University" and other ideas are being studied, as institutions of higher education are indispensable for the education of economic development specialists. Exchange of information with the World Bank, other experienced international and national aid organizations is also very important for the strengthening of country-to-country aid planning and policy dialogue.

#### F. Increased Aid Flexibility

If we are to make a more positive contribution to world peace and stability by means of ODA, our aid has to correspond promptly to the changing international environment in a flexible way. If aid were not extended to the needed area in a timely manner, its effect would be reduced by half. Take, for example, an exodus of a huge number of refugees or economic reconstruction after major disputes. Promptness of aid is the key in these cases. Japan's aid has been sometimes criticized for taking too much time before implementation. We are faced with an important task of increased flexibility in extending aid by improving our procedures.

Examples of flexible aid are non-project loans and grant aid. These types of aid, which other donors have been extending for a considerable length of time, have proved rather effective. It is important for us to further expand this kind of flexible aid. At the same time, we need to establish a system to confirm the effective utilization of this type of aid by the recipients, and further study ways to improve the evaluation of aid.

Another important question is flexibility in extending aid to those countries whose per capita GNP exceeds the standard set forth in our guidelines for ODA loans and grant aid.

We also have to systematize the timely assignment of needed personnel, in a similar way to the well-established Japan Team for Disaster Relief. Further, in those fields of aid such as environment protection where the LDCs recognize the need for foreign assistance but seldom make requests for aid, we as a donor should more often present a menu of possible aid programs (which we call an "offer method"), rather than waiting for the requests.

#### G. Improvement of Aid Administrative Structure

As we have seen so far, in order to make the most of our ODA, we have to overcome a number of new challenges. The biggest issue, or rather the prerequisite to the above-mentioned new steps for better aid, is improvement of Japan's aid administrative structure.

In the past years Japan has concentrated on the expansion of aid volume, and, thanks to this, has succeeded in becoming one of the largest donors in a rather short period of time. On the other hand, improvement of aid administrative structure has not kept up with the pace of quantitative increase. Take, for example, JICA, the sole implementing agency of technical cooperation. The agency obviously needs to make serious efforts for staff expansion and improve its overseas network of offices. Organizational improvements, expansion and training of staff of both government ministries/agencies and implementing agencies; mobilization of personnel in the private sector and cooperation with the NGOs; cooperation with international aid agencies — these are the measures to which we are increasingly required to address ourselves, if we are to strengthen our aid implementation system. This is specifically mentioned in the Fourth Medium-Term Target of ODA, "(The Government of Japan) will strengthen its implementation system by expanding its aid staff, fostering country specialists, deepening regional studies, strengthening project finding and formulation capability, activating its evaluation activities, and utilizing consultants. Coordination with private sector activities will also be strengthened." The most serious problem is the shortage of personnel for aid implementation. It is often emphasized that the quality of personnel determines the effectiveness of aid. Human contacts are the basis for carefully thought-out aid, responsive

to the individual situation of each country. If we try to expand technical cooperation and other aspects of the "soft" side of aid in a more "thoughtful" way, "human" elements will only gain in importance. Financial assistance is hardly recognizable by the ordinary people of recipient countries. Without technical cooperation, our aid would become "faceless" and would fail to achieve the diplomatic objective of improving bilateral relations through economic cooperation.

Of all the aid personnel, we need most (a) development economists who are qualified to analyze the economic situations in given LDCs and their development policies, and to make recommendations on appropriate aid programs; (b) technical specialists who have wide expertise and can effectively transfer their expertise. The former category is indispensable to a more policy-oriented aid based on the actual needs of LDCs, while the latter is a prerequisite to more individualized and thoughtful technical cooperation. Japan's aid system seriously needs institutions for training of the above-mentioned personnel. Noteworthy from this standpoint is the idea of the establishment of an "International Development University", which aims to expand the graduate-level education of future aid personnel. Further consideration should also be given to the possibility of recruiting qualified specialists who have had working experience at international aid organizations, including those on the "associate expert training program" financed by the Ministry of Foreign Affairs. Efforts should also be made to improve the salaries and other conditions for specialists — before, during and after the overseas assignments.

Another issue is the systematic and optimum utilization of the expertise and know-how, accumulated in the private sector. This is especially important at present since staff increase at the government level and in government-related agencies continues to be difficult under the general policy of financial and administrative reforms. We should reach out for and list experienced specialists for future involvement in aid programs. More experts in the private sector should be invited to participate in the aid-related country studies and consultant works. This has a dual benefit; effective aid implementation, and upgrading of aid-related skills in the private sector. For example, the participation of foreign consultants in JICA-contracted development surveys, first introduced in FY1988 as supplementing Japanese consultants, is expected to contribute to the increased effectiveness of our development survey scheme. Another example is the mobilization of high-level skills of local government technical staff, especially in environment protection, urban planning and other fields. It is hoped that these steps will also promote understanding among the general public about the importance of foreign aid.

1. Total Flow of Financial Resources to Developing Countries

(Net Disbursements, \$ million)

|   | 1986   | 1987   | Increase (%) |
|---|--------|--------|--------------|
| I. Official Development Assistance (ODA)                  | 5,634  | 7,454  | 32.3         |
| 1. Bilateral Assistance                                   | 3,846  | 5,248  | 36.4         |
| (1) Grants:   | 1,703  | 2,221  | 30.4         |
| Grant Assistance  | 1,104  | 1,481  | 34.2         |
| Technical Assistance                                      | 599    | 740    | 23.4         |
| (2) Loans   | 2,143  | 3,027  | 41.2         |
| 2. Contributions to Multilateral Institutions             | 1,788  | 2,207  | 23.4         |
| As Percentage of GNP                                      | 0.29   | 0.31   | —            |
| II. Other Official Flows (OOF)                            | -724   | -1,808 | —            |
| 1. Export Credits (Over 1 year)                           | -858   | -2,047 | —            |
| 2. Direct Investment and Others                           | 332    | 287    | -13.7        |
| 3. Finances to Multilateral Institutions                  | -198   | -47    | —            |
| III. Private Flows (PF)                                   | 9,586  | 16,804 | 75.3         |
| 1. Export Credits (Over 1 year)                           | 199    | 3,162  | 1,488.9      |
| 2. Direct Investment                                      | 2,761  | 7,421  | 168.8        |
| 3. Other Bilateral Securities and Claims                  | 5,312  | 4,357  | -18.0        |
| 4. Finances to Multilateral Institutions                  | 1,314  | 1,865  | 41.9         |
| IV. Grants by Private Voluntary Agencies                  | 82     | 92     | 12.8         |
| Total Official and Private Flows<br>( I + II + III + IV ) | 14,578 | 22,543 | 54.6         |
| As Percentage of GNP                                      | 0.74   | 0.95   | —            |
| GNP (\$ hundred million )                                 | 19,662 | 23,844 | 21.3         |
| (For Reference)   |        |        |              |
| 1. Export Credits — Total                                 | -659   | 1,115  | —            |
| 2. Direct Investments and Others — Total                  | 3,093  | 12,064 | 290.0        |

Note: 1. Exchange Rate (specified by DAC): 1986: \$1 = ¥168.52  
1987: \$1 = ¥144.64

- As the figures in the table are rounded off, they do not necessarily add up to the totals.
- Grant Assistance includes Administrative Costs and Support for NGOs.

(Reference)

ODA: Official Development Assistance

- The flow of resource which meets the following tests:
  - Resources provided by official agencies or by their executive agencies.
  - It's main objective is the promotion of the economic development and welfare of developing countries.
  - It is concessional in character to avoid severe burden on developing countries and conveys a grant element of at least 25 percent.
- It consists of capital grant assistance, technical cooperation, capital subscriptions and contributions to the U.N. agencies and international financial institutions (all defined as 'grants'), and governmental loans.
- ODA alone is internationally recognized as aid in the genuine sense. The international target of ODA/GNP ratio is set at 0.7%.

OOF: Other Official Flows:

- OOF include provisions of resources by the Export-Import Bank of Japan, etc. for export credits and direct investments.
- Officially financed flows of resources for export promotion and external investment of the domestic enterprises are not regarded as official assistance in the genuine sense.

PF: Private Flows

Export credits and investments by private financings.

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# Japan's FY1989 ODA Budget

[ Supplementary Data ]

## 1. Outline of ODA budget

( ¥ 100 million )

|  | FY 1988         |                 | FY 1989<br>(proposed budget) |                 |
|--|-----------------|-----------------|------------------------------|-----------------|
|  | Operation Basis | General Account | Operation Basis              | General Account |
| I. Grants  | 7,109<br>(6.9)  | 4,515<br>(6.4)  | 7,107<br>(0.0)               | 4,870<br>(7.9)  |
| 1. Bilateral Grant Assistance                                    | 3,937<br>(7.7)  | 3,765<br>(6.3)  | 4,261<br>(8.2)               | 4,062<br>(7.9)  |
| (1) Economic Development Assistance                              | 1,471           | 1,471           | 1,596                        | 1,596           |
| (2) Food Production Aid  | 330             | 330             | 298                          | 298             |
| (3) KR Food Aid  | 130             | 130             | 428                          | 428             |
| (4) Technical Assistance   | 2,007           | 1,834           | 2,237                        | 2,038           |
| (5) Others   | -               | -               | 17                           | 17              |
| 2. Contribution, Donation, etc.<br>to Multilateral Organizations | 3,172<br>(6.0)  | 751<br>(7.3)    | 2,846<br>(▲10.3)             | 808<br>(7.7)    |
| (1) U.N. Agencies  | 504             | 502             | 524                          | 522             |
| (2) International Financial<br>Institutions                      | 2,669           | 249             | 2,322                        | 286             |
| II. Official Loans   | 6,378<br>(10.9) | 2,495<br>(6.7)  | 6,590<br>(3.3)               | 2,687<br>(7.7)  |
| (1) O E C F  | 6,415           | 2,453           | 6,581                        | 2,646           |
| (2) Export Import Bank   | ▲ 294           | 0               | ▲ 182                        | 0               |
| (3) Others   | 257             | 42              | 191                          | 41              |
| III. Total ( I + II )  | 13,487<br>(8.8) | 7,010<br>(6.5)  | 13,698<br>(1.6)              | 7,557<br>(7.8)  |
| IV. Total Budget / GNP (%)                                       | 0.37            |                 | 0.36                         |                 |

Note : ( ) indicates the increase from previous year (%)

## 2. Comparison of ODA Budget Increase and Other Budget Items

( ¥ 100 million, % )

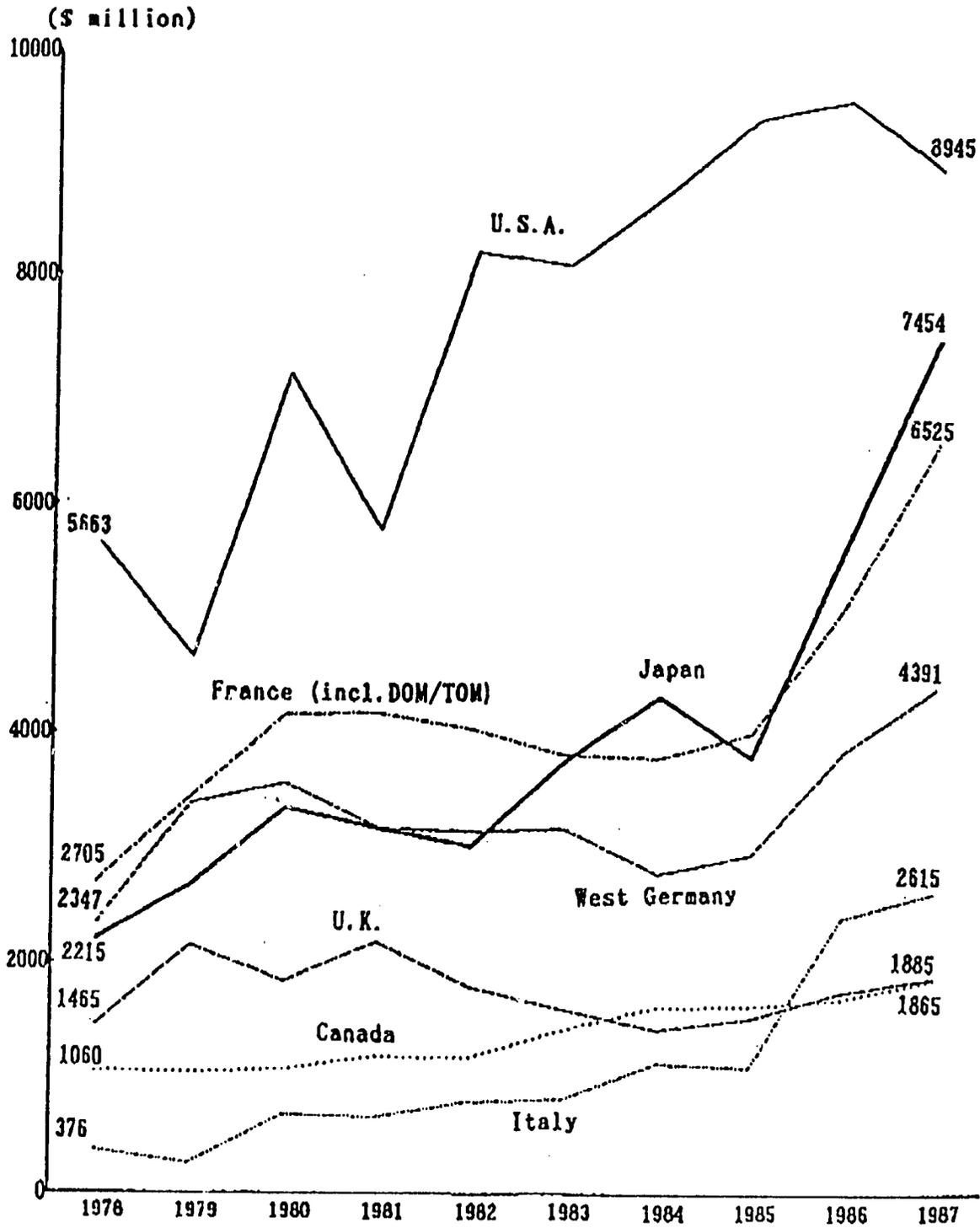
|                                 | FY 1980 | FY 1988 | FY 1989<br>(proposed) | % of Total |
|---------------------------------|---------|---------|-----------------------|------------|
| Total Amount of General Account | 425,888 | 566,997 | 604,142               | 100.0      |
| Increase                        | 10.3    | 4.8     | 6.6                   |            |
| Index                           | 100.0   | 133.1   | 141.9                 |            |
| General Expenditures            | 307,332 | 329,821 | 340,805               | 56.4       |
| Increase                        | 5.1     | 1.2     | 3.3                   |            |
| Index                           | 100.0   | 107.3   | 110.9                 |            |
| ODA General Account Budget      | 3,516   | 7,010   | 7,557                 | 1.3        |
| Increase                        | 16.3    | 6.5     | 7.8                   |            |
| Index                           | 100.0   | 199.4   | 214.9                 |            |
| Defence Expenditure             | 22,302  | 37,003  | 39,198                | 6.5        |
| Increase                        | 6.5     | 5.2     | 5.9                   |            |
| Index                           | 100.0   | 165.9   | 175.8                 |            |
| Public Works                    | 66,554  | 60,824  | 61,974                | 10.3       |
| Increase                        | 1.7     | 0.0     | 1.9                   |            |
| Index                           | 100.0   | 91.4    | 93.1                  |            |
| Social Security                 | 82,124  | 103,845 | 108,947               | 18.0       |
| Increase                        | 7.7     | 2.9     | 4.9                   |            |
| Index                           | 100.0   | 126.4   | 132.7                 |            |
| Education and Services          | 45,250  | 48,581  | 49,371                | 8.2        |
| Increase                        | 5.2     | 0.2     | 1.6                   |            |
| Index                           | 100.0   | 107.4   | 109.1                 |            |

SECTORAL DISTRIBUTION OF BILATERAL ODA COMMITMENT (1987)  
(Million Dollars)

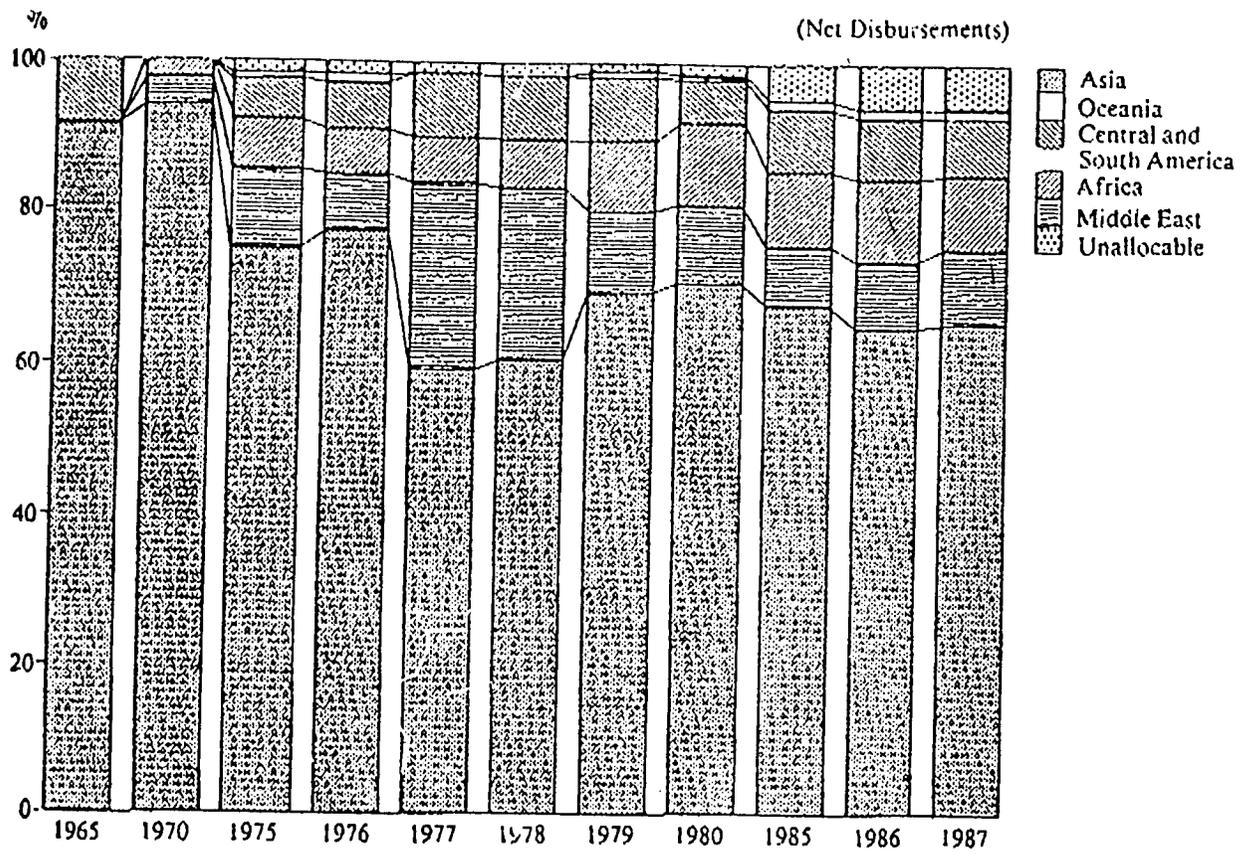
| Sector of Destination                          | Grants           |                      |          | Loans    | Total    |
|--|------------------|----------------------|----------|----------|----------|
|  | Grant Assistance | Technical Assistance | Total    |          |          |
| 1. Social infrastructure and service           | 372.32           | 380.94               | 753.26   | 275.89   | 1,029.14 |
| (1) Educational services and investments       | 159.98           | 203.64               | 363.62   | 89.26    | 452.88   |
| (2) Health                                     | 92.82            | 69.32                | 162.14   | —        | 162.14   |
| (3) Water supply and sanitation                | 74.90            | 12.12                | 87.03    | 104.69   | 191.71   |
| (4) Population programs                        | —                | 7.16                 | 7.16     | —        | 7.16     |
| (5) Public administration                      | —                | 6.70                 | 6.70     | —        | 6.70     |
| (6) Development and planning services          | —                | 39.06                | 39.06    | —        | 39.06    |
| (7) Other social infrastructure & services     | 44.62            | 42.94                | 87.56    | 81.93    | 169.49   |
| 2. Economic infrastructure and services        | 152.06           | 137.26               | 289.32   | 3,324.21 | 3,613.53 |
| (1) Transport                                  | 75.54            | 60.32                | 135.86   | 1,543.38 | 1,679.25 |
| (2) Communications                             | 76.52            | 34.39                | 110.90   | 278.37   | 389.28   |
| (3) River development                          | —                | 11.03                | 11.03    | 7.28     | 18.31    |
| (4) Energy                                     | —                | 27.27                | 27.27    | 1,299.27 | 1,326.54 |
| (5) Other economic infrastructure              | —                | 4.26                 | 4.26     | 195.90   | 200.18   |
| 3. Production sectors                          | 367.69           | 317.47               | 685.16   | 422.41   | 1,107.57 |
| (1) Agriculture                                | 333.32           | 184.57               | 517.89   | 144.68   | 862.57   |
| (2) Industry, mining and construction          | 4.84             | 129.16               | 134.00   | 265.23   | 399.23   |
| (a) Manufacturing                              | 4.84             | —                    | 4.84     | 160.58   | 165.42   |
| (b) Extractive industries                      | —                | —                    | —        | 104.65   | 104.65   |
| (c) Construction                               | —                | 0.37                 | 0.37     | —        | 0.37     |
| (3) Trade, banking, tourism                    | 8.10             | 3.74                 | 11.84    | 12.49    | 24.33    |
| 4. Multisector                                 | —                | 103.10               | 103.10   | —        | 103.10   |
| 5. Program assistance                          | —                | —                    | —        | 1,047.97 | 1,047.97 |
| of which                                       | —                | —                    | —        | —        | —        |
| (a) Structural adjustment assistance           | —                | —                    | —        | 26.27    | 26.27    |
| (b) Concentrated country program assistance    | —                | —                    | —        | 919.50   | 919.50   |
| 6. Debt reorganization                         | 49.24            | —                    | 49.24    | 66.83    | 116.07   |
| 7. Food aid                                    | 93.13            | —                    | 93.13    | —        | 93.13    |
| 8. Emergency assistance (other than food aid)  | 2.56             | —                    | 2.56     | —        | 2.56     |
| 9. Administrative cost of donors               | —                | 214.36               | 214.36   | —        | 214.36   |
| 10. Support to private voluntary organizations | 1.94             | —                    | 1.94     | —        | 1.94     |
| 11. Unallocated/unspecified                    | —                | 13.26                | 13.26    | —        | 13.26    |
| TOTAL 1-11                                     | 1,038.93         | 1,166.39             | 2,205.32 | 5,137.32 | 7,342.64 |
| BHN (1 + 3(1) + 7 + 8)                         | 801.33           | 565.51               | 1,366.84 | 420.57   | 1,787.40 |

Note: Sector of destination was revised by DAC from 1987.  
As the figures in the table are rounded off, they do not necessarily add up to the totals.

Transition of ODA Achievements of Major DAC Countries



# Geographical Distribution of Bilateral ODA



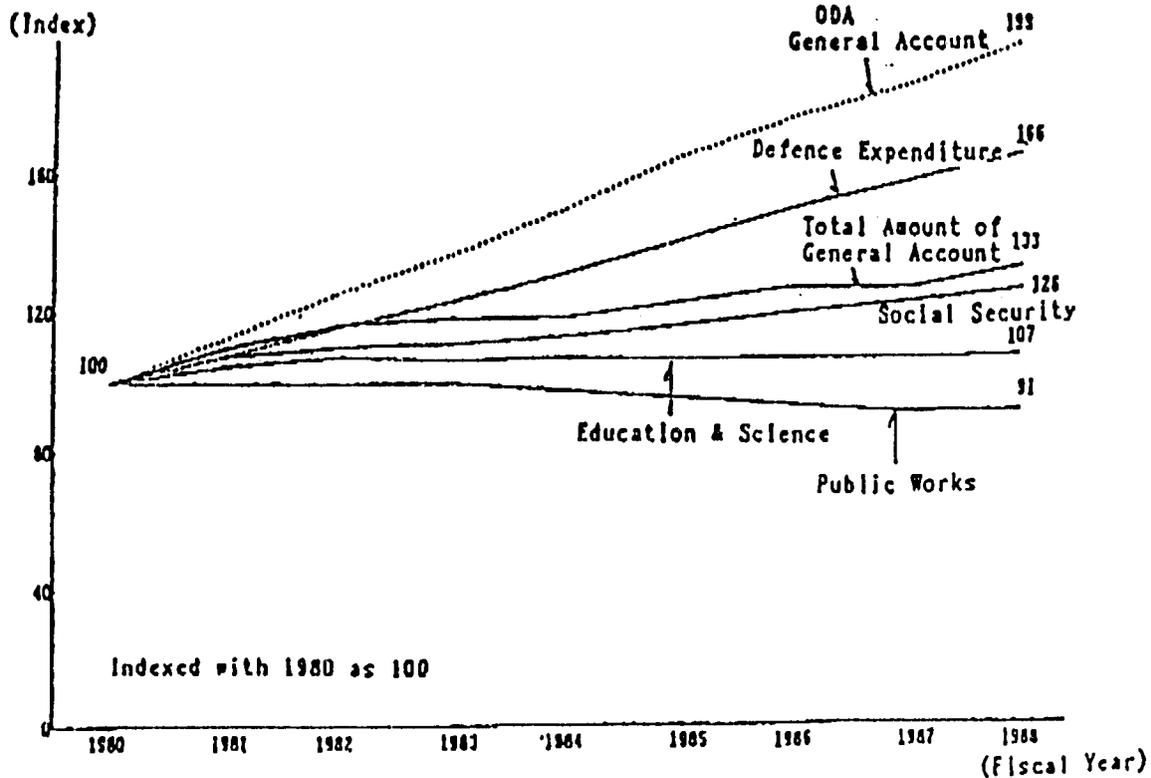
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2.. Comparison of ODA Budget Increase and Other Budget Items

( Hundred Million Yen. X )

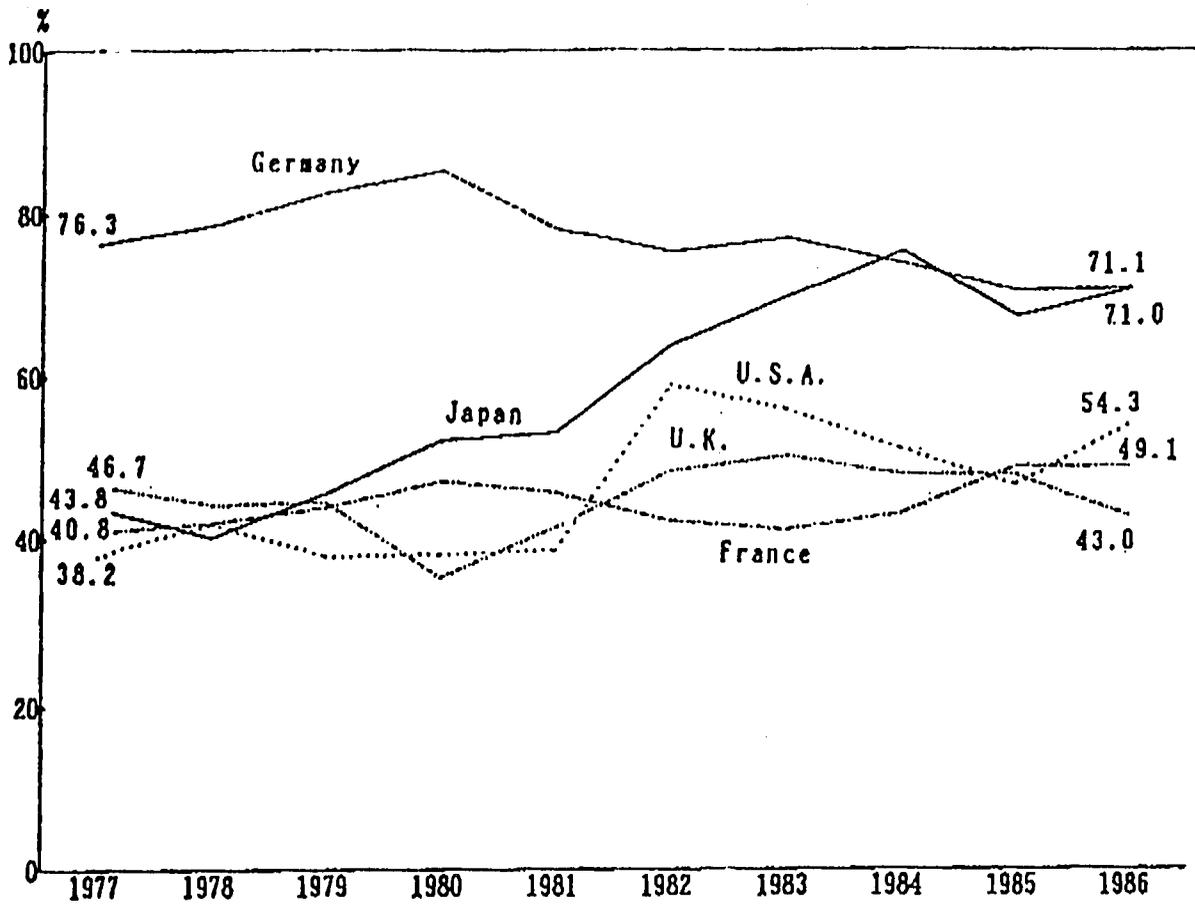
|                                 | FY 1980 | FY 1984 | FY 1985 | FY 1986 | FY 1987 | FY 1988 | % of Total |
|---------------------------------|---------|---------|---------|---------|---------|---------|------------|
| Total Amount of General Account | 425.883 | 506.272 | 524.996 | 540.886 | 541.010 | 566.937 | 100.00     |
| Increase                        | 12.3    | 0.5     | 3.7     | 3.0     | 0.0     | 4.8     |            |
| I n d e x                       | 100.0   | 118.9   | 123.3   | 127.0   | 127.0   | 133.1   |            |
| General Expenditures            | 307.332 | 325.857 | 325.854 | 325.842 | 325.834 | 329.621 | 58.16      |
| Increase                        | 5.1     | -0.1    | -0.0    | -0.0    | -0.0    | 1.2     |            |
| I n d e x                       | 100.0   | 106.0   | 106.0   | 106.0   | 106.0   | 107.3   |            |
| ODA General Account Budget      | 3.516   | 5.281   | 5.810   | 6.220   | 6.580   | 7.011   | 1.24       |
| Increase                        | 16.3    | 9.7     | 10.0    | 7.0     | 5.8     | 6.5     |            |
| I n d e x                       | 100.0   | 150.2   | 165.2   | 176.9   | 187.1   | 199.4   |            |
| Defence Expenditure             | 22.302  | 29.346  | 31.371  | 33.435  | 35.174  | 37.003  | 6.53       |
| Increase                        | 6.5     | 6.5     | 6.9     | 6.6     | 5.2     | 5.2     |            |
| I n d e x                       | 100.0   | 131.6   | 140.7   | 149.9   | 157.7   | 165.9   |            |
| Public Works                    | 66.554  | 65.200  | 63.689  | 62.233  | 60.824  | 60.824  | 10.73      |
| Increase                        | 1.7     | -2.0    | -2.3    | -2.3    | -2.3    | 0.0     |            |
| I n d e x                       | 100.0   | 98.0    | 95.7    | 93.5    | 91.4    | 91.4    |            |
| Social Security                 | 82.124  | 93.210  | 95.736  | 98.346  | 100.896 | 103.845 | 18.31      |
| Increase                        | 7.7     | 2.0     | 2.7     | 2.7     | 2.6     | 2.9     |            |
| I n d e x                       | 100.0   | 113.5   | 116.6   | 119.8   | 122.9   | 126.4   |            |
| Education and Science           | 45.250  | 48.665  | 48.409  | 48.445  | 48.497  | 48.581  | 8.57       |
| Increase                        | 5.2     | 1.0     | -0.5    | 0.1     | 0.1     | 0.2     |            |
| I n d e x                       | 100.0   | 107.5   | 107.0   | 107.1   | 107.2   | 107.4   |            |

Transition of ODA Budget and Others (Index)



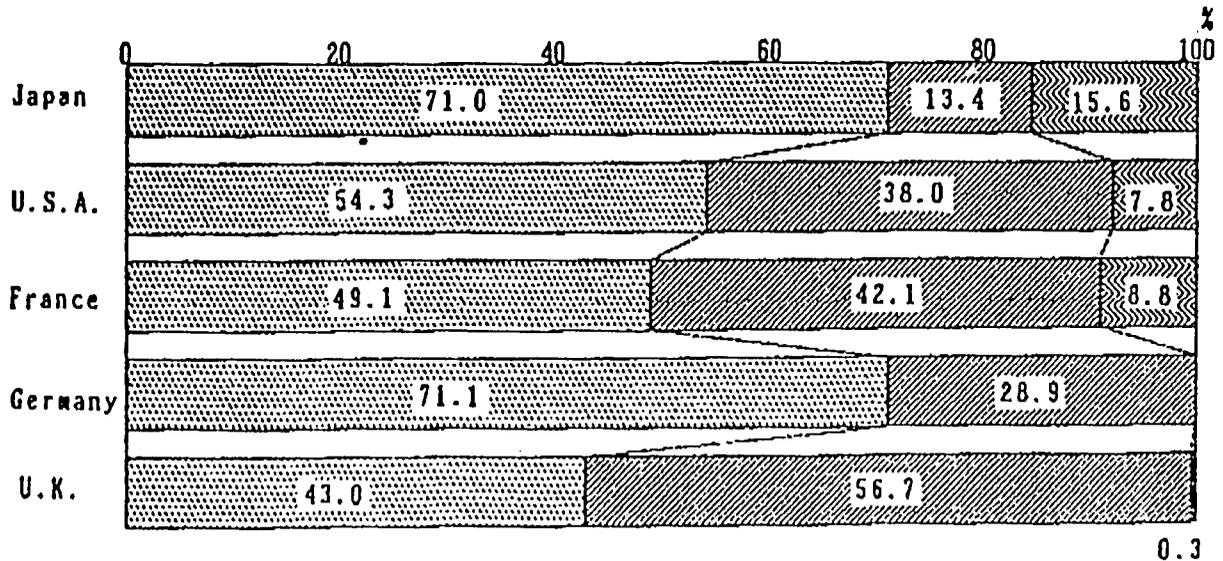
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Transition of Untied ODA



b) : Achievements in 1986

☐ - Untied    ▨ - Tied    ▩ - Partially Untied



Note : Share of the total gross disbursements excluding EEC contributions.

**ODA LOAN TYING STATUS**  
(excluding reschedules)

(¥ billion, Exchange of Notes bases)

| Fiscal year         | 1984         |             | 1985         |             | 1986         |             | 1987         |             | 1988          |             |
|---------------------|--------------|-------------|--------------|-------------|--------------|-------------|--------------|-------------|---------------|-------------|
|                     | Amount       | Share       | Amount       | Share       | Amount       | Share       | Amount       | Share       | Amount        | Share       |
| Untied              | 301.9        | 52.7        | 354.8        | 50.8        | 210.6        | 50.8        | 429.9        | 61.6        | 821.2         | 77.4        |
| Partially tied      | 252.4        | 44.0        | 328.1        | 47.0        | 204.2        | 49.2        | 256.3        | 36.7        | 239.9         | 22.6        |
| Tied                | 18.7         | 3.3         | 15.2         | 2.2         | 0            | 0           | 11.3         | 1.6         | 0             | 0           |
| <b>TOTAL AMOUNT</b> | <b>573.0</b> | <b>100%</b> | <b>698.0</b> | <b>100%</b> | <b>414.9</b> | <b>100%</b> | <b>697.5</b> | <b>100%</b> | <b>1061.1</b> | <b>100%</b> |

Untying: Not limiting (tying) the procurement of goods and services for contributions to international organizations and for bilateral ODA to the contributing countries and donor countries. There are varieties such as generally untied aid, not limiting the procurement at all, and LDC untied aid, limiting the procurement to the donor and the developing countries.

pt

# **A GUIDE TO JAPAN'S AID**

**Association for Promotion of International Cooperation**

45



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## Foreword

The present "A Guide To Japan's Aid" prepared under the cooperation extended from the Ministry of Foreign Affairs and the Japan International Cooperation Agency, is aimed at making known publicly the actual status of Japan's Economic Cooperation, especially Official Development Assistance (ODA), and also at presenting an accurate and clear explanation of its significance and mechanism.

Japan is fully committed to its role in fulfilling the responsibility of the international community that the more advanced countries assist the developing countries, and has been making every effort to increase its economic assistance to contribute to the solution of the North-South problem. As a country that is committed to peace and as the second largest free-market economy in the world, Japan intends to contribute to the maintenance and promotion of international peace and security through economic assistance to the developing countries.

It is hoped that the present guideline may be widely utilized and in some way contribute to the promotion of Japan's Economic Cooperation.

March, 1987

## Introduction

# Japan's Economic Cooperation

In order to solve the North-South problem, to support the self-reliant efforts of the developing countries, and to contribute to their economic and social development as well as to the enhancement of the welfare of the people and the promotion of the stability of their livelihood, the developed countries including Japan assist the developing countries in their effort for development by supplying them with the necessary capital and technology. These activities collectively comprise what is known as "economic cooperation".

Economic cooperation is classified into the following three types.

(1) Official Development Assistance (ODA)

Official Development Assistance comprises grant aid, ODA loans, technical cooperation and contri-

butions to multilateral organizations.

(2) Other Official Flows (OOF)

Other Official Flows consists of financial resources provided by the Export-Import Bank of Japan and other government agencies as Export Credits and Direct Investments.

(3) Private Flows (PF)

Private Flows includes Export Credits, Direct Investment and others, financed by the private sector.

ODA is known as economic cooperation on a governmental basis, while OOF and PF are termed economic cooperation on a non-government basis.

Of these, ODA is more concessional, and is considered as aid in the true sense of the word. Therefore its figures are often used in international comparisons.

## 1. Japan's ODA

Japan's ODA is classified into three types: Grant Aid, Technical Cooperation and Loan Aid.

The following explains grant aid.

**Chart.1 Growth of Government Budget ODA** (¥100 million)

| Total Amount          | 12,547  | 12,922  | 12,399  |
|-----------------------|---------|---------|---------|
| Grant Aid             | 1,744   | 1,850   | 1,885   |
| Technical Cooperation |         |         |         |
| Multi-Organization    | 3,017   | 3,020   | 2,991   |
| Loan Aid              |         |         |         |
| (Government Request)  | FY 1985 | FY 1986 | FY 1987 |

**(1) Grant Aid**

"Grant aid" refers to the furnishing of funds to developing countries with-

out assigning the obligation of repayment, and is financial aid of the best quality. Its quantitative increase is related to the overall qualitative improvement of the aid. This kind of aid can assume two forms:

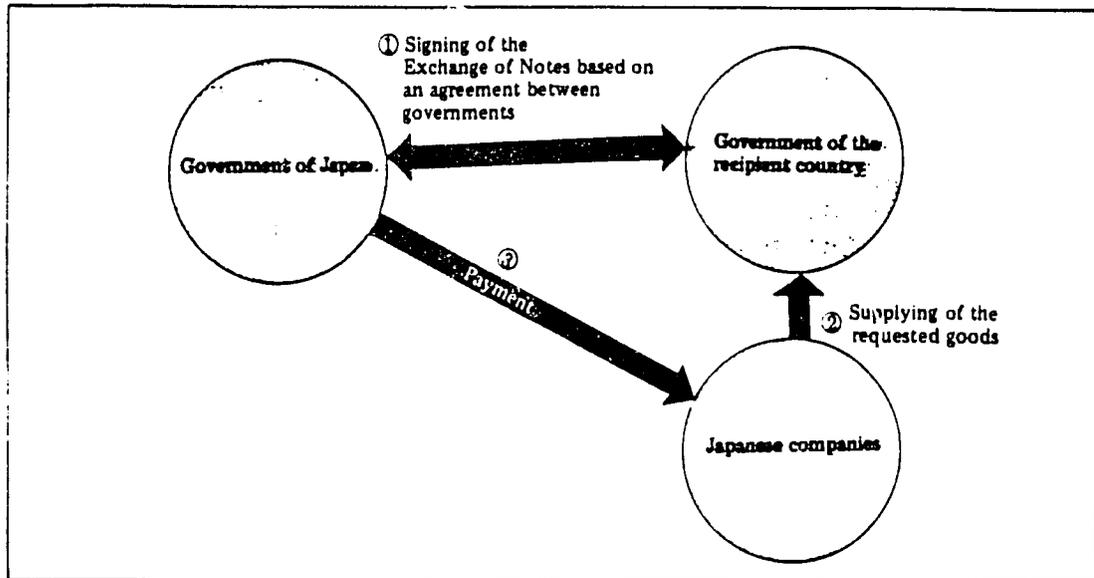
1. Economic Development Assistance
2. Aid for Increased Food Production and Food

**1. Economic Development Assistance**

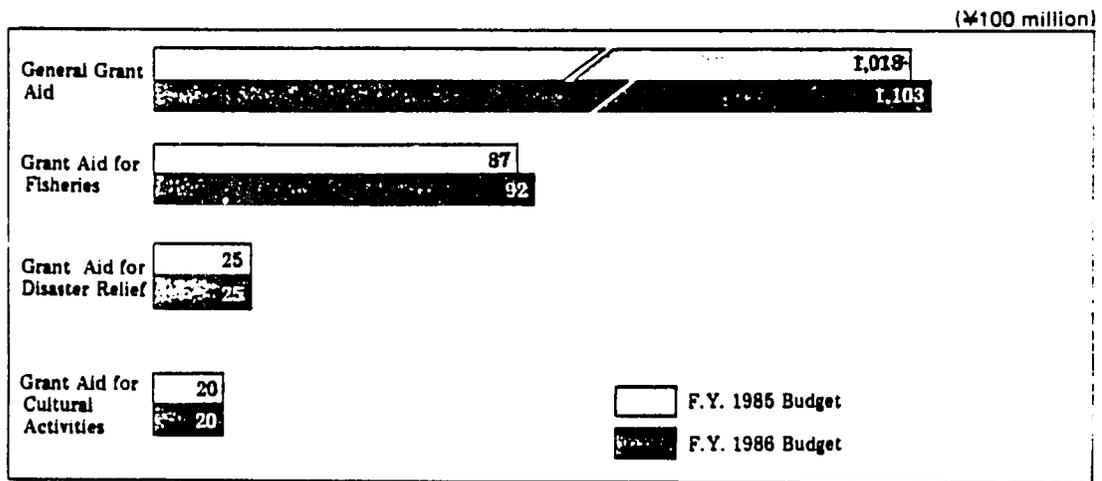
The mechanism of Economic Development Assistance can be described as follows: The Ministry of Foreign Affairs examines the contents of a request for a grant, and if it is accepted, prepares a budget request. This budget item is included in the "Expenses for economic development and related activities".

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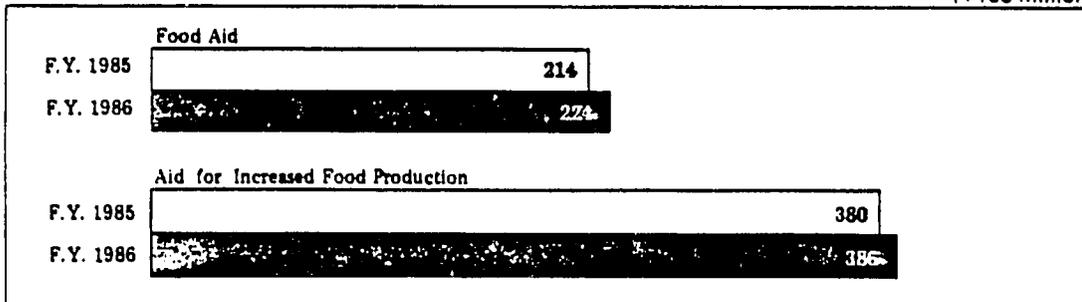
**Chart.2 Mechanism for Provision of General Grant Aid**



**Chart.3 Breakdown of the Budget for Economic Development Assistance**



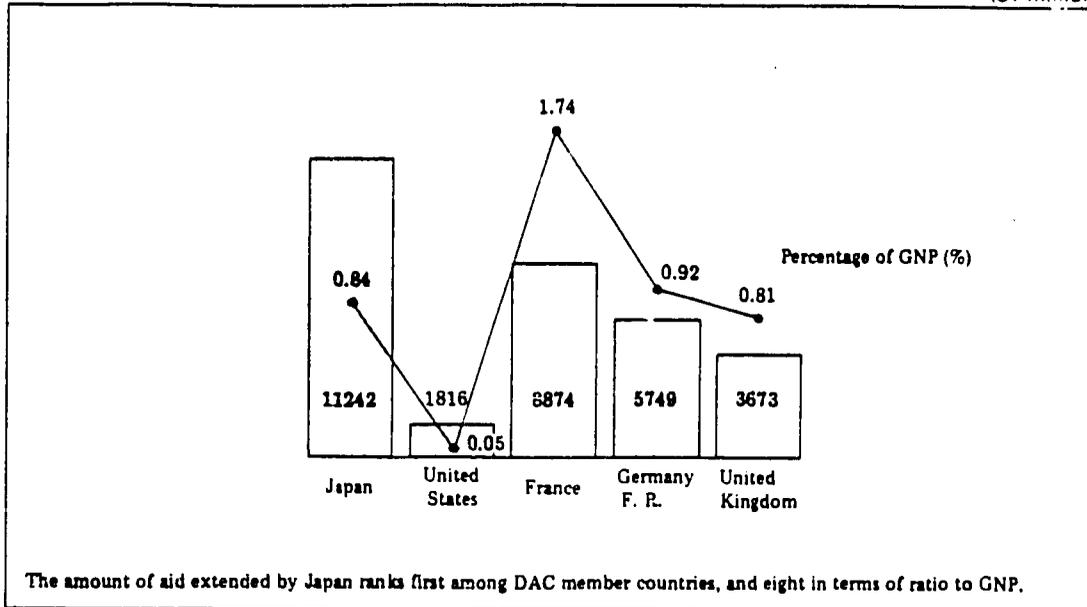
**Chart.4 Composition of Aid for Increased Food Production and Food** (¥100 million)



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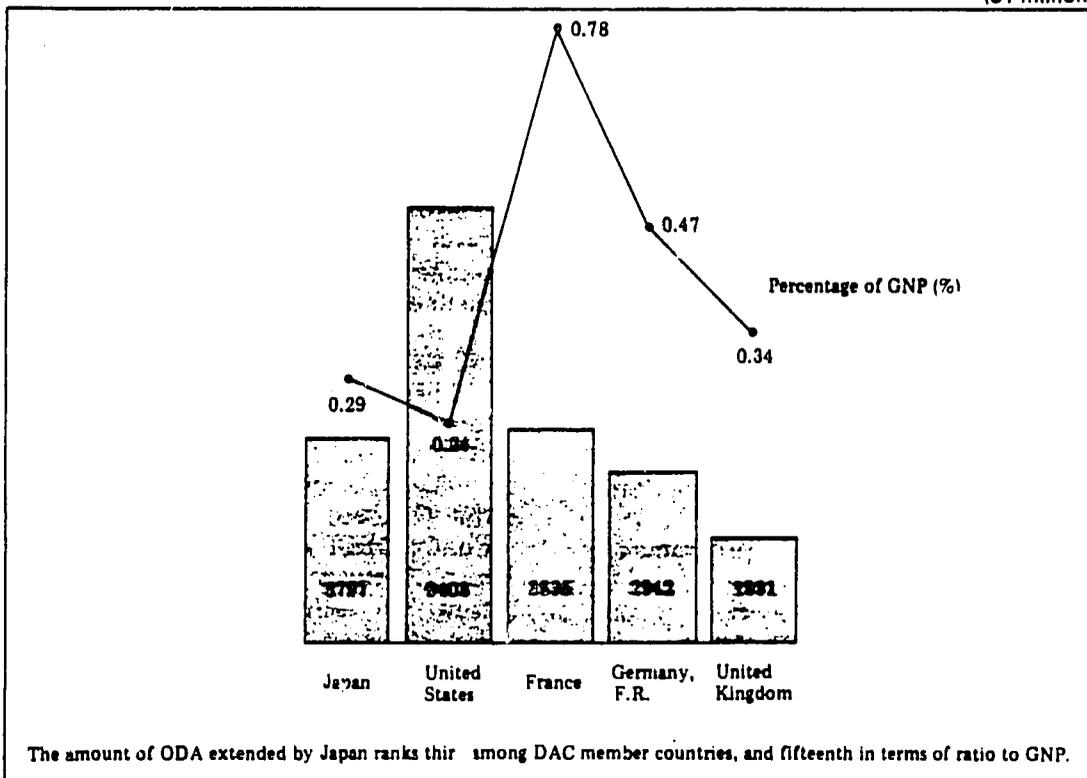
**Chart.5 Total Value of Economic Cooperation Effected by DAC-member Countries (1985)**

(\$1 million)



**Chart.6 Official Development Assistance by DAC-member Countries (1985)**

(\$1 million)



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## **2. Aid for Increased Food Production and Food**

The mechanism of the Aid for Increased Food Production and Food can be described as follows: This type of aid is included in the budget of the Ministry of Finance, and is executed by the Ministry of Foreign Affairs. It comprises two types of aid.

### **1) Food Aid**

Food Aid is provided in accordance with the Food Aid Convention of 1980, Japan's annual obligation for crop year (July 1 to June 30) being 0.3 million tons.

### **2) Aid for Increased Food Production**

This aid is composed of the donation of agricultural equipment and materials such as fertilizers and agricultural-machinery to improve the developing countries self-sufficiency in food.

## **(2) Technical Cooperation**

Technical cooperation is directly involved in the transfer of technology and Japan attaches great importance to this form of cooperation since it is part of grant aid, of which much is expected by the developing countries. It involves a direct relationship through the exchange of people and contributes much to "the development of human resources" on which Japan places priority emphasis. The areas covered by technical cooperation are highly diversified and include such sectors as agriculture, fishery, industry, infrastructure, and health.

Japan's technical cooperation programs employ the following mechanism. The Ministry of Foreign Affairs prepares the plans for these programs as well as the requests for the required budget. Its implementation is the responsibility of the Japan International Cooperation Agency (JICA).

Technical cooperation programs are composed of the following:

1. Acceptance of trainees
2. Dispatch of experts, survey teams and volunteers from the Japan Overseas Cooperation Volunteers (JOCV)
3. Provision of equipment and

materials related to the work of the persons mentioned above;

4. The project-type cooperation, which represents the combination of three types of cooperation mentioned above 1. - 3.
5. Development survey and development cooperation project.

## **(3) Capital Subscriptions and Contributions to Multilateral Organizations**

Unlike bilateral loans which are extended directly to the developing countries, this type of economic cooperation is aimed at providing funds to multilateral organizations which select recipient countries on a balanced basis and extend assistance from a global perspective.

The mechanism for implementation of this type of aid is as follows: In accordance with the quota assigned to Japan, the contributions destined to multilateral organizations (United Nations Development Program, United Nations Fund for Population Activities, United Nations University, Asian Productivity Organization, etc.) are mainly the responsibility of the Ministry of Foreign Affairs, while the contributions destined to the international financial institutions for development (World Bank, International Development Association, Asian Development Bank, etc.) are mainly the responsibility of the Ministry of Finance. Each ministry requests the necessary budget and subsequently makes the planned disbursements.

## **(4) Loan Aid**

These represent long-term low-interest loans, and are ordinarily called "ODA loans".

The ODA loans are implemented by the Overseas Economic Cooperation Fund (OECF), based upon an agreement between four competent ministries (The Ministry of Foreign Affairs, The Ministry of Finance, The Ministry of International Trade and Industry, and The Economic Planning Agency). The budget request for ODA loans is presented by the Ministry of Finance.

## 2. Economic Aid on Non-governmental Basis

### (1) Export Credit

Export Credit is aimed at making possible the payment in installments (ordinarily over 5—10 years) for goods

exported to developing countries. Export Credit is provided in two ways:  
1. The Japanese exporter accepts the deferred payment by importers in de-

Chart. 7 Mechanism of ODA Loans

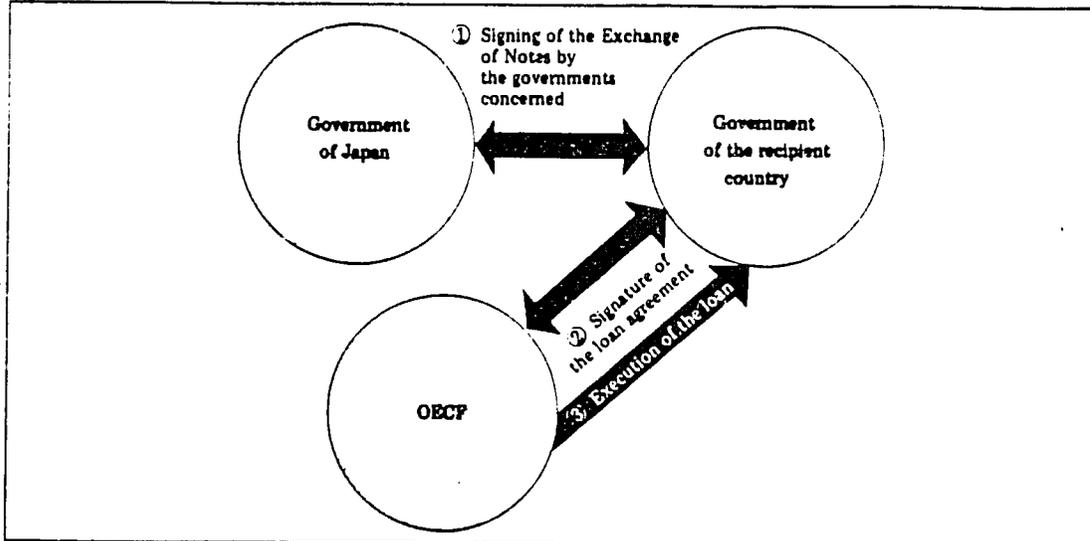
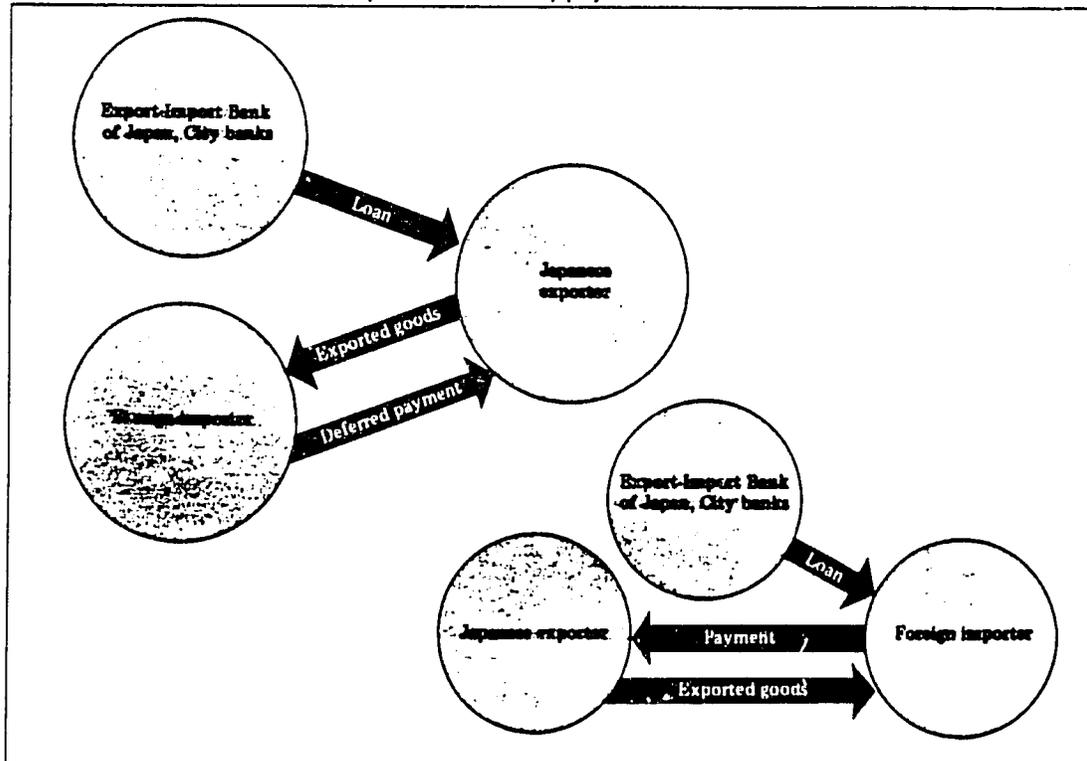


Chart. 8 Mechanism of Export Credit Supply



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veloping countries, and at the same time receives a loan equal to the cost of the exported goods from the financial institution in charge (Export-Import Bank of Japan, city bank or others); or 2. Financial institutions grant the loan directly to importers of developing countries to make possible the payment for imported goods.

**(2) Direct Investment**

This is the investment by Japanese companies in developing countries, made for business purposes.

**(3) Overseas Loans**

Overseas loans are the loans by Japanese city banks to foreign borrowers.

**(4) Acquisition of Bonds of Developing Countries**

This form of aid comprises the purchase of bonds denominated in yen issued by developing countries in the Japanese domestic market. Recently this has been attracting much attention as a means of reducing Japan's surplus in the international balance of payments.

# I. GRANT AID

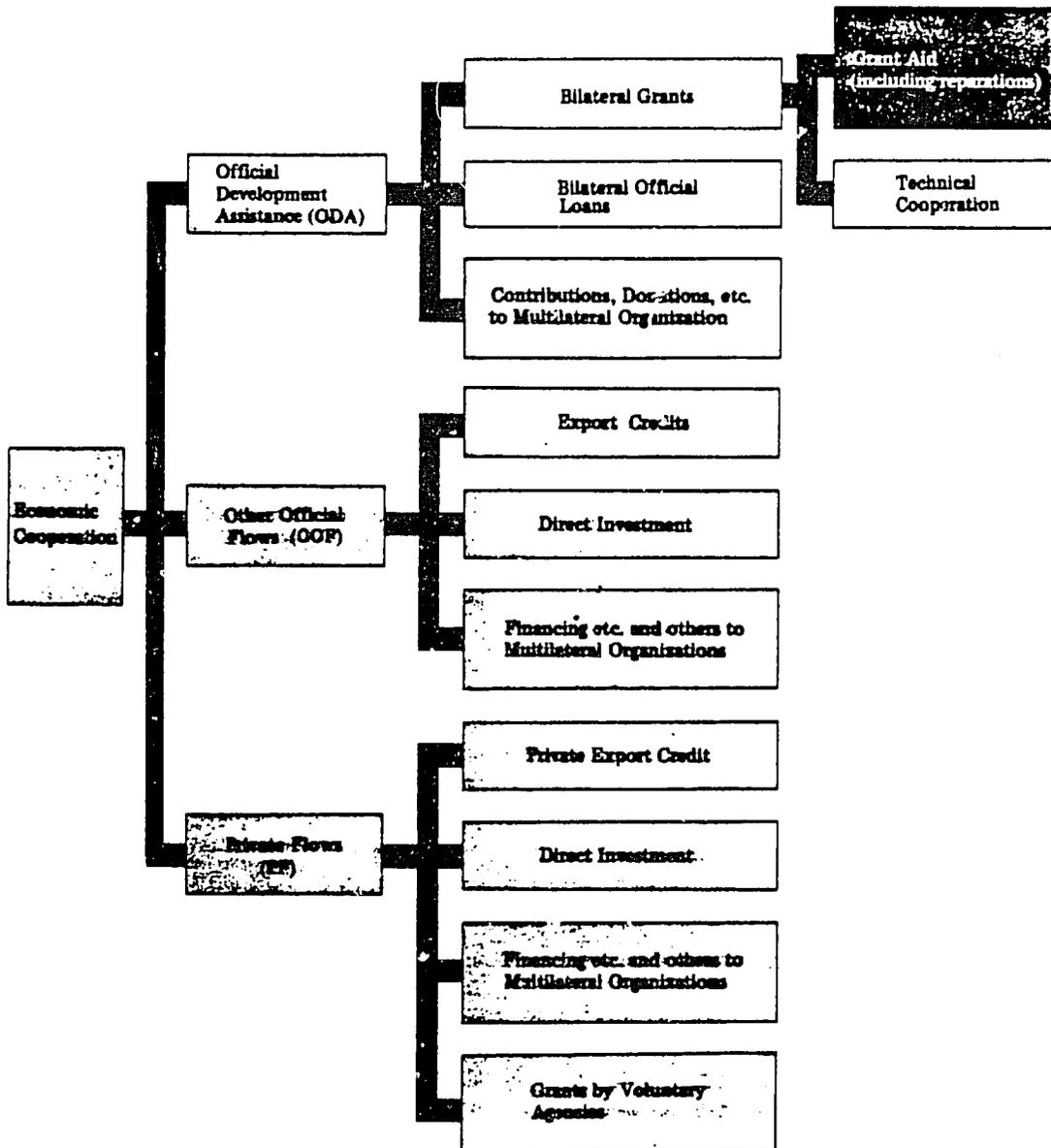
## 1. Introduction

### (1) Definition of Grant Aid

Grant aid is financial assistance extended to a recipient country (a developing country) without requiring any repayment. In other words, grant aid

covers all bilateral donations excluding those bilateral donations classified as technical cooperation. Grant aid is an important element of ODA.

Chart.9 Position of Grant Aid in Japan's Economic Cooperation



55'

## **(2) Status of Grant Aid**

In principle, grant aid extended by Japan is in the form of a funds supply. Grant aid is not extended in the form of payment in kind, such as of equipment or facilities or materials, procured by the Government of Japan.

In short, the furnishing of funds can be summarized as a donation of "money" required by the developing countries for the procurement of equipment, facilities, materials, and services (technology) needed for their economic and social development.

The Japanese programs of assistance through grant aid were started in 1968.

So far, both the amount and the quality of grant aid extended to developing countries have undergone substantial improvement.

The scope of the countries covered by grant aid is also being expanded gradually, and grant aid composes an important part of Japan's ODA. Its role in diplomacy is also acquiring increasing importance.

## **(3) Classification of Grant Aid**

The financial resource for grant aid extended by the Government of Japan is the General Account Budget. In the government's draft budget for F.Y. 1986, ¥124 billion was earmarked as resources for Economic Development Assistance and ¥61 billion as resources for aid for increased food production and food, totaling ¥185 billion of resources for grant aid.

Grant aid can be broadly classified into the following six elements:

1. General Grant Aid
2. Grant Aid for Fisheries
3. Grant Aid for Cultural Activities
4. Grant Aid for Disaster Relief
5. Food Aid
6. Grant Aid for Increased Food Production

The following are outlines of each type of aid.

### **1. General Grant Aid**

General Grant Aid is aimed to contribute to the socio-economic development of developing countries, and

destined to such fields as basic human needs (agriculture, medical care-health, public welfare-environment), and human resource development (education, research, training), forming the core of grant aid.

Examples of General Grant Aid include funds provided for equipment and materials for the construction of hospitals, schools, research centers, vocational training centers, social welfare centers as well as irrigation and road work facilities; funds necessary for the purchase of buses and trucks for transport reinforcement projects and also medical equipment.

### **2. Grant Aid for Fisheries**

This is to contribute to the development of fisheries in developing countries through cooperation on fishery projects.

This aid includes the extension of funds for the construction of fishery training centers, for acquisition of fishery training ships, fishery research facilities, and so forth.

### **3. Grant Aid for Disaster Relief**

Disaster relief is provided to help recipient countries cope with calamities in times of emergency.

Based on humanitarian concerns, this aid furnishes either relief goods or funds for purchase of goods, medical supplies and so forth.

### **4. Grant Aid for Cultural Activities**

This aid is provided to support the upkeep and utilization of cultural assets and historical sites, the promotion of activities related to culture and for the purchase of materials and equipment to be used for educational and research activities in the developing countries.

### **5. Food Aid**

Food Aid is extended to developing countries suffering from food shortages. Based on the Food Aid Convention, an international agreement, Japan has been providing food aid in cooperation with other donor countries, such as the United States of America and EC countries.

Japan's food aid is extended to provide funds to the developing countries for the purchase of crops (rice, wheat, maize, etc.).

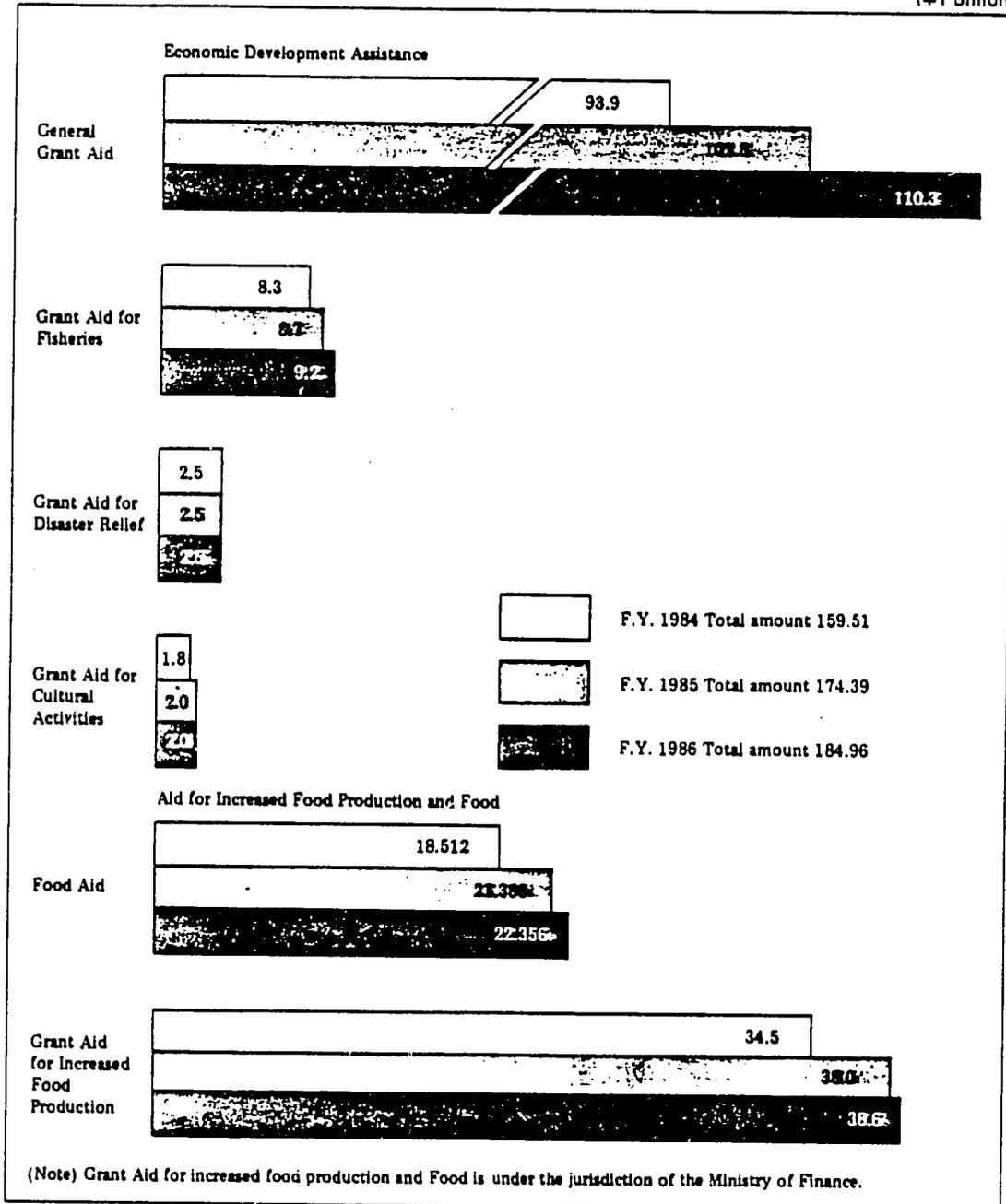
### 6. Aid for Increased Food Production

The purpose of this aid is to contribute to solving the food shortage

problem, by supporting the self-reliant efforts of developing countries to increase their food production. Examples of this type of aid include the furnishing of funds for the purchase of fertilizers, agricultural chemicals or agricultural machinery.

Chart. 10 Grant Aid Budget

(¥1 billion)



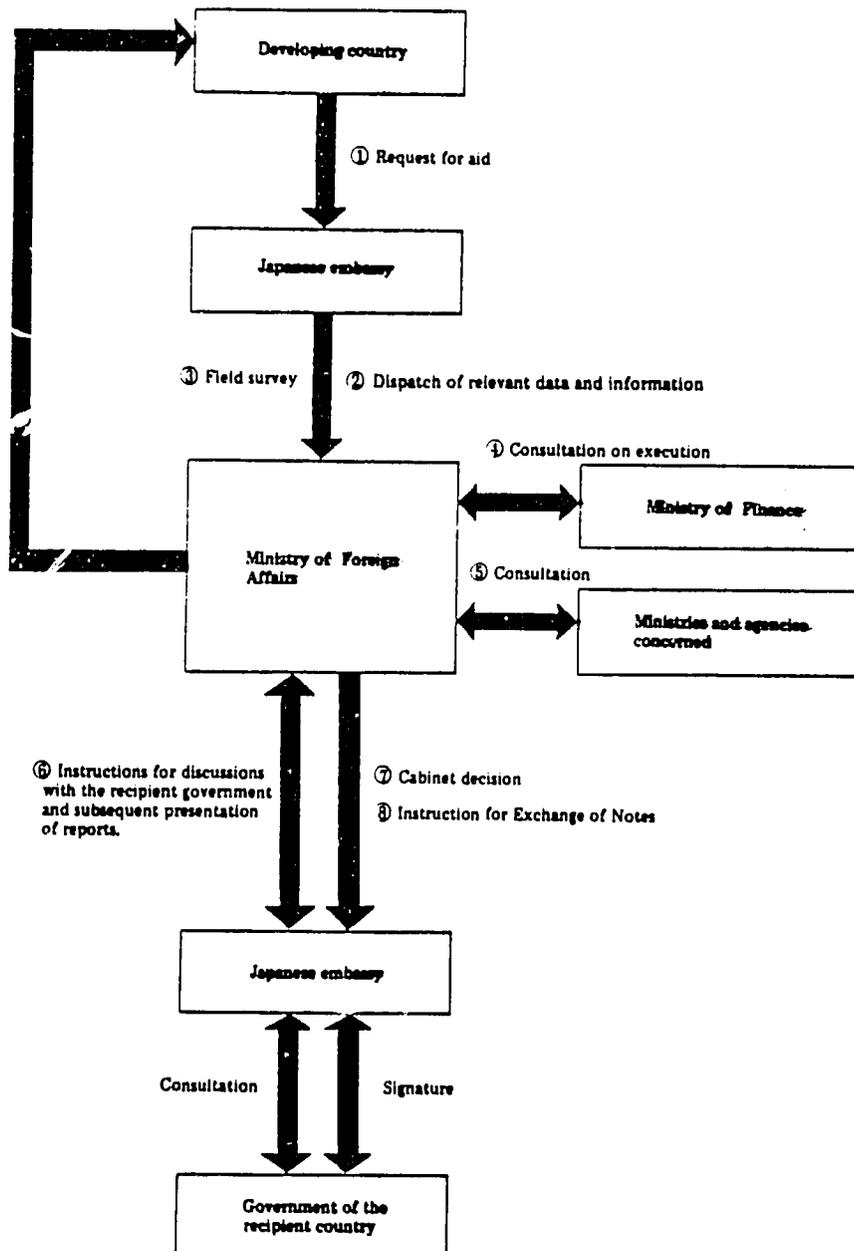
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## 2. Mechanism for Implementation of Grant Aid (Up to Signing of the Exchange of Notes)

Implementation of grant aid comprises a series of steps: a request is addressed to the Government of Japan from a recipient country; the request is examined; a survey team is dispatched;

ed; consulted within the ministries and agencies concerned; a cabinet decision is made; negotiations are made with the recipient country through Japanese embassies; Exchange

Chart. 11 Mechanism of Grant Aid (Up to signing the Exchange of Notes)



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of Notes (E/N); contract for the project implementation is checked and approved; various forms of guidance and negotiations during the project implementation; disbursements; evaluation of aid effects. Ordinarily, it takes several years from the receipt of the aid request to the evaluation of aid effects.

At present, the implementation is undertaken by the Ministry of Foreign Affairs, in cooperation with JICA. During the process of implementation, the Ministry of Foreign Affairs establishes contacts and holds consultations with other ministries and agencies concerned.

### **(1) Evaluation of Aid Request**

Aid requests from the developing countries are presented chiefly through Japanese embassies. In respect of any such aid request, the Ministry of Foreign Affairs collects and analyzes the related data and information, and judges whether the said aid request is appropriate as the object of grant aid, while consulting with the other ministries and agencies concerned. For cases approved at this primary screening, basic design surveys are undertaken by the JICA, as occasion calls to confirm the facts supportive of the appropriateness, and to obtain additional information, so as to roughly estimate the cost of the project, including the adequate scale.

### **(2) Interministerial Consultation**

Concerning the projects to be im-

plemented, the Ministry of Foreign Affairs holds consultations with the Ministry of Finance, ministries and agencies concerned.

These consultations are to determine the amount and the contents of each project. In the process of those consultations, based on detailed data and information, the appropriateness of the aid is examined from various points of view.

### **(3) Cabinet Decision, Negotiations on the Exchange of Notes and Signature**

When the said consultations within the ministries and agencies concerned are over, specific negotiations about aid implementation begin with the Government of the recipient country.

When both governments come to an agreement on the substance of the aid, this will be included in the draft Exchange of Notes (E/N) which is the appropriate form for the grant commitment. The next step is the signature of E/N. However, for E/N to be signed, the respective governments of the two countries must have followed all the domestic procedures such as, in the case of Japan, an official decision being made by the Cabinet.

The Ambassador of Japan accredited to the recipient country and an authorized official of that country sign E/N.

Signing of E/N means the official commitment of Japan with regard to the aid, and the execution of the commitment can be started.

## **3. Mechanism for Implementation of Grant Aid (After Signing of the Exchange of Notes)**

### **(1) Signature of the Contract and Banking Arrangement**

The execution of the grant aid starts after E/N is signed. The government of the recipient country (or its designated authority) is to conclude the contract for execution with a Jap-

anese company. This contract should be a direct one between the government of the recipient country (or its designated authority) and a Japanese company. Since selection of the Japanese company for the execution of the grant aid must be done with

perfect impartiality in view of the nature of the aid, in principle it is done through competitive bidding aimed at Japanese companies.

Parallel to the signing of the contract, the government of the recipient country (or its designated authority) concludes a banking arrangement with an authorized foreign exchange bank of Japan to open, a special account for the purpose of receiving the fund granted by the Government of Japan, and make the payments from the deposit to the Japanese company.

This banking arrangement serves as the basis for the recipient country to issue the Authorization to Pay (A/P) that, in turn, is indispensable for the Japanese contracting company to obtain payments as stipulated in the contract terms. As such, it is indispensable for the project to be implemented just when the contract is signed.

Therefore, without the banking arrangement, the project implementation cannot start, even if the contract is signed.

## **(2) Verification of the Contract**

Verification of the contract means the Government of Japan recognizes that the contract is eligible for execution of the grant aid and is a requisite for the coming into force of the contract.

The Ministry of Foreign Affairs checks the contents of the contract, and as occasion calls, consults with the ministries and agencies concerned, to decide approval or rejection of the contract.

## **(3) Performance According to the Contract, and Payment**

The Japanese company carries out its contract responsibility after receiving the approved contract and the Authorization to Pay (A/P). Based on the payment terms in the contract and A/P, the Japanese company requests payment to the designated bank, in accordance with specific instructions, and attaches the certificate issued by the government (or institution) of the recipient country or the export shipping documents. Upon a request presented from the designated bank, the Government of Japan (the Ministry of Foreign Affairs) follows the required payment procedures so as to pay into the special account (=grant account) opened by the recipient country in the designated bank, the due amount in yen. After the transfer is effected, the bank immediately makes the payment to the Japanese company on behalf of the recipient country. The procedure described above is to be repeated as many times as required, if the contract stipulates deferred payment.

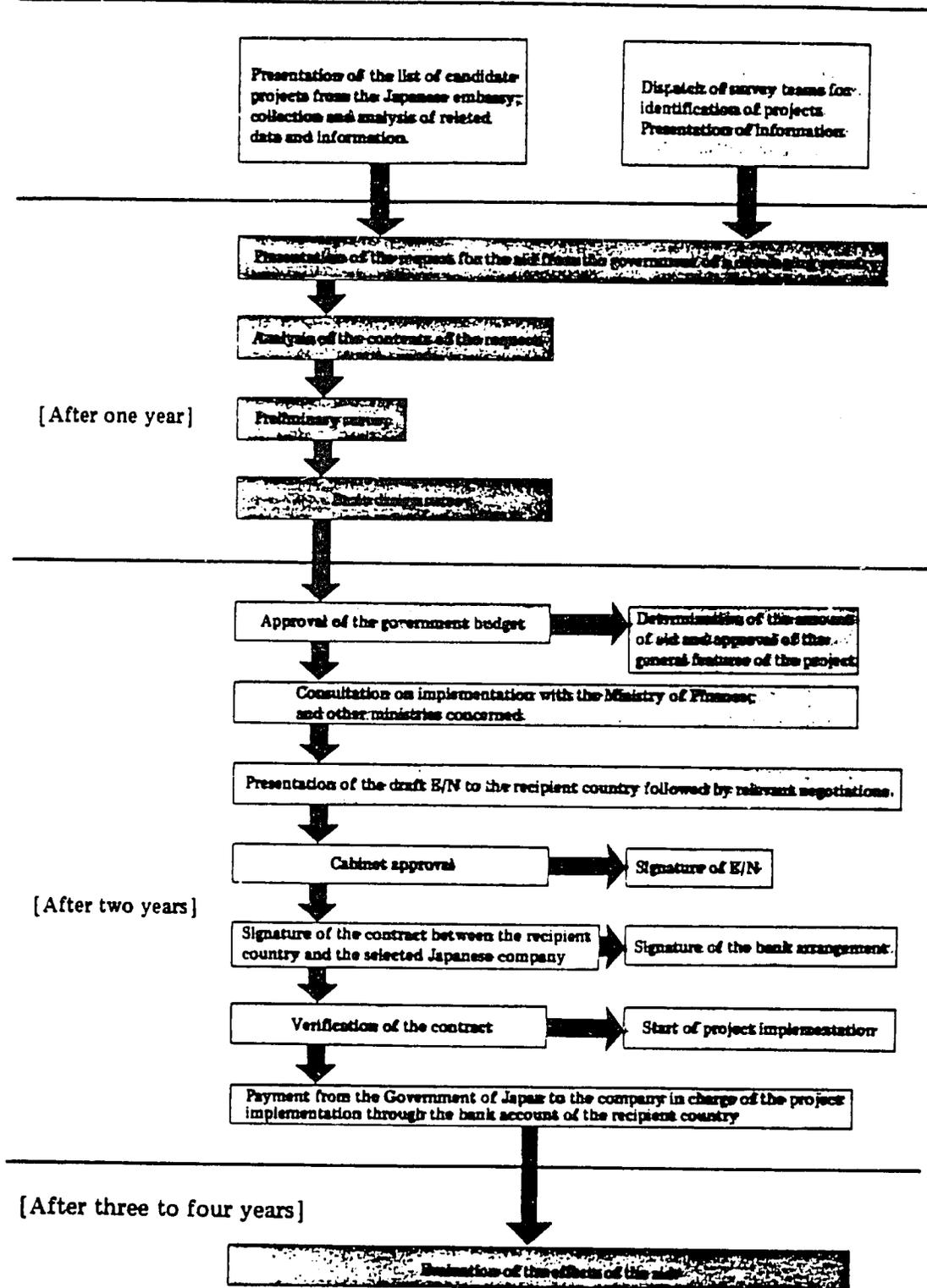
# **4. Flow of Grant Aid Implementation**

There are two points which require special attention with regard to the execution of grant aid. First, since the authorization of the government budget is on a single year basis, the steps such as the signing of E/N for aid, the signing of contracts, project implementation and payment must, in principle, be completed within a single fiscal year. Second, the lapse of time required from the presentation of a specific project as a candidate for aid

to the evaluation of the aid effects takes several years.

(1) Propositions of projects for Japanese aid are constantly reported to the Government of Japan (the Ministry of Foreign Affairs) by the Japanese embassy which gets the information through constant contact with the government institution of the recipient country. However, several projects can be presented on such occasions as the visits of high govern-

Chart. 12 Flow of the Execution of Grant Aid



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ment officials.

For the countries in which there is no Japanese embassy or legation (official residence), or the countries which have never received aid from Japan, or the countries considered to be lacking the project planning capability, the Government of Japan makes it its policy to positively send project finding teams to them, and, upon consultation with the said countries, identify such projects as are deemed necessary.

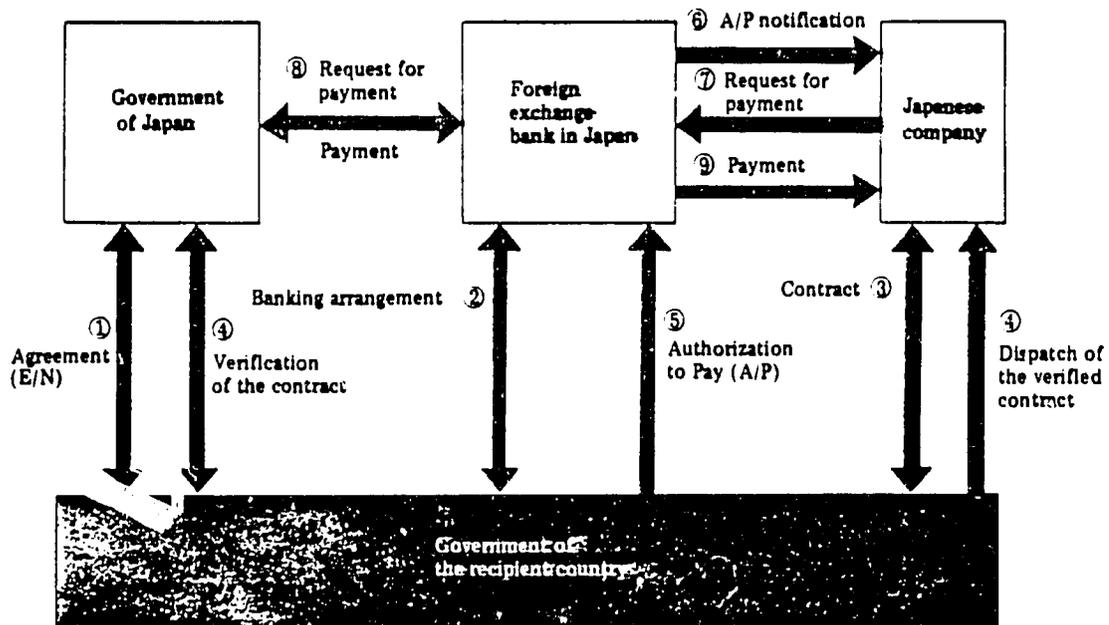
(2) The government of the recipient country conducts screening of the projects and presents an official request of aid for projects with high priority. If necessary, the Government of Japan (the Ministry of Foreign Affairs) collects additional data and information through its embassies, and, studies the request by taking into consideration the aid policy of Japan. If a specific project is considered appropriate for aid, a preliminary

survey team is sent by the JICA to the recipient country.

The survey team carries out a detailed study on relevant conditions (e.g., the general situation of the country's medical care system, if the project is for a hospital), of the expected results of aid when it is provided, adequate project scale, proposed site for the project, etc. The results of the preliminary survey serve as important reference information when Japan determines the ceiling of the aid amount, and when the recipient country sets about the said project implementation.

(3) Subsequently, the aid is officially committed upon completion of a series of formalities from consultations within the ministries and agencies concerned to Cabinet approval in Japan, agreement with the government of the recipient country on the contents of E/N, and signing of E/N.

Chart. 13 Procedure for Execution of Grant Aid (After signing of E/N)



(Note) ⑦ through ⑨ are in accordance with the payment terms in the contract

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## 5. Requisites of Grant Aid

Since grant aid is not accompanied by the obligation of repayment, compared with loans, it is an extremely, advantageous form of aid for the recipient countries.

On the other hand, since the funds for this aid are the taxes paid by the Japanese people, certain conditions must be satisfied before a country can be accepted as a recipient country of grant aid.

These conditions are broadly divided into two types. First, there are conditions to be considered as criteria on the aid-supplier's side (i.e. the Government of Japan) when determining the execution the aid project (They may be called "criteria for determining the aid execution").

Second, there are conditions which should be fulfilled by the recipient country for the appropriate execution of the grant aid, (these may be called "conditions for the aid implementation", and are stipulated in E/N in agreement with the government of the recipient country and the Government of Japan).

### (1) Criteria for Approval of the Aid Request

#### 1. Recipient Countries and Regions

In principle, priority is given to developing countries with a relatively low stage of development. Special attention is paid to Least Developed Countries.

Incidentally, even in the case of a developing country whose GNP is relatively high, grant aid program may be extended to the country when its implementation is specially deemed necessary, by taking account of various factors, such as the importance of the said country, the significance of the said project, and relations with technical cooperation being implemented by Japan.

As for geographical allocation, until

about 1977, the Asian countries had received approximately 70% of Japanese grant aid. Recently, however, along with the expansion of the grant aid budget, emphasis has been put on grant aid to the less developed developing countries, especially Least Developed countries. Accordingly, aid to Africa, where many such countries are located, has steadily increased, now amounting about 30% of Japan's total grant aid.

#### 2. Allocation of Grant Aid by Fields

Grant aid is provided in the fields which are recognized to be of highest priority and which contribute to balanced social and economic development of the recipient country, as well as being directly related to the improvement of the living standards of the population such as for (1) medical care and public health, (2) education and research, (3) agriculture, (4) public welfare, improvement of the environment, etc., and (5) communication and transportation.

The projects to be taken into consideration as possibly qualifying for grant aid should be among the fields listed above from (1) to (5) and should either include the construction of buildings, etc., or the furnishing of equipment facilities and materials, or both. From the viewpoint of comprehensive aid, importance is to be given to projects related to Japanese technical cooperation presently under implementation or expected to be implemented in the future (technical cooperation extended through JICA).

Additionally, Japan's grant aid is mainly intended for projects with relatively low economic profitability but with high public value, and which would be difficult for the governments of the recipient countries to materialize by themselves. Needless to say, it is also important that the project management system has been established by each recipient country.

## **(2) Conditions for Grant Aid Implementation**

### **1. Restrictions Imposed by the Budgetary System of Japan**

As mentioned briefly in the section on "Mechanism for Implementation of Grant Aid", Japan's grant aid is implemented under the single year budget system. As such, each project, from the commitment to the recipient country (signing of E/N) to payment through contract, must, in principle, be completed within one year. But in fact, exception to this fiscal rule is admitted in the case of force majeure (such as a change of government, administrative reform, etc.) occurring in the recipient country after E/N was signed, or a delay in construction due to weather conditions. In such cases, implementation of the commitment can be carried over to the next fiscal year, an exception to the fiscal regulations, and thus as "Expenses for Economic Development Assistance", funds can be brought forward to the next fiscal year when certain conditions are satisfied. Consequently the period of implementation of the aid can be extended up to a maximum of one year, by extending the period originally stipulated in E/N.

As for large-scale projects which cannot be completed within one year, they are implemented flexibly either by dividing their implementation into a number of periods, or by utilizing the national treasury defrayment system by which, after the Diet decision, the commitment can be made for a couple of years.

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#### **< Example of E/N >**

For the purpose of contributing to the execution of the project for (project name) by the Government of (name of the recipient country), the Government of Japan will extend to the Government of, (name of the recipient country) a grant up to (amount) million yen (¥ , 000,000). The grant will be made available during the period between the date of coming into effect of the present arrangements and 31st, March of

19xx, unless the period is extended by mutual agreement between the authorities concerned of the two Governments.

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### **2. Aid Conditions**

#### **1) Contracting Parties**

The contracts of General Grant Aid have to be made directly between the government of the recipient country (or its designated authority) and Japanese nationals or Japanese juridical persons controlled by Japanese nationals according to the stipulations of E/N.

The Japanese juridical persons controlled by Japanese nationals which enter into the contracts for the Japanese side, must satisfy the following three conditions:

- a) The juridical persons in question should be the ones established in accordance with Japanese laws.
- b) The majority of the shares or holdings of the juridical persons in question should be either owned or controlled by Japanese nationals.
- c) The majority of the members of the organ which makes the decisions related to the execution of the duties of the juridical person in question and the majority of directors which represents the juridical person should be composed of Japanese nationals (In the case of incorporated companies, the majority of its board of directors and the majority of the representative directors should be Japanese nationals).

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#### **< Example of E/N >**

The Government of (name of the recipient country) will enter into the contracts in Japanese yen with Japanese nationals for the purpose of the products and services.

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#### **2) Verification of the Contracts**

The contracts are checked and verified in the following manner: Two or more original contract documents are to be presented to the Government of Japan through its embassy, and the Grant Aid Division of the Ec-

conomic Cooperation Bureau of the Ministry of Foreign Affairs holds consultations, if necessary, with the ministries and agencies concerned in order to verify the form and the substance of the contract. In exceptional cases, the contract documents can be presented to the Government of Japan either through the embassy in Tokyo of the recipient country.

The verification is aimed chiefly at checking whether the contracts are in compliance with the stipulations of E/N. Major check points are as follows:

- Whether the funds are to be spent properly. (To see if goods which are not mentioned in E/N are included: to verify the procurement sources, etc.)
- Whether the contracted amount does not exceed the limit of the furnished funds.
- Whether the selection procedure and the selected Japanese companies are adequate.
- Whether it is explicitly stated that the contracts (as well as the amending contracts to be made later as occasion calls) will come into force only when they are verified by the Government of Japan.
- Whether the method of payment is adequate.
- Whether the general clauses such as those referring to mediation are in order.
- Whether the obligations of the recipient country, such as tax exemption, are in compliance with the stipulations of E/N.
- In the case of construction projects, the standard contracts of the American Institute of Architects or the Yonkai Rengoo Yakkan of Japan are often used. It is necessary to verify whether the deletion from, addition to and/or modification of the standard contracts is appropriate.

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< Example of E/N >

"The Government of (name of the recipient country) will enter into the contracts in Japanese yen with Japa-

nese nationals for the purchase of the products and services". Such contracts shall be verified by the Government of Japan to be eligible for the grant.

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3) Goods and Services -- to be provided by the aid

The procurement of equipment, materials and services with funds provided by general grant aid, is not tied only to Japan's products and services of Japanese nationals, but accepts the products originating in the recipient country and services of its nationals (so-called "local cost"). Furthermore, depending on the case, the purchase of goods and services originating in third countries is accepted in principle, and actually, most of the procurements of the general grant aid fall under the latter two forms of purchase. The "tied" or "untied" condition of goods and services to be procured is stipulated in E/N.

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< Example of E/N >

"Example 1. Local untied loans".

The donation will be used by the government of (name of the recipient country) for purchase of goods of Japanese origin or (name of the recipient country) origin or services of Japanese citizen or (name of recipient country) citizen required by the (content of the aid).

"Example 2. Third country untied loans (Untying Third Country)"

- (1) (Stipulation of the example 2 mentioned above)
- (2) Not with standing the provisions of (1) above, when the two governments deem it necessary, the Grant may be used for the purchase of the products of the kind which are products of countries other than Japan or (name of the recipient country) and the services of the kind which are services of the nationals of the countries other than Japan or (name of the recipient country).

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4) Role of the Bank and Issue of the Letter of Authorization to Pay  
I. order to cover the obligations

incurred by the government of the recipient country under the verified contract, the Government of Japan executes grant aid by making the payment in Japanese yen to an account opened by the government of the recipient country in an authorized foreign exchange bank of Japan, in accordance with the stipulations of the verified contract.

In order to make this possible, after the signing of E/N, the government of the recipient country is required to conclude an arrangement with a bank including the opening of the account. In most cases, this banking arrangement is concluded within approximately one month after the signing of E/N. After the verification of the contract, an authorization to pay is issued for each contract in compliance with the stipulations of the banking arrangement.

This authorization to pay is a document which authorizes the payment by the Government of Japan to the Japanese contractor at his request made in accordance with the stipulations of the verified contract for the designated bank. As such, the payment is made into the account of the recipient country's government (or its designated authorities) opened in the bank.

By means of this document, the foreign exchange bank concerned (the party to the banking agreement) in Japan can act on behalf of the recipient country's government, in reply to the request for payment made by Japanese companies.

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< Example of E/N >

(1) The Government of Japan will execute the grant by making payments in Japanese yens to cover the obligations incurred by the Government of (name of the recipient country) under the contracts to an account to be opened in the name of the Government of (name of the recipient country) in an authorized foreign exchange bank of Japan designated by the Government of (name of the recipient country).

(2) The payments referred to in

sub-paragraph (1) above will be made when payment requests are presented by the bank to the Government of Japan under an authorization to pay issued by the Government of (name of the recipient country).

(3) The sole purpose of the account referred to in sub-paragraph (1) above is to receive the payments in Japanese yen by the Government of Japan, and to pay to the Japanese nationals who are parties to the verified contracts. The procedural details concerning the credit to and debit from the account will be agreed upon through consultation between the bank and the Government of (name of the recipient country).

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5) Measures to be Taken by the Recipient Country.

In the execution of grant aid, the recipient country is also required to take some specific measures. The details of the measures to be taken by the government of the recipient country depend upon the form of aid, but the following is a case of buildings and facilities construction, which is the most common use of this type of aid. The government of the recipient country will take necessary measures:

- a) to secure a lot of land necessary for the construction, and to carry out land preparation so as to make construction possible.
- b) to provide facilities such as distribution of electricity, water supply, drainage and telephone lines up to the boundary of the sites, etc;
- c) to ensure prompt customs clearance and inland transportation for the equipment, goods, and materials necessary for aid;
- d) to exempt Japanese nationals working on the aid project from duties, internal taxes and any other fiscal levies;
- e) to bear all the expenses, other than those to be borne by the grant, necessary for the execution of the project;
- f) to ensure that, after the construction is over, the facilities be maintained and used properly

and effectively.

Special attention should be paid to the exemption of tax to Japanese companies, juridical persons and nationals working on the aid project, mentioned in item d) above.

The position taken by Japan is that custom duties, internal taxes and other financial levies imposed in the recipient country should not be paid with grant funds provided by Japan. Accordingly, all grant aid offered by Japan so far requires the exemption of all such taxes. If the legal stipulations prevailing in the recipient country do not allow for tax exemption, Japan asks the recipient country to bear such taxes. If these taxes are borne by the recipient country, the payment in advance of such taxes by Japanese companies followed by a subsequent reimbursement by the government of the

recipient country is in principle avoided.

The contents, scope and other details of the tax exemption vary slightly from country to country, but basically the direct taxes such as income can be the object of tax exemption. If commodity tax is levied on commodities purchased by the Japanese company in the local market, in principle such tax can be the object of tax exemption. However when the commodity tax itself is an integrated part of the price structure thus making the application of the exemption technically difficult, tax exemption is not necessarily demanded. Naturally, this tax exemption is not applicable to all items of commodities necessary for the daily activities of the employees of Japanese companies working on the aid project.

## 6. Classification of Grant Aid

As mentioned above, the funds for the grants offered by the Japanese Government are provided for by the General Account budget. The draft budget of the Government for F.Y. 1986 includes ¥124 billion for economic development aid and ¥61 billion for aid for increased food production and food — a total of ¥185 billion for grant aid. Its allo-

cation to various fields is as shown in the table below.

### (1) General Grant Aid

As explained above, General Grant Aid is the name given to a wide variety of grants offered in various fields with the exception of fisheries, cultural activities, disaster relief and food. Judging from the size of its

Table 1 Budget for Grant Aid

(¥100 million)

|   | F.Y. 1985    | F.Y. 1986    |
|---|--------------|--------------|
| <b>Economic Development Assistance</b>                  | <b>1,150</b> | <b>1,240</b> |
| General Grant Aid                                       | 1,018        | 1,103        |
| Grant Aid for Fisheries                                 | 87           | 92           |
| Grant Aid for Disaster Relief                           | 25           | 25           |
| Grant Aid for Cultural Activities                       | 20           | 20           |
| <b>Grant Aid for Increased Food Production and Food</b> | <b>594</b>   | <b>610</b>   |
| Food Aid  | 214          | 224          |
| Aid for Increased Food Production                       | 380          | 386          |
| <b>Total</b>  | <b>1,744</b> | <b>1,850</b> |

budget, it is the core of grant aid extended by Japan.

Broadly speaking, the fields covered by General Grant Aid are as follows: 1. Medical Care and Public Health, 2. Education and Research, 3. Agriculture, 4. Public Welfare and Improvement of the Environment, and 5. Communication and Transportation.

Analysis of individual cases in these fields shows that they present low economic profitability and, as a result, developing countries invariably find it relatively difficult to invest in them either their own funds or funds raised by means of loans; furthermore these fields of activities are directly related to the improvement of the living standards of the population.

Recently, in order to satisfy various needs of the recipient countries, cooperation is extended in the field of promotion of exports. As for LLDC, cooperation is extended also in the field of infrastructure such as bridges and roads.

From the results attained so far, it is possible to list the following concrete examples.

#### **1. Medical Care and Public Health**

Biomedical Research Center, Community Medical Center, Educational Hospital, Tuberculosis Research Center, Medical Research Center, Gastrointestinal Disease Research Center, the Rehabilitation Research Center for the Physically Disabled, the Nursing School, etc..

#### **2. Education and Research**

Laboratory and experimental materials for an engineering college, facilities for a faculty of economics, equipment and materials for a motive power research laboratory, a technical training school, a vocational training center, Construction Project of a Jr. Secondary School, etc..

#### **3. Agriculture**

Research building for a central agricultural research laboratory, experimental and training facilities for a rice testing farm, citrus and vegetable seed research center, wheat

research laboratory, agriculture dissemination center, irrigation system, agricultural storehouse, rice hulling and cleaning center, the Nursery Training Center for Social Forestry, the Plant Genetic Resources Center, etc..

#### **4. Public Welfare and Environment Improvement**

Machinery for the digging of wells, construction of a water supply system, agricultural and fishery products for nutritional improvement, Project for the Exploitation of Underground Water, etc..

#### **5. Communication and Transportation**

Telephone system, domestic Telecommunication network, telecommunication research center, equipment and materials for the restoration of a highway network, reinforcement of transportation capacity, Project for the environmental and Hygienic Improvement, etc..

#### **6. Export Promotion**

International trade training center, metal processing/machinery industry development research institute, Project for the Establishment of the Metal-Working and Machinery Industries Development Institute, etc..

#### **7. Infrastructure (bridges, etc.) in LLDCs**

Bridge and road construction.

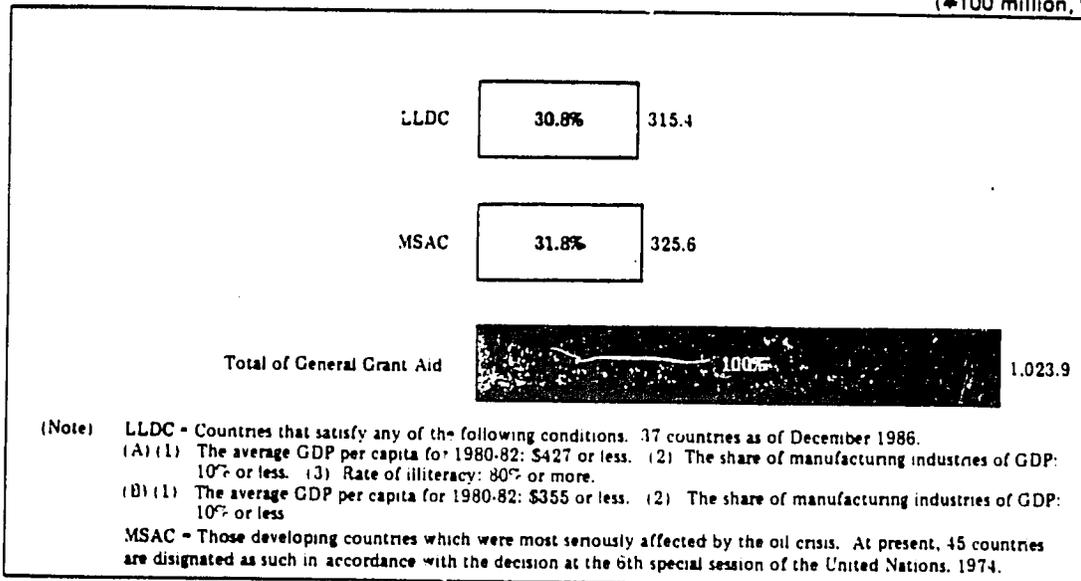
#### **(2) Grant Aid for Fisheries**

In a word, this aid is to provide funds for projects related to fisheries, such as the construction of fishery training centers, training ships, fishery port & harbor facilities, and fishery research laboratories, in order to contribute to the promotion of the fisheries in the developing countries.

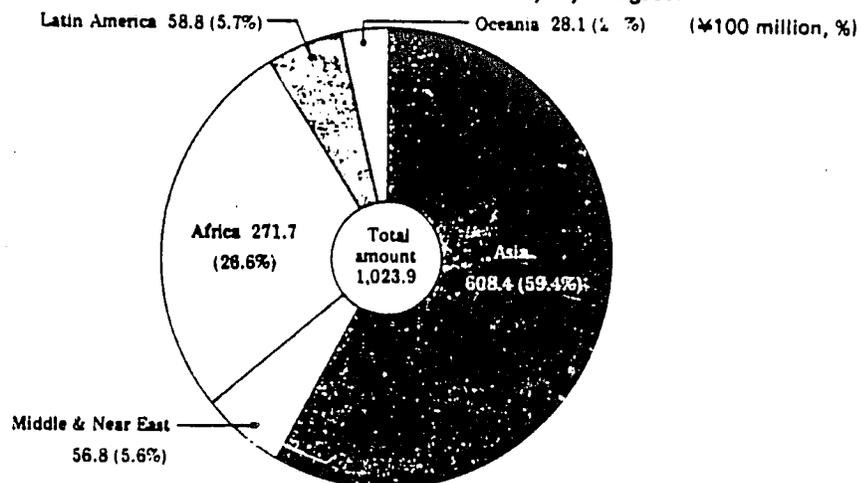
In order to cope with the increasingly serious food problem recently evident, many developing countries are attaching increasing importance to the promotion of fisheries in order to develop and utilize sea foods as

**Chart.14 General Grant Aid Distribution in F.Y. 1985**

(¥100 million, %)

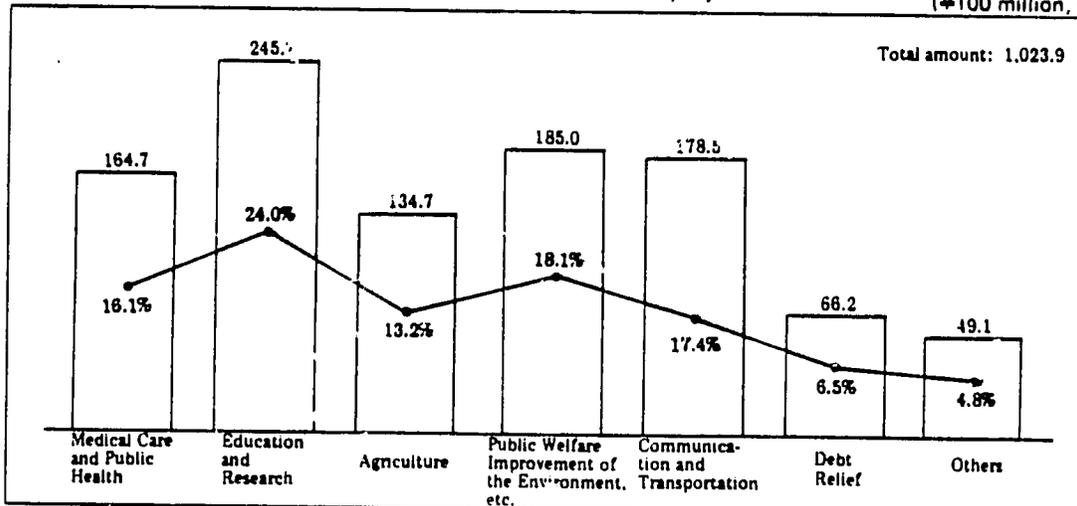


**Chart. 15 General Grant Aid Extended in F.Y. 1985, by Region**



**Chart.16 General Grant Aid Offered in F.Y. 1985, by Field**

(¥100 million, %)



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source of animal protein. However, in most cases, developing countries are lacking in capital, technology and experience, and they are often unable to adequately develop and utilize the available resources. As Japan possesses the world's most modern fishery technology and ample experience in this field, many requests are presented to Japan asking for cooperation in fishery development projects. It is highly meaningful to provide grant aid to those projects in reply to such requests as it contributes to the economic and social development of developing countries, and also to maintaining and enhancing friendly relationship with such countries.

There are many developing countries striving to find the correct orientation for the development of their fisheries, but, due to a lack of experience, some of them seem to be groping in the dark.

Japan's policy in this field is to gain a thorough understanding of the actual conditions of the fisheries in such countries. Also by taking into consideration the technical level of fisheries of the recipient country, Japan endeavours to offer cooperation for projects which are particularly suited to each specific country, thus contributing directly to the promotion of the fisheries in that country.

Specifically, within the framework of this aid, Japan provides funds required for supplies of materials such as fishing equipment (fishing implements, simple refrigerators, ice-making machines, cold-storage trucks, etc.), equipment and materials for fishery research, outboard engines, inboard engines, small-size fishing boats, fishery training ships, fishery survey ships and so forth, and for construction of fishery technical high schools, fishery training colleges, fishery centers, fishery experimental stations, fish farms, fishery bases, and so forth.

### **(3) Grant Aid for Disaster Relief (Emergency Aid)**

This aid is to provide urgent disaster relief for relief activities in developing regions where calamities have occurred. Usually this type of aid is implemented through the Japan Red Cross Society or multilateral organizations.

When many people in a developing country have suffered from calamities such as earthquakes, floods or rebellions, the afflicted country requests the supply of relief goods either directly or through multilateral organizations.

After taking into consideration the request for relief coming from either the afflicted country or multilateral organizations, as well as the information provided by the Japanese embassy in that country or region, the Ministry of Foreign Affairs decides the necessity, amount and contents of the aid. The Ministry of Foreign Affairs then consults the Ministry of Finance regarding its implementation.

When making decisions on such aid, data and information on the extent of the damages, such as the death toll and the international public opinion as reflected by the relief measures taken by other countries, are taken into consideration.

After the decision is made to provide disaster relief, Cabinet approval is to be obtained, and the embassy of Japan, in conformity with the instructions from the Ministry of Foreign Affairs, exchanges a note verbale with the recipient country or multilateral organizations. Immediately after implementation, the recipient country or multilateral organization submits a report to the Ministry of Foreign Affairs on what has been accomplished.

Because of the object of this aid which requires urgent action, unlike the usual execution procedures for General Grant Aid, the required procedures for this aid are extremely simplified.

### **(4) Grant Aid for Cultural Activities**

This is officially called Cultural Grant Aid, and started in F.Y. 1975 in connection with international cooperation.

ation for cultural exchange.

This aid is to provide funds for the purchase of equipment and materials for the promotion of education and research, preservation and utilization of cultural assets and cultural remains, and for public performance and exhibitions of a cultural nature in developing countries. This aid has to be implemented within the limit of ¥50 million for each project.

The procedures for the execution of Cultural Grant Aid are in general similar to those for General Grant Aid, but there is an important difference due to the fact that advance Cabinet approval is not required. This is because this type of aid is relatively similar and simple in content, and in addition, the size of each project is so small as to be under ¥50 million. Consequently reports on the projects are given en masse to the Cabinet at suitable occasions after the conclusion of agreements between the governments.

#### **(5) Grant Aid for Debt Relief as a Part of the General Grant Aid**

At the third meeting of the 9th TDB (Trade Development Board) of UNCTAD held in March 1978, it was decided that the donor countries would make efforts to carry out adjustments in the past bilateral ODA or other equivalent measures, to relieve the debt burden of the developing countries which are facing serious debt repayment difficulties.

In compliance with this resolution as of F.Y. 1978, Japan has been adding new grants to poorer developing countries indebted to Japan (concretely the said grants were for 11 LLDC countries and 7 MSAC countries, in total 18 countries). With this aid, if an LLDC country returns the loan of ¥500 million, including interests, to Japan, it will get anew a grant aid of ¥500 million from Japan.

For MSAC countries, the amount of grant aid corresponds to the difference between the interest to be paid, in accordance with the original loan contract and the interest which would

be paid by the interest rate of 1978 which is much softer than those of previous years.

This aid is provided for in the form of the so-called "untied cash grant", which is provided for purchases of goods from third countries. Because of these characteristics, this type of aid contributes considerably to mitigating the recipient country's international balance of payments problems.

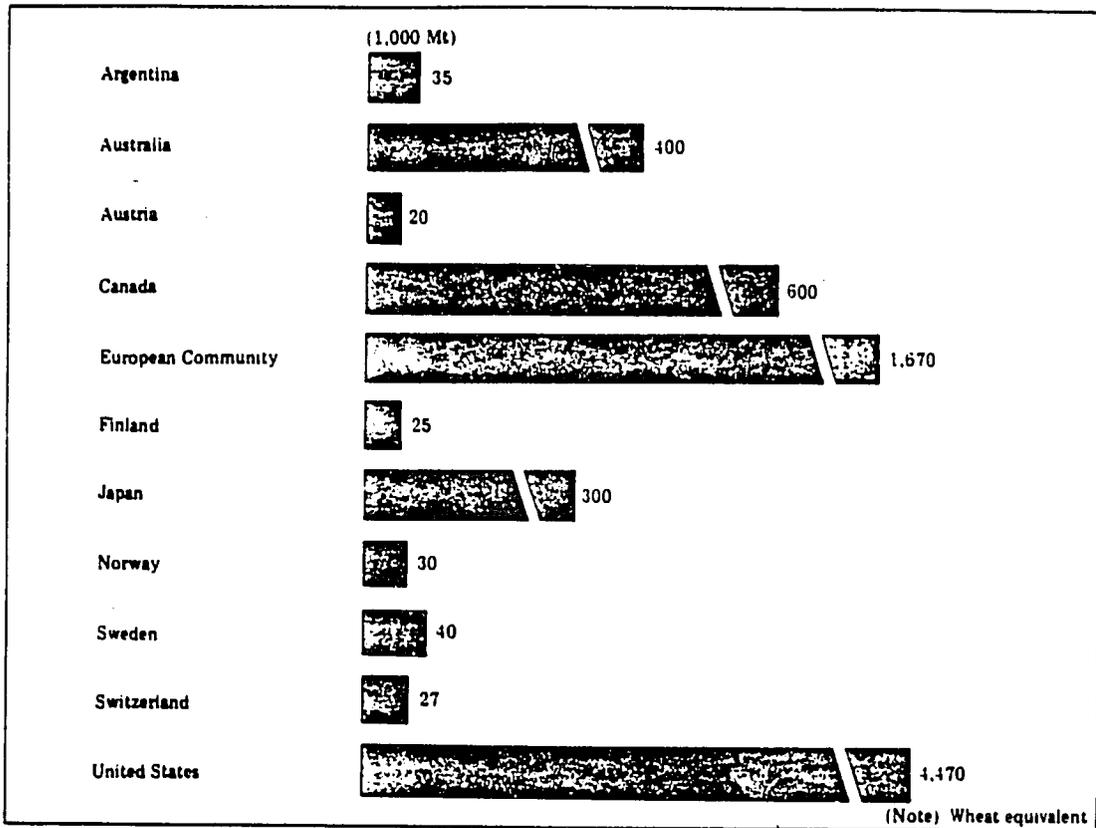
As to the commodities to be procured, in principle, prior to the signature of E/N, it is expected to come to an agreement on the list of commodities (the so-called positive list) between Japan and the recipient country. It is from the member countries of the OECD and the developing countries (except the recipient country) included in the DAC statistics that the commodities can be purchased.

This aid is provided as a lump-sum advance payment on condition that the confirmation is obtained concerning repayment, by the recipient country, of the debt of this fiscal year and that the bank account is opened by the recipient country. This is quite different from general grant aid where deferred payment is the rule. In the mechanism of this aid, verification of the contracts signed between the recipient country and the suppliers of the desired commodities as well as the banking arrangements are omitted, but in order to make it possible to know how funds are used, the recipient country is under the obligation to present a report in the form of a note verbale on the use of the funds after the funds are exhausted according to the commodity lists.

#### **(6) Food Aid**

Japan's Food Aid is implemented on the basis of the Food Aid Convention of 1986. The food aid budget for 1986 is approximately ¥22.4 billion including transportation costs, and is included, together with ¥38.6 billion of budget for Aid for Increased Food Production to be mentioned later, in the budget item "Fund for Aid for Increased Food Production and Food".

**Chart. 17 Minimum Annual Contributions of the Member States of the Food Aid Convention**



The Food Aid Convention is an international agreement which stipulates the quantity of grain to be provided as aid by the member countries to developing countries facing serious food shortage problems.

The members of the Food Aid Convention are Argentina, Australia, Austria, Canada, Finland, Japan, Norway, Spain, Sweden, Switzerland, the United States of America and the European Community and its member States. The minimum annual contribution to be offered by these members totals 7,617,000 tons.

The minimum annual contribution to be made by Japan is 300,000 tons, but, according to the stipulations of the Convention, Japan can meet this requirement by supplying funds with which developing countries purchase grain.

Food Aid is popularly called KR

aid, due to the circumstances under which the Convention was first established at the Kennedy Round negotiations of GATT, which lasted from 1964 through 1967. Approximately one-third of the quantity of wheat traded at that time was handled in the form of special trade inclusive of aid and an agreement was reached to implement, in international concord, aid which would not have negative effects upon either agricultural production or international trade of the developing countries themselves, by creating a food aid plan within the scope of the grain agreement. As a consequence, the Food Aid Convention was incorporated in the Grain Agreement of 1967, which is one of the results of the KR negotiations. Later on, the Grain Agreement was amended and was replaced by the International Wheat Agreement of 1971 and the

Food Aid Convention of 1980. In view of the historic process described above, aid provided in accordance with the Food Aid Convention is called KR aid.

### **1. Form and Supply Method of Food Aid**

The aid based on the Food Aid Convention used to be provided, in principle, in the form of either wheat or coarse grain (rye, barley, oat, maize, sorghum, etc.). However, in the present Food Aid Convention, in addition to wheat and coarse grain, rice and secondary wheat products have been included.

Food Aid is not provided in kind as in the case in General Grant Aid described above. The recipient country concludes contracts for the purchase aid grains with Japanese suppliers, and in accordance with these contracts, the Government of Japan liquidates ex post facto the obligations incurred by the recipient country.

The minimum annual contribution of Japan in 1984/85 was 300,000 tons of wheat which is converted into \$49.5 million in conformity with the stipulations of the Food Aid Convention. On the basis of the average wheat price of the previous calendar year, the Food Aid Committee decides upon the market price to be applied to the next Crop Year of Wheat (July - June) and according to this market price, the annual contribution is calculated. Since 1973, a separate budgetary measure has been adopted, to reduce the burden of the recipient country and make possible a more efficient implementation of the aid; part or the whole of the freight and insurance costs borne by Japan.

### **2. Implementation of Food Aid**

There are many potential food aid recipient countries. When a request for Food Aid is presented through diplomatic channels, and is examined for possible implementation, such factors as food shortage in the country in question (yield, imported quantities, aid offered by other countries),

the economic and social situations, international balance of payment conditions, and relations with Japan are comprehensively considered before the final decision is made.

The procedural flow of aid implementation is as follows. After the approval of the Budget, requests for Food Aid from developing countries are comprehensively studied by the Ministry of Foreign Affairs, and a draft plan for the distribution of aid, by country, is prepared. According to past examples, the scale of the aid varied greatly from approximately ¥40 million to ¥3,000 million. The next step is the consultation with the Ministry of Finance with regard to the draft plan of aid distribution, and the aid policy is determined. The governments of the recipient countries are usually notified through Japanese embassies of the amount of the aid, type of grain, transportation cost, and obligations to deposit premium (described later). As to the type of aid grain, in principle, the wish of the recipient country is respected. In some cases, the pledge may be given at the meeting between the recipient country and the creditor countries or at the occasion of the visits of official delegates from the both countries concerned.

### **(7) Grant Aid for Increased Food Production**

The most important factor for solving the food shortage in developing countries is undoubtedly the self-reliant efforts of each country for increased food production. To support such efforts, Japan has carried out agricultural projects of various types which are expected to help increased food production. In addition, since F.Y. 1977, under the special budgetary provision for aid for increased food production, Japan has started to supply fertilizers, agricultural chemicals and agricultural machinery.

Agricultural commodities have been supplied as a part of Food Aid. However, from F.Y. 1977 on, this has been furnished under a new framework,

"Aid for Increased Food Production". Under this new arrangement, Aid for Increased Food Production has steadily increased, and together with the aid for the various types of agricultural projects provided within the scope of the General Grant Aid, this type of aid is making a significant contribution to the progress of developing countries which are attaching priority to agricultural development.

Agricultural commodities furnished as Aid for Increased Food Production are not limited to fertilizers, insecticides and farm implements, but may also include agricultural machinery (tillers, tractors, insecticide sprayers, threshers, bulldozers, trucks, trenchers, pumps, for example), transportation vehicles, etc.

### **1. Decision on Implementation**

The countries eligible for this aid are developing countries making self-reliant efforts to increase food production. When a recipient country is to be chosen, the following factors are to be taken into consideration; the situation of demand and supply of grain and fertilizers in the country in question, the past record of agricultural commodities supplied as KR aid, the relations between the country and Japan, etc. In addition, in view of the purpose of this aid, consideration is given to whether the goods donated by Japan will be used in an effective way in accordance with a well-defined plan for increasing the country's food production. (In most cases, specific area of the recipient country is chosen as the object of aid.)

To insure long-term effects of the aid, importance is attached to the relation of this aid with the agricultural technical cooperation programs of Japan.

### **2. Deposit of Local Currency**

In the implementation of Food Aid and Aid for Increased Food Production, the recipient country is required to set aside, in local currency, the amount equivalent to the total or two-thirds of the value of the aid offered by Japan so as to use it as local currency funds for other social and economic development projects. This fund is to be used as the local currency component of economic and social development projects including agricultural development projects. For the selection of the projects for which this fund is to be used, the government of the recipient country and that of Japan hold prior consultation.

### **3. Implementation of the Aid**

Implementation of the Aid for Increased Food Production is similar to that of General Grant Aid and KR aid. Before receiving the aid, the government of the recipient country must present to the Ministry of Foreign Affairs, via the Japanese embassy, with concrete information on the Project for the Increased Food Production (especially the categories and quantities of the commodities required for the project implementation), the target area which will be receiving the aid, materials (including the reason for selection of the target area and its relation of technical cooperation programs) and other relevant data.

Details of the procedures for aid implementation are, generally speaking, similar to those for General Grant Aid. In order to ascertain the effectiveness of the aid, the recipient country is required to present reports, and survey teams are sent to the recipient country.

## 7. Role of Grant Aid

As to Japan's contribution to solving the North-South problems, there has been an increase in demand for Japan to furnish more economic cooperation and to fulfill its international responsibility in proportion to its national power. It goes without saying that Japan must continue to expand such cooperation so as to support the self-reliant efforts of the developing countries aimed at development.

Responding to those requests, Japan is showing a positive attitude towards the qualitative and quantitative improvement of its ODA. Along with the overall tendency of increasing of ODA, an especially pronounced increase is evident in the case of grant aid as can be seen in the graph. Such increase of grant aid can be said to be worth attention, with respect to the following points:

(1) Economic assistance from Japan serves as an effective diplomatic means for maintaining and strengthening the amicable relations with the developing countries. Grant aid is most highly appreciated by the recipient countries, since no obligation to repay is attached to it. In addition, it is very effective diplomatically, as it can be implemented promptly and is

quite maneuverable.

(2) Recently, in multilateral forums such as DAC, UNCTAD, etc., as international responsibilities to be fulfilled by the advanced countries, there has been a strong demand not only for the quantitative expansion, but also for the qualitative improvement (increase of donation) of aid. So far, Japan's aid has been characterized by a low ratio of grant compared with the other DAC member countries. In regard to the Grant Element, an index of softness of aid conditions, Japan also ranked eighteenth out of the 18 DAC member countries (1985). In order to improve the quality of Japan's aid, it is necessary to improve the Grant Element and raise the ratio of grant.

Thus, the roles played by the grant aid are such that direct effects are brought about by contributing to the economic development and the improvement of public welfare of the recipient countries, and also to the reinforcement of the amicable relations with the recipient countries, along with the deepening of their understanding of Japan through the publicity of Japan's grant aid.

## 8. Selection of Sound Projects and Effective Implementation of Aid

As far as grant aid to the developing countries is concerned, it is becoming increasingly important not merely to achieve the quantitative expansion by increasing the number and amount of projects, but also to select sound projects to effectively implement the aid.

### (1) Selection of Sound Projects

In principle, by taking into consid-

eration the priority given to each project by the recipient country, appropriate aid projects are selected and decided from among a number of projects whose implementation is requested by the recipient country. In this case, examination has been done from various points of view, such as:

1. Define the field of cooperation. It is necessary to judge if the project

may be directly related to the improvement of people's standard of living. (Recently, importance has increasingly been attached to the fields of education and research as an aid to human resources development, as well as to the fields of medical care and agriculture from the viewpoint of BHN (basic human needs). Furthermore, with grant aid, priority is basically given to those projects lower in profitability than those projects financed by ODA loans.)

2. Check the management system in the recipient country. (The maintenance and operation system, adequate technological level, etc.)

3. Check the possibility of linkage of the project with Japanese technical cooperation programs. (When facilities such as hospitals and schools are constructed under the grant aid, it is effective to send doctors, teachers and other experts to those facilities under technical cooperation, so that both types of aid may be effectively combined.)

4. Aid coordination with the other countries. (Meetings of donor country representatives are held periodically with regard to the major developing countries, serving as a place for exchange of information and project adjustment with a view of attaching a higher aid efficiency by preventing duplication and competition.)

Accordingly, in order to help find sound projects corresponding to the socioeconomic needs of the recipient countries, Japan has been making positive efforts by sending out "project-finding teams" as government missions to those countries, and so forth.

## **(2) Effective Implementation of Aid**

1. To achieve effective aid implementation, it is important to shorten the length of time from the signing of E/N to the disbursement (competition of the work in the case of construction projects, and delivery in the case of furnishing of equipment and materials), so as to provide the facilities, or equipment and materials needed by

the recipient countries as soon as possible.

The time required for the completion of various steps after the signing of E/N are as follows: (a) An average of one month up to the detailed designing and contract for the supervision of project implementation; (b) An average of two months up to the banking arrangement; (c) An average of four months up to the construction contract; (d) An average of two months from the signing of the construction contract up to the construction start; and (e) An average of 12 months until completion of the work.

In many cases, a delay in implementation is caused by the recipient country. Therefore, it becomes necessary to dispatch experts to the recipient country for studies, mediations and negotiations, so as to solve various problems hampering the aid implementation, and also to cooperate with the government of the recipient country so as to have appropriate measures taken.

Since 1978, the promotion of grant aid implementation has been undertaken by the JICA, working in close association with the Ministry of Foreign Affairs. In addition, experts dispatched by JICA are engaged in observations, studies and making arrangements, not only from the point of view of facilitating the aid implementation, but also from the point of view of proper aid execution.

2. To effectively implement aid, it is important to optimize all steps from the initial approval of projects to the execution of grant provision of funds, and also to improve the efficiency of each step. For this purpose, in order to positively introduce the private sector's views and opinions, "round-table conferences on grant aid implementation" are organized for each of the major fields with the participation of prominent persons of learning.

3. Even when the aid has been implemented effectively by the supporting efforts of JICA and incorporation of the private sector's views and opinions, if the furnished machinery and vehicles cannot be properly used be-

cause of the shortage of spare parts, and have been left unused due to the damages, or if the constructed facilities are not fully functioning due to the insufficiency of operational expenses, it cannot be said that the potentialities of the aid are fully utilized. This is an aspect which has recently been attracting much attention in recent years.

When any such problem does occur after the implementation of aid,

it is not recommendable to leave everything to the self-supportive efforts of the recipient country, and remain quite aloof. Rather, depending on the capacity and the situation of the recipient country, it may be judged necessary to supply attentive assistance to attain the initial objective. From such point of view, aid for follow-up and after care has recently been expanded.

## II. TECHNICAL COOPERATION

### 1. Introduction

#### (1) Significance of Technical Cooperation

Japan's economic cooperation programs have undergone considerable improvement, both in qualitative and quantitative aspects, passing through various changes in more than three decades since the end of World War II. With regard to technical cooperation, which is part of the economic cooperation, both its content and form have become very diverse in keeping with the diversity of needs of developing countries.

Economic cooperation is to support the self-reliant efforts of developing countries for their economic and social development. The task of technical cooperation is the "development of human resources" for the nation-building of the developing countries. In other words, technical cooperation is aimed at bringing up personnel in developing countries who are technically capable of taking a positive part in the national task of economic and social development.

#### (2) Forms of Technical Cooperation

Technical cooperation in the sense described above comprises a wide variety of activities, ranging from accepting students from abroad to the publication and supply of technical literature and materials in local languages.

The organizations carrying out technical cooperation are also of a wide variety, including those carried out on a governmental basis, those related to private companies which are active in developing countries, and those which are a part of missionary activities of religious institutions.

First, technical cooperation programs carried out by the Government

of Japan range from acceptance of trainees in Japan, dispatch of Japanese experts and provision of equipment and materials, to project-type technical cooperation extended by combining organically those three elements, development surveys, dispatch of volunteers from the Japan Overseas Cooperation Volunteers (JOCV), etc. The governmental institution in charge of the implementation of those technical cooperation programs on an unified basis is the Japan International Cooperation Agency (JICA). Recently, JICA has also extended its activities in the field of international disaster relief by dispatching a "Japan International Disaster Relief Team" on the occasion of large-scale overseas disasters, etc.

Technical cooperation programs carried out on a non-governmental basis are, for example, those sponsored independently by various companies and groups of companies, and those by public service corporations which in some cases may be commissioned by government authorities.

Besides the above, there are also technical cooperation programs which deserve special mention, i.e., the programs for technical trainees implemented by local governments with subsidies provided by the national government. These programs are particularly significant because they are oriented toward technical cooperation on a wide national level. Trainees from developing countries are sent to various parts of Japan, and they have the chance not only to have technical training but also to have direct contact with Japanese people. This must contribute to the promotion of mutual understanding between the peoples of the world, which in turn is the ultimate target of international cooperation.

### **(3) Subjects of Concern in Technical Cooperation Activities**

Following is a discussion of the subjects of concern in Japan's technical cooperation programs, and the new trends in the needs which technical cooperation must satisfy.

The first point is that there is a demand for transfer of adequate technologies that match the true needs of the developing countries by taking into consideration the specific natural and social conditions. Recently, there has also been a growing demand of the developing countries for transfer of technologies in the fields of industry and export promotion, and for transfer of advanced technologies. Since those technologies are mostly owned by private sector, there are difficult problems in including them in government-sponsored technical cooperation programs. However, in spite of such difficulties, efforts are being made to carry out the transfer of those technologies according to the needs, etc. of the developing countries.

On the other hand, the technical level of developing countries is not sufficiently high. The introduction of modern technology, which requires a solid back-up of a considerable number of qualified experts, and the subsequent steps of dissemination and popularization of the technology is neither an easy nor simple job.

In spite of very a strong demand from developing countries for the implementation of large-scale projects in the private sector, in many cases the insufficiency of technical background to maintain and operate such projects is too great a constraint on their materialization.

Thus, in view of the circumstances above, it may be said to be more realistic to help intensively and powerfully promote technical training at each locality by sending a group of experts from Japan. In this area, government-sponsored technical cooperation programs can still play an important role.

The second problem inherent to technical cooperation is how to recruit, train, and make the most of the

persons who will work in technical cooperation programs. The law which created the JICA in August 1974, states clearly that one of the functions of the Agency is the recruitment and training of qualified staff. Compared with the developed countries of Western Europe and America, Japan does not have a sufficient number of talented people with rich experience of living abroad, including proficiency in foreign languages. Thus, it is a subject of utmost importance to train and secure such qualified personnel engaged in Japan's technical cooperation programs. For this objective, aimed to train and secure experts for technical cooperation and to strengthen their field activities, JICA set up the Institute for International Cooperation in October, 1983. Furthermore, with a view of training personnel engaged in the international cooperation from a mid- or long-term point of view, a study meeting has been held to positively discuss the possibilities of materializing the concept of "International Development University" to which reference was made in the report made last year by Study Meeting of ODA.

Together with the recruitment and training of experts who are able to work in technical cooperation programs, it is very important to create chances to use persons employed by private companies and other institutions. This is difficult to do, however, in view of the restrictions imposed by the lifelong employment system in Japan. It is not easy for these people to be dispatched abroad for technical cooperation.

As a basic characteristic of technical cooperation, special importance is attached to person-to-person contacts. Both the training of foreign trainees in Japan and the dispatch of experts to developing countries are not restricted to a simple relation between experts and their respective counterparts. Such direct contact can be the first and foremost in the effort to attain mutual understanding between the people of Japan and those of the recipient countries. In this sense, the

report of the Overseas Economic Cooperation Council (September, 1971) contains a phrase of special meaning for every person concerned with technical cooperation: "it goes without saying that the individual is the core of technical cooperation, and the success or failure of such program is determined by the people working in it. Accordingly, every person directly or indirectly related to development cooperation programs should have a broad international outlook and a warm heart so that he may be able to win the understanding and trust of the people in developing countries. Policies to promote understanding of the roles industrialized countries should

play in the harmonizing of North-South relations, are extremely important for the advancement of technical cooperation programs conducted with wide public support."

#### (4) Scale of Technical Cooperation Extended by Japan

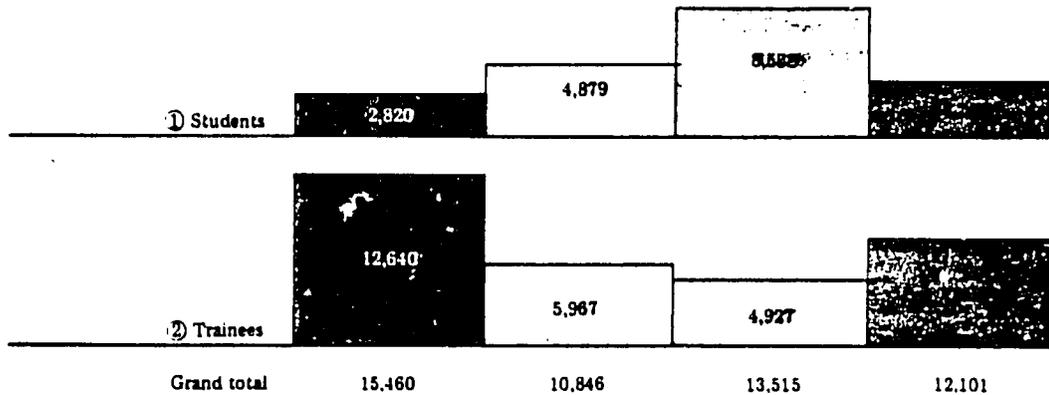
Let's take a glance at the scale of Japan's technical cooperation in terms of expenditures calculated on the DAC basis (excluding administrative expenses).

In 1985, the expenditures reached \$463.37 million (¥110,532.28 million), up 5.8% over \$438.14 million (¥104,067.01 million) in 1984.

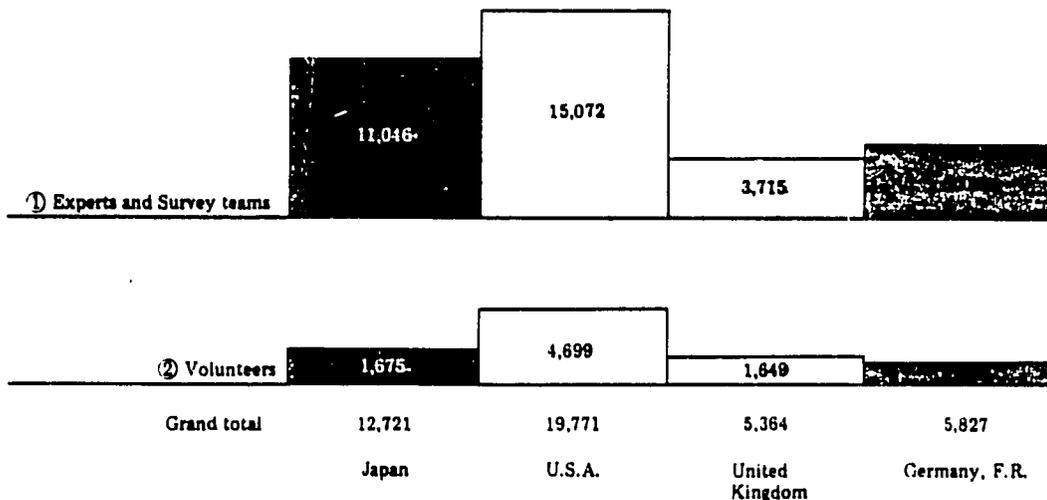
By region, Asia represents 53.5%,

**Chart. 18 Technical Cooperation Program of Major Developed Countries (1984)**

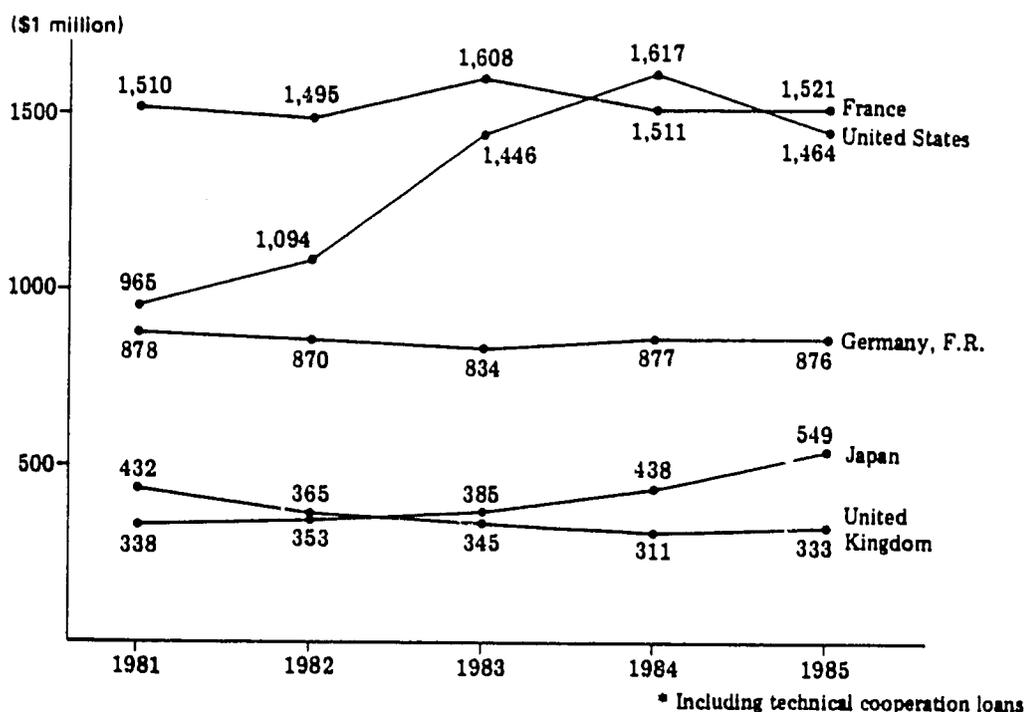
1. Acceptance of foreign students and trainees (persons)



2. Dispatch of experts, volunteers, etc. (persons)



**Chart. 19 Technical Cooperation Expenditure of Major Developed Countries (1981-1985)**



**Table. 3 Technical Cooperation Program Offered by DAC-member Countries (1985)**

| Country        | ODA           | Technical Cooperation Program* | Ratio of the Technical Cooperation Program to ODA (%) |
|----------------|---------------|--------------------------------|---|
| United States  | 9,403         | 1,464                          | 15.6  |
| France         | 3,995         | 1,521                          | 38.1  |
| Japan          | 3,797         | 549                            | 14.5  |
| Germany, F.R.  | 2,942         | 876                            | 29.8  |
| Canada         | 1,631         | 219                            | 13.4  |
| United Kingdom | 1,531         | 333                            | 21.8  |
| Netherlands    | 1,135         | 266                            | 23.4  |
| Italy          | 1,098         | 306                            | 27.9  |
| Sweden         | 840           | 121                            | 14.4  |
| Australia      | 749           | 189                            | 25.2  |
| Norway         | 575           | 43                             | 7.5   |
| Denmark        | 440           | 54                             | 12.3  |
| Belgium        | 438           | 110                            | 25.1  |
| Switzerland    | 303           | 31                             | 10.2  |
| Austria        | 248           | 27                             | 10.9  |
| Finland        | 211           | 54                             | 25.6  |
| New Zealand    | 54            | 10                             | 18.5  |
| Ireland        | 39            | 7                              | 17.9  |
| <b>Total</b>   | <b>29,428</b> | <b>6,180</b>                   | <b>20.7</b>   |

\*excluding administrative costs

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Africa 9.7%, Latin America 19.2%, the Middle & Near East 7.6%, and other regions 10.0%. Out of these total DAC base expenditures for technical cooperation, ¥74,209.79 million was expended for the implementation of technical cooperation through JICA. JICA is also entrusted by the Ministry of International Trade and Industry (MITI) with the implementation of technical cooperation. The total expenditures of JICA related to technical cooperation in 1985 occupied 67.1% of total expenditures calculated on the DAC basis for technical cooperation.

An international quantitative comparison of technical cooperation shows, as per the graph on page 44, that Japan is placed fourth among the member countries of DAC, in terms of 1984 performance.

As for the share occupied by technical cooperation in ODA, Japan's share stood at 10.1%, far below the average 20.7% for the member countries of DAC, and ranked fifteenth among those countries.

International comparison of the types of technical cooperation adopted by the major industrialized countries is presented in the graph.

#### **(5) Executing Agency of Technical Cooperation Programs—JICA**

The Japan International Cooperation Agency (JICA) was created in August 1974, as the sole executing agency of the government-sponsored technical cooperation of Japan.

Behind the creation of the agency

there was the need for strengthening coordination between the cooperation programs of governmental basis and those of non-governmental basis, and for the organic combination of financial cooperation with technical cooperation.

JICA inherited the responsibilities which had been held by the Overseas Technical Cooperation Agency (created in 1962) and the Overseas Emigration Agency (created in 1963), and it not only absorbed and expanded a part of the financing activities which had been the responsibility of the Overseas Trade Development Association, but also is now implementing the functions which the Overseas Agricultural Development Foundation used to fulfil.

JICA also has given a clear definition to the responsibility of the Japan Overseas Cooperation Volunteers. Now it is defined as being a function necessary for the promotion and support required for cooperation activities of the youth.

Another point is the fact that the recruitment and training of experts for technical cooperation programs, which is one of the most important aspects related to the implementation of Japan's technical cooperation, has been clearly defined as one of the functions of JICA.

The largest task for JICA is to strengthen and expand its organization and staff for correctly, effectively and efficiently implementing the aid, despite the increasing volume of jobs to be dealt with.

## **2. Training**

### **(1) Significance**

As part of the government-sponsored technical cooperation, Japan has been providing training opportunities to people from developing countries for a long time. This kind of cooperation is intended to provide specialized training so as to contribute to the

social and economic development of the countries of origin of the trainees. Since the training is carried out in Japan, the trainees have a chance for direct contact with the realities of the culture, society and economy of Japan. As a result, these trainees go back to their countries with a broad

knowledge of Japan, along with the knowledge and skills gained from the training itself. This in turn contributes to the promotion of friendship between Japan and the developing countries.

## **(2) Procedures and Types of Training Programs**

Government-sponsored technical cooperation programs of Japan are implemented on the basis of requests from developing countries. When the request for training is presented by the authorities of a developing country through the Japanese embassy, JICA studies the possibility of accepting the request, under the policy laid by the Ministry of Foreign Affairs.

The requests from various countries are presented on A2 and A3 forms. The A2 form is for describing in concrete terms the contents of desired training program for each trainee. The A3 form is for personal data about the trainee. The systems for accepting trainees are classified into group training and individual training. Individual training is subdivided into counterpart training and ad hoc individual training.

The content and method of group training courses are determined in advance in Japan by taking into consideration the following facts: the subjects should be those requested by many developing countries; the subjects should be those which can be taught properly in Japan to warrant the training therein; the subjects should be those which can be taught in common to the trainees from various countries.

Applications are invited through the governments of the developing countries concerned for the subjects that can be conducted in the group training programs held by the various institutions in Japan.

To invite applications, General Information (G.I.) pamphlets containing information on the conditions for admission to each course, the content of the courses, etc. are sent, via Japanese embassies, to the governments of the developing countries.

Trainees are accepted in accordance with the quota for each developing country, which is decided in advance by taking into account factors such as the needs of the country and past performance.

The fields covered by the group training courses are numerous. In F.Y. 1985 Japan offered 199 courses.

Examples of the subjects for regular group training courses are as follows; prevention of offences, local government, agricultural cooperatives, animal health, water works engineering, family planning, tuberculosis control, trade promotion seminars, vocational training instructors, railway rolling stock, engineering seismology and earthquake engineering, cancer detection, fireservice administration, microwave communication, telephone switching.

In the counterpart training within the category of individual training, the counterparts in the countries which receive Japanese experts, project cooperation, development survey, etc. are admitted to Japan for training, to increase the effectiveness of these technical cooperation programs.

Determination of the number of persons to be admitted to the individual training courses is made taking into consideration factors such as past performance. The developing countries are informed of the quota in advance. They then present requests to Japan after reviewing the courses to which they want to send their trainees within their quota.

The fields covered by individual training programs include agriculture, fisheries, forestry, architecture, civil engineering, mining, transportation, communication, broadcasting, sanitation, medical care, vocational training, and economics.

## **(3) Training Facilities**

Training institutions in Japan's technical cooperation programs are the International Training Centers of JICA, the research and experimental institutes of the various ministries and agencies of the national government, universities, private institutions, com-

Chart. 21 Distribution of Trainees Accepted by Japan for Each Field of Specialty

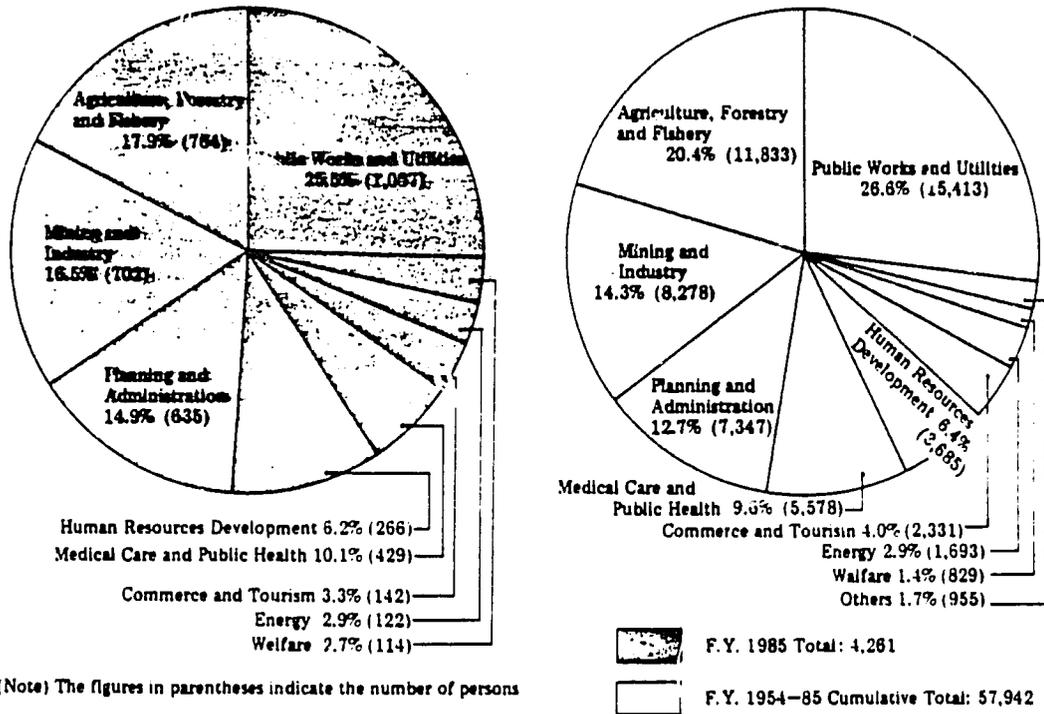
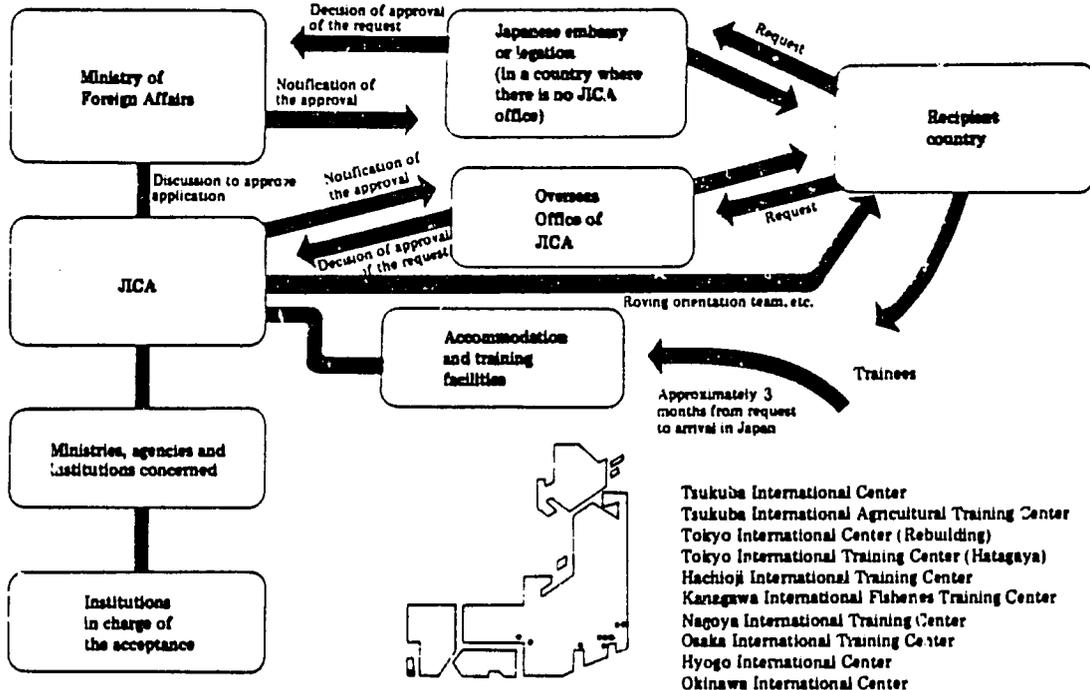


Chart. 22 Mechanism for Acceptance of Trainees



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range of fields who will shoulder the future development of their country. They may broadly be divided into six categories: public officials, youths engaged in agriculture, urban working youth, teachers, students and young leaders. Grouped by country and category, they are accepted for one month.

Under the planning, supervision and operation of the program as a whole by JICA, this program is implemented, in cooperation with the liaison &

coordination conference of the ministries and agencies concerned, the executive liaison & coordination committee, local governments, private youth organizations, etc.

So far, after 748 persons in F.Y. 1984 and 778 in F.Y. 1985 accepted from the ASEAN countries, a total of 830 youth are to be accepted in F.Y. 1986; 50 from Brunei, 150 from the other five ASEAN countries, and 10 each from Burma, Fiji and PNG.

### 3. Dispatch of Experts

#### (1) Significance

The dispatch of experts is a part of technical cooperation programs. It is performed according to international agreements with developing countries or at the request of multilateral organizations. The dispatch of experts to developing countries, the acceptance of trainees from the developing countries, and the provision of equipment and materials to the developing countries are the three supporting columns of the technical cooperation programs. In these three columns, the dispatch of experts is a form of technical cooperation with a long history.

The dispatch of experts is accomplished in various ways. In all cases, its main purpose is to transfer the knowledge and technology of the experts to the people of developing countries, through orientation, survey and research, advice, etc.

Improving the technological level of developing countries will contribute eventually to their economic and social development, and to the promotion of mutual friendship between developing countries and Japan.

Recently, as a consequence of the economic and social progress of developing countries, their needs are becoming increasingly diversified and sophisticated. Accordingly, the dispatch of experts to developing countries is expected to continue to increase in importance.

#### (2) How Experts are Dispatched

The experts are dispatched by JICA in the following ways:

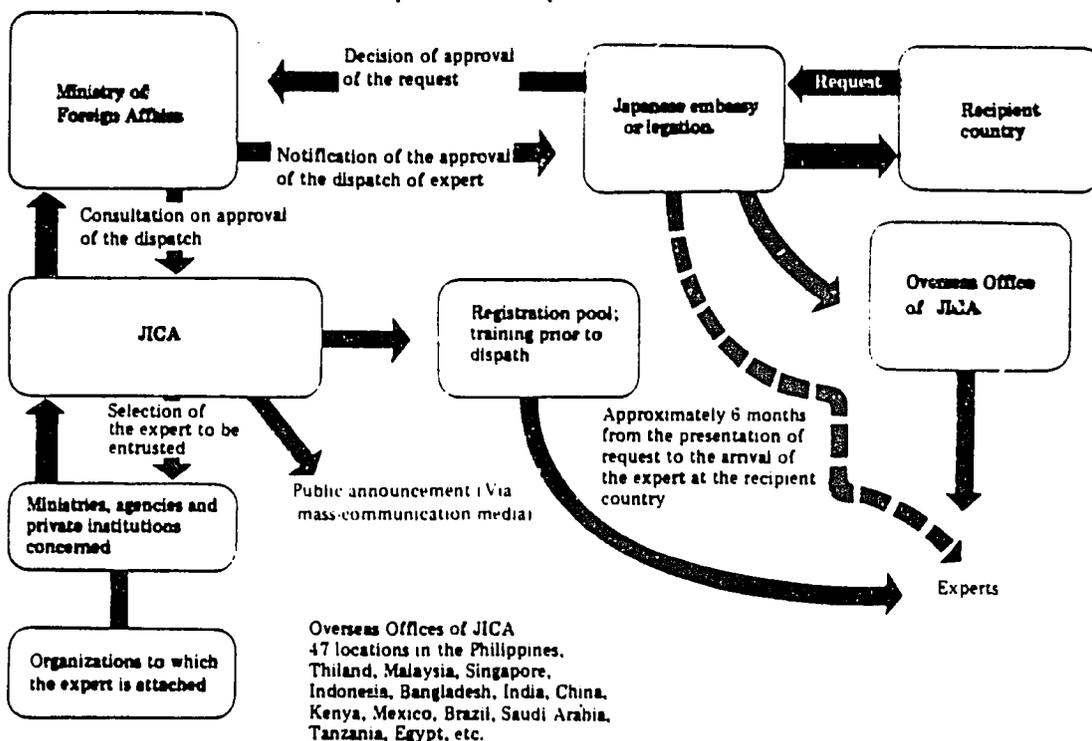
##### 1. Dispatch of Individuals

According to requests submitted by developing countries, experts are sent from Japan to the government agencies of the developing countries or other organizations to provide orientation or advice, and conduct surveys and research. The fields covered by such experts are numerous, excluding only medical care and public health (which are covered by the project-type technical cooperation programs) and cultural fields (Japanese language, sports, arts, scientific survey, etc.).

##### 2. Dispatch of Experts for Project-Type Technical Cooperation Program

The dispatch of experts for the project type technical cooperation programs is done in compliance with agreements signed between developing countries and Japan (or based upon the record of discussion prepared mutually by the executing agencies of the two countries). The recipient country provides the land, building, local staff, etc.; Japan provides experts and materials, training of local counterparts in Japan, and the combination of these elements is used to create an integrated project so as to provide training, experiments, education, research,

Chart.23 Mechanism for Dispatch of Experts



diffusion and advice of techniques, etc..

Experts are normally organized in teams, and their services are provided in the form of technical cooperation center program, health and medical cooperation program, agricultural and forestry cooperation program and industrial development cooperation program.

### 3. Dispatch of Survey Teams

The dispatch of survey teams is done in two ways: 1. for development survey, and 2. for the implementation of project-type technical cooperation programs.

The former refers to development projects of various types in compliance with requests presented by developing countries. The latter refers to a feasibility study of the cooperation, as a preliminary step for project cooperation, or to the dispatch of survey teams related to the orientation of a specific project operation.

#### (3) Procedures

Normally, the procedure for the

dispatch of experts from Japan begins with a request for assistance presented to the Government of Japan through the Japanese embassy by the government of a developing country. The request is made using a form A-1 which should contain information on the background of the request, the duties of the expert, the institution to which the expert will be assigned, the post to be occupied by the expert, the required number of years of experience, the required number of years of experts, period of stay in the recipient country and the facilities to be offered to the expert (these facilities are normally called privileges and exemptions, and refer to the furnishing of a residence and transportation, dispensation of local expenses and medical expenses, exemption of civil responsibilities in the case of on-the-job accidents, tax exemption, etc.).

When a form A-1 reaches JICA through the Ministry of Foreign Affairs, JICA entrusts under the policy laid by the Ministry of Foreign Affairs, the selection of an expert meeting the contents of form A-1 to the

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Ministries, Agencies, etc. concerned, which, in turn, will select the candidate from amongst their personnel or people of the related institutions, and recommend him to JICA.

When this candidate is deemed eligible, a document called form B-1 (in which are specified the candidate's name, age, belonging, career, etc.) is presented from Japan to the developing country which made the request, to notify the name of the candidate. If the proposed candidate is accepted by the Government of the recipient country, he will be sent to that country. If the proposed candidate is accepted by the recipient country, he will be sent to that country as expert.

At the request of developing countries, ordinarily, JICA entrusts the selection of candidates to the various government organizations, but in some cases JICA makes its own choice of candidates in the following manner:

- 1) Registration system (experts of various fields are registered in advance with JICA, and are nominated for dispatch whenever considered to be qualified for the requested post).
- 2) Public announcement (a public announcement of intention to hire

the required expert is made in newspapers and other media).

- 3) Contract system (experts of various fields sign contracts in advance as non-regular employees of JICA).

Besides the dispatch of experts to developing countries, JICA may also dispatch experts according to requests presented by multilateral organizations such as the United Nations, but the required procedures are similar to those for the dispatch to developing countries.

#### (4) Geographic Scope

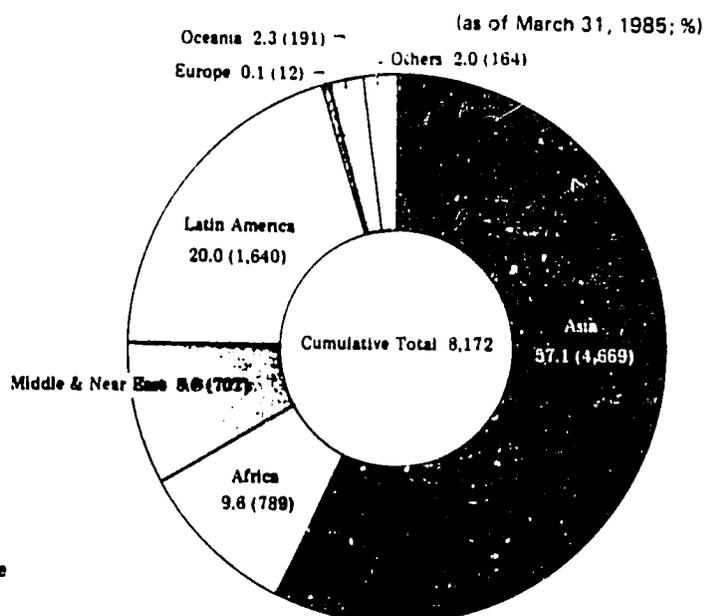
After the end of World War II, since Japan started the technical cooperation programs, the dispatch of experts, has been oriented mainly to the Asian countries. However, the requests coming from other areas have recently increased considerably, and in F.Y. 1982 Asia is receiving 59.5% of the total number of experts, the Middle & Near East 6.3%, Africa 5.9%, and Latin America 19.7%

#### (5) Experts' Fields and Qualifications

##### 1. Fields of Expertise

The fields of specialization of the experts dispatched for technical

Chart.24 Geographical Distribution of Experts' Destinations



(Note) The figures in parentheses indicate the number of persons.

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cooperation are many, and examples from the past are listed below:

- 1) Agriculture, forestry and fishery fields: irrigation, rice cultivation, soya bean cultivation, food processing, reforestation, lumbering, livestock breeding, livestock sanitation, plant pathology, fishing boat operation, fishery, fish farming (e.g., salmon, trout, shrimp)
- 2) Public Works and Utilities: public utilities (water supply) infrastructure (road construction, bridge construction) transportation (railway transportation, marine portation) postal service and telecommunication (telephone, microwave, radio and TV broadcasting), for example.
- 3) Mining and industry: mine development, mining, coal, metallurgy, rolling stock, automobile industry, shipbuilding, industrial machinery, petrochemical engineering, textiles, pulp and paper.
- 4) Medical care and Public Health: medical care, medicine, pharmacology, nursing, public welfare, family planning.

The majority of experts dispatched to developing countries belong to either one of these four fields, but there are other fields such as public administration, education, business administration, finance and credit, vocational training, information science and energy.

In addition to these fields of specialty, the number of cases are increasing in which Japanese experts participate in economic development projects of developing countries, providing assistance for development projects of national scope.

## **2. Qualification Requirements**

The experts are required to possess the following qualifications:

- 1) Specialized technical knowledge
- 2) Leadership capability
- 3) Linguistic capability
- 4) Good health

These are the four most important requirements. There are no restrictions referring to age, length of experience, academic background,

etc., but in some cases recipient countries state conditions on age and the number of years of experience after university graduation.

In any case, the factors of most importance are the applicants career in the field of specialization and accomplishments therein, and linguistic capability. Especially with regard to linguistic capability, Japanese experts tend to be less prepared than experts from other developed countries, and more Japanese experts who are proficient in languages like French and Spanish, besides English, are needed. As for the level of linguistic capability, the candidate should be able to prepare reports and to participate in meetings without difficulty, as well as having the ability for daily conversation and professional activities.

JICA provides language training to experts before their departure to their respective places of assignment.

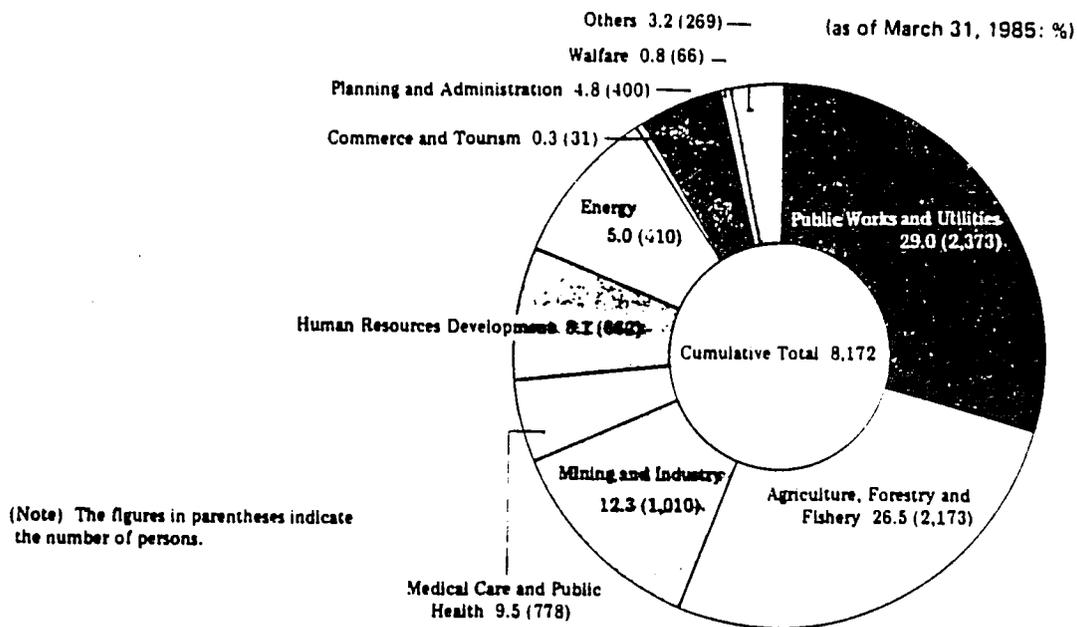
## **(6) Duties**

The expert is assigned to an organization of the recipient country in the capital city or in the country-side, and is responsible for providing guidance and instruction in the field of his specialty.

Physical characteristics of the land, the people and the living conditions of developing countries are multifarious, and, in any case, they are considerably different from those of Japan. Accordingly, experts will experience many difficulties.

In order to overcome such difficulties and help insure the success of the technical cooperation program, the expert is required to make efforts, besides relying on the support offered by the institutions concerned of the recipient country and Japan. When an expert is dispatched to a developing country, it is of the utmost importance that the expert wins the confidence of the local expert, his 'counterpart'. In addition, it is important to provide training to the 'counterpart' in order to make him or her a local expert so that he may be able to contribute to improve

**Chart. 25 Distribution of Experts Dispatched by JICA for Each Field of Speciality**



the technological level of the country in question and to contribute to the industrial progress of the whole nation. For example, there was the case where an expert sent from Japan offered advice to the government of the recipient country, which carried out a development project based upon his suggestions. As a result of that project, technical cooperation of a larger scale was requested to Japan. According to the request, Japan enlarged the scale of the cooperation into project-type technical cooperation and eventually by combining it with a financial cooperation program.

**(7) Treatment**

Treatment offered to the experts dispatched by JICA differs slightly depending upon the length of stay, i.e., whether it is a long-term stay (more than one year) or a short-term stay (less than one year), yet in both cases experts are given a round-trip air ticket, an outfitting allowance, a travelling allowance, domestic trips, language training allowance, technical remuneration allowance (this allowance is only for those with specific qualifications and capability), duty

place allowance, for example, besides the supply of the equipment and materials which will be personally carried to the assigned place of duty to be used for technical guidance (these equipment and materials will be turned over to the governmental institution of the recipient country).

In addition to these allowances, the experts staying for long periods will receive the following allowances: a staying allowance (enabling the expert to be accompanied by his family), a housing allowance and where required, a "hardship post" allowance. Experts staying for short periods receive a daily allowance and a lodging allowance.

If the organization to which the expert belongs in Japan is either a public cooperation or a private company, part of the salary paid at that organization will be supplemented as compensation for the impossibility of fulfilling his professional duties at the organization during the period of his stay in the developing country.

This arrangement is not applicable if the expert is a government employee. In the case of government employees, the corresponding domestic salary will be paid, by the application of the

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so-called "dispatch regulation" of the government organization to which the expert is attached.

Also, in the case of the self-employed or presently unemployed (e.g., retired) experts, this compensation is applicable in the form of a domestic salary.

In addition, in the case of experts who have finished overseas assignments lasting more than one year and are jobless after returning to Japan, a guarantee of remuneration for a period of six months after their return is applicable.

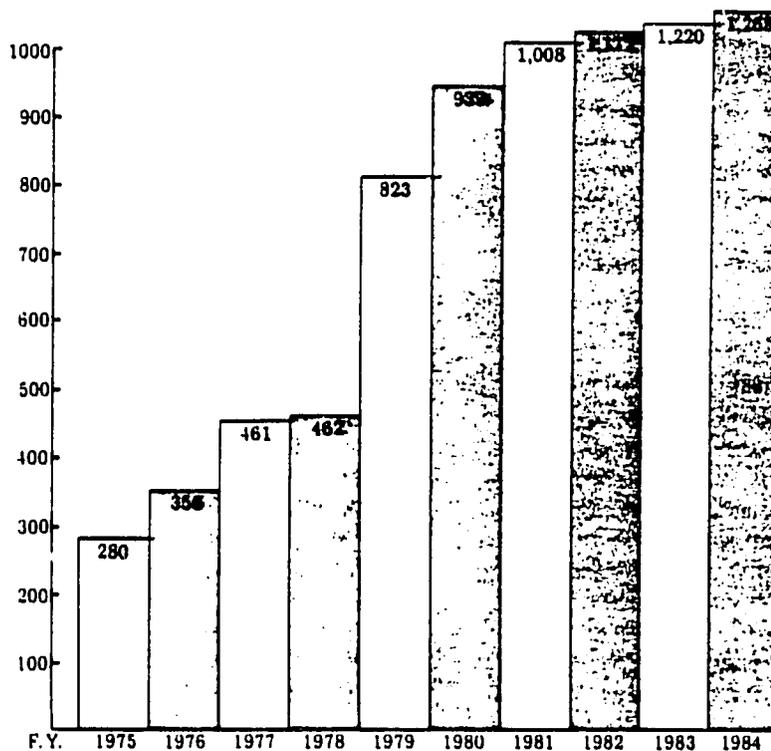
## 4. Independent Provision of Equipment and Materials

### (1) Outline

Cooperation through the provision of equipment and materials was started in F.Y. 1964. Its objective is to contribute to the economic and social development of developing countries by facilitating technical training, technology transfer and the popularization of technology with the provision of needed equipment and materials. The provision of equipment and

materials mentioned here refers to the supply of those equipment and materials as a part of technical cooperation programs. But in order to distinguish it from those undertaken within the framework of General Grant Aid, it may be referred to as an independent provision of equipment and materials. When combined with the dispatch of experts, and technical training in Japan, it can enhance the

Chart. 26 Provision of Equipment and Materials (JICA base)  
(¥1 million)



effectiveness of cooperation. The types of equipment and materials furnished cover a wide variety of fields, including agricultural machinery, machine tools, fishing apparatus, medical care equipment, vehicles telecommunication equipment and so forth.

## **(2) Procedure for Provision of Equipment and Materials**

The procedure is as follows:

1. Normally, the demands of the government of a developing country are first studied by the Japanese embassy, and based upon the results of this study, the implementation plan for the aid is prepared by the Ministry of Foreign Affairs. When approved, the Japanese embassy is notified, and it arranges for the submission of an official request.
2. When the official request is presented, JICA starts the procedure for procurement of the equipment and materials on the basis of consultations with the Ministry of Foreign

Affairs. The procurement comprises activities such as contracting with the supplier, the inspection of the goods, etc.

3. The goods are delivered by JICA to the nominated consignee, and the documents necessary for delivery are sent to the government of the recipient country together with the relevant official documents, through the Japanese embassy.
4. When the delivery is completed, the Japanese embassy receives confirmation from the government of the recipient country and sends it to the Ministry of Foreign Affairs.

## **(3) Performance**

Independent provisions of equipment and materials during 1964-84 numbered 708 cases, valued at a total of approximately ¥10.9 billion. The regional distribution of the total amount is 45% for Asia-Oceania, 25% for the Middle & Near East and Africa, 24% for Latin America, and 6% for other areas.

# **5. Dispatch of Volunteers from Japan Overseas Cooperation Volunteers**

## **(1) Outline**

The Japan Overseas Cooperation Volunteers (JOCV) was created in 1965, as part of the government-sponsored technical cooperation programs for developing countries and is an overseas volunteer activity participated in by young people.

The purpose of this program is to cooperate in the process of nation building and the training of people of developing countries. This is carried out by the dispatch of young Japanese (in their 20's and 30's) who stay for a period of two years in the host countries. During this time

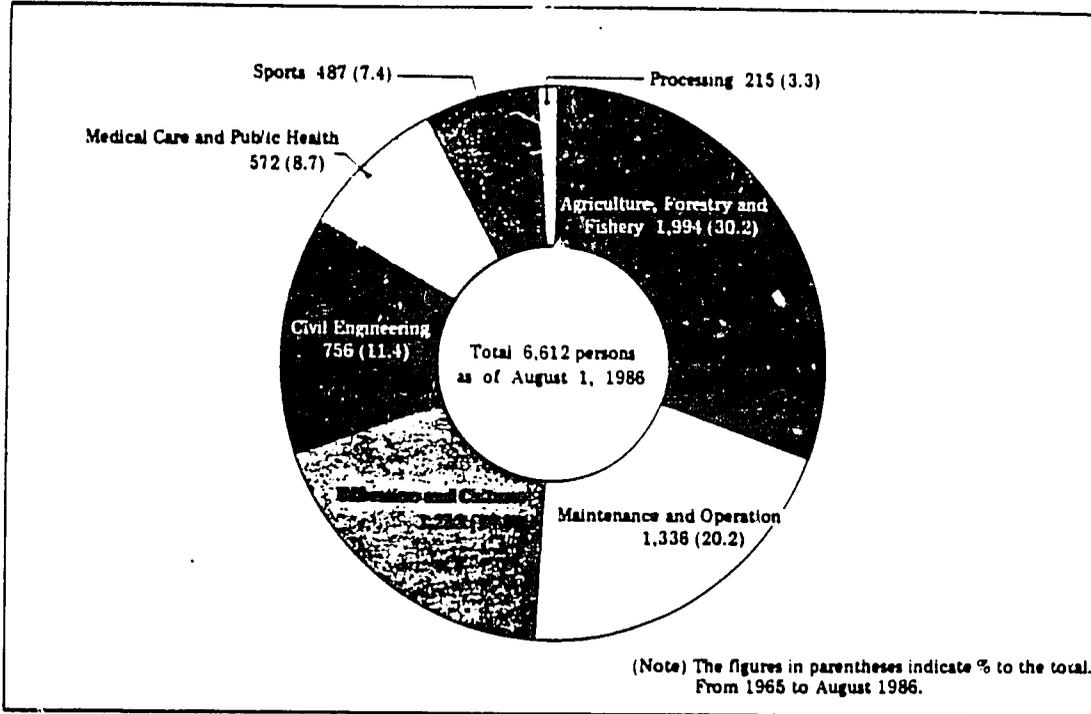
they are in direct contact with the local people, and able to offer needed technology and skills. This program also aims at improving mutual understanding and developing amicable relations, through activities of cooperation, between these young Japanese and the people of host countries. It can be said without exaggeration that only the enthusiasm of young people can overcome the difficulties such as severe living conditions, the differences in language and customs, and, at the same time, achieve objectives of cooperation.

**Table. 4 List of E/N Signed for Dispatch of Volunteers (as of Aug.1, 1986)**

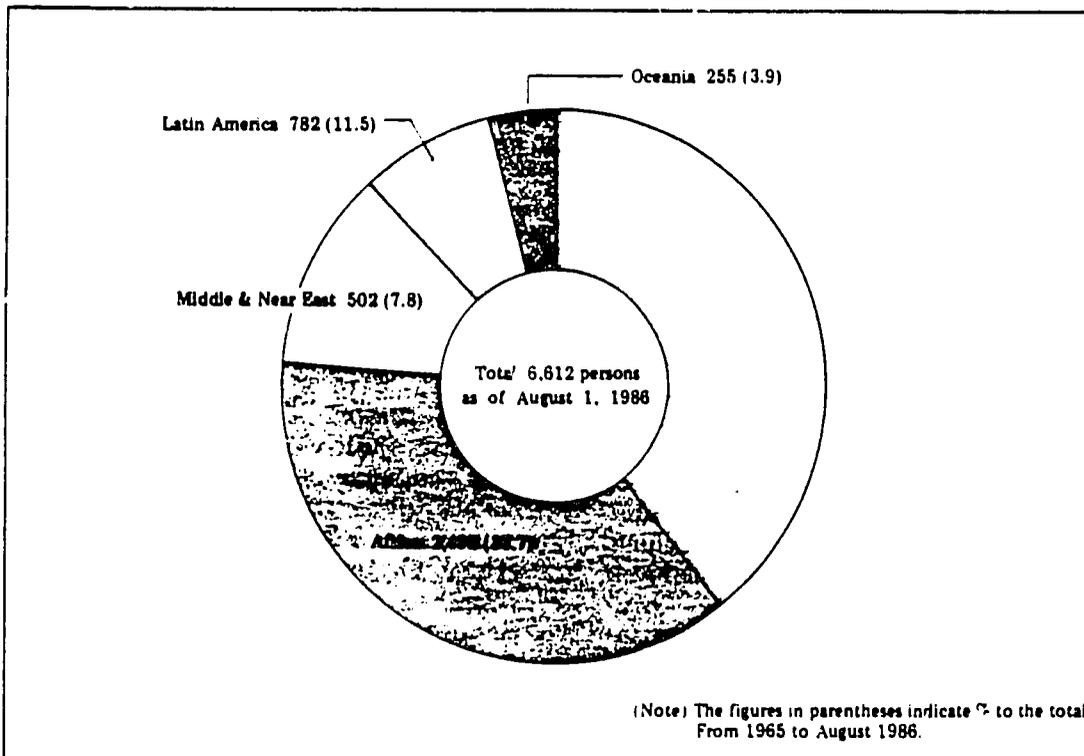
| Country              | Date of Signing of E/N |
|----------------------|------------------------|
| 1. Laos*             | Nov. 23, 1965          |
| 2. Cambodia*         | Dec. 20, 1965          |
| 3. Malaysia          | Dec. 23, 1965          |
| 4. Philippines       | Feb. 15, 1966          |
| 5. Kenya             | Mar. 31, 1966          |
| 6. India*            | Aug. 12, 1966          |
| 7. Tanzania          | Oct. 20, 1966          |
| 8. Morocco           | Sept. 11, 1967         |
| 9. El Salvador*      | Jul. 26, 1968          |
| 10. Syria            | Oct. 30, 1969          |
| 11. Nepal            | Feb. 2, 1970           |
| 12. Zambia           | Apr. 10, 1970          |
| 13. Uganda*          | Dec. 21, 1970          |
| 14. Malawi           | Jul. 2, 1971           |
| 15. Western Samoa    | Sept. 3, 1971          |
| 16. Ethiopia         | Nov. 9, 1971           |
| 17. Tonga            | Apr. 18, 1972          |
| 18. Bangladesh       | Mar. 24, 1973          |
| 19. Costa Rica       | Jun. 26, 1973          |
| 20. Tunisia          | Jul. 22, 1974          |
| 21. Honduras         | Nov. 12, 1975          |
| 22. Ghana            | Feb. 17, 1977          |
| 23. Bolivia          | Dec. 19, 1977          |
| 24. Paraguay         | Feb. 24, 1978          |
| 25. Solomon Islands  | Jul. 7, 1978           |
| 26. Liberia          | Aug. 21, 1978          |
| 27. Senegal          | Apr. 18, 1979          |
| 28. Peru             | Aug. 20, 1979          |
| 29. Papua New Guinea | Aug. 24, 1979          |
| 30. Sri Lanka        | May 15, 1980           |
| 31. Thailand         | Jan. 19, 1981          |
| 32. Maldives         | Dec. 6, 1981           |
| 33. Fiji             | Aug. 5, 1982           |
| 34. Niger            | May 17, 1983           |
| 35. Columbia         | Jan. 4, 1985           |
| 36. Jordan           | Jan. 24, 1985          |
| 37. Dominica (Rep.)  | Mar. 12, 1985          |
| 38. Rwanda*          | Jun. 1, 1985           |
| 39. China*           | Oct. 12, 1985          |
| 40. Panama*          | Jul. 31, 1986          |

The asterisk (\*) indicates those countries to which volunteers are not dispatched presently.

**Chart.27 Distribution of Dispatch of the Volunteers from the Japan Overseas Cooperation Volunteers for Each Field of Specialty**

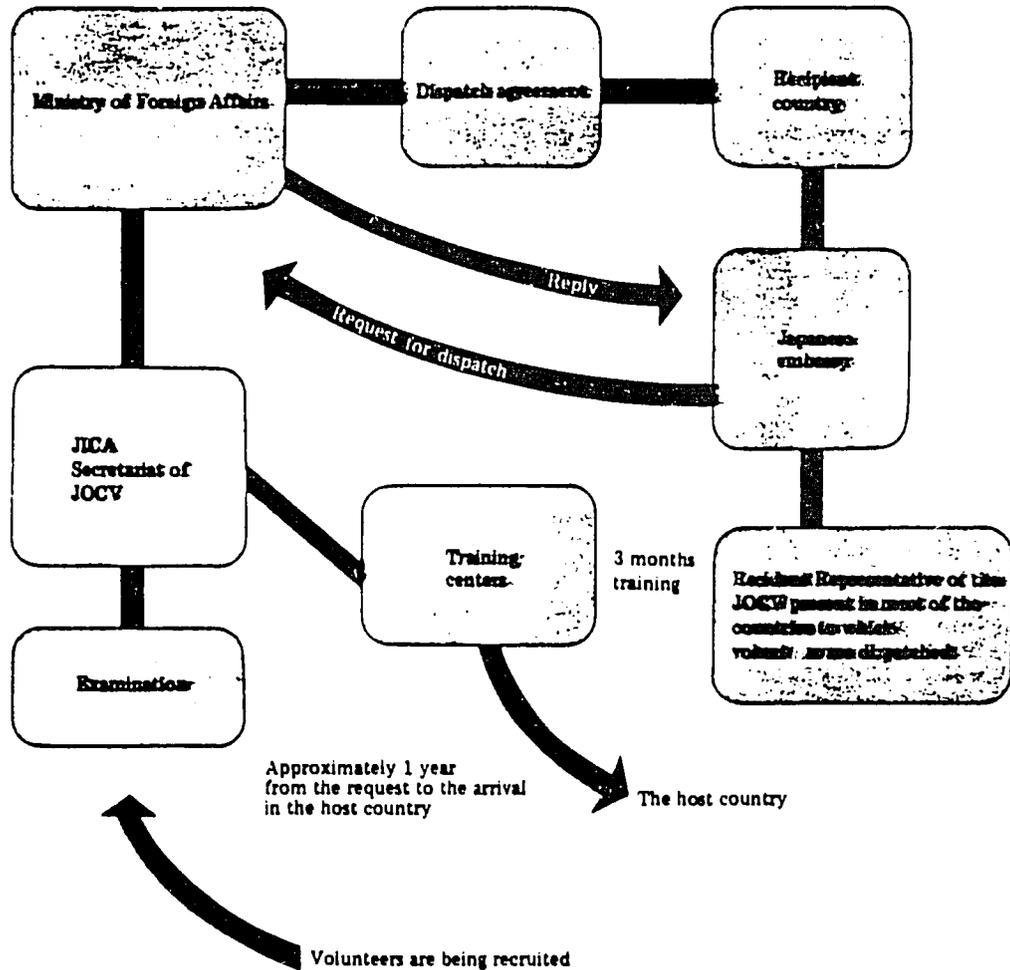


**Chart.28 Geographical Distribution of Volunteers from Japan Overseas Cooperation Volunteers**



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**Chart.29 Mechanism of Dispatch of Volunteers from the Japan Overseas Cooperation Volunteers**



**(2) History**

Japan's program for the Japan Overseas Cooperation Volunteers (JOCV) made its start in April, 1965, when its secretariat was set up as a section of the then Overseas Technical Cooperation Agency (predecessor of JICA). During the latter half of the 1950s, various Japanese youth movements had already been oriented towards international solidarity. Incidentally, in 1961, the "Peace Corps" advocated by the late President John F. Kennedy came into being in the United States.

The initial budget was approximately ¥70 million. The first countries to which volunteers were sent were Laos, Cambodia, Malaysia, the Philippines and Kenya, and a total of 40 volun-

teers were sent to those five countries.

Subsequently, both host countries and volunteers have gradually increased in number, bringing the cumulative total as of August 1, 1986, to 36 countries and 6,612 volunteers (including 1,279 women), respectively.

At present, 1,538 volunteers (including 381 women) are working in 32 countries, and the budget for JOCV program amounted to ¥8,800 million in F.Y. 1986. Negotiations for their dispatch are in progress with Zimbabwe, Botswana and four other countries.

As for their geographical distribution, Asia has received most, approximately 39% of total, followed by Africa and Latin America. By field of

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their activity, the largest number of volunteers have worked in agriculture, forestry and fisheries, followed by those in maintenance and operation, and education and culture.

### (3) Dispatch of Volunteers

#### 1. Conclusion of Agreement for the Dispatch of Volunteers

The volunteers are dispatched in accordance with bilateral agreements. Generally speaking, the procedure from the presentation of the request to the signature of the agreement is as follows.

- 1) The host country presents the request to the Government of Japan via diplomatic channels, providing relevant information such as concrete reasons for the request of the volunteer(s), desired number of volunteer(s), fields of specialty, timing of dispatch, etc..
- 2) The Government of Japan makes the final decision on approval of the request, by taking into consideration such aspects as the contribution the dispatch of the volunteers will make to the promotion of friendly relations with the recipient country, the possibility or impossibility of finding the qualified volunteers in accordance with the fields of specialization requested by the host country, the

possibility or impossibility of a continued dispatch of substantial number of volunteers in the future.

- 3) Japan presents a draft agreement for the dispatch of volunteers to the government of the host country, negotiations begin. When the agreement is reached, it is customary that the Exchange of Notes is signed usually by the Minister of Foreign Affairs of the host country and the Ambassador of Japan.

Normally the agreement stipulates the following:

- 1) The volunteers are dispatched on the basis of an agreement between the two countries.
- 2) Japan will be responsible for the expenses of the round-trip air fares, and the expenses host for the period of stay in the recipient country. In addition, the equipment, materials and medicines necessary to carry out the cooperation activities, will be provided.
- 3) The host country will provide volunteers with benefits such as the exemption of custom duties and income taxes as well as providing a residence and medical care.

#### 2. Dispatch Procedure

The volunteers are publicly recruited in Japan, twice a year, on the basis of specific requests made by the respective recipient countries. Ac-

Table. 5 Recruitment of Japan Overseas Cooperation Volunteers

| Classification<br>Epoch of<br>recruiting | Recruiting<br>period   | Written<br>examination | Oral<br>examination | Training                        |  | Dispatch         |
|--|------------------------|------------------------|---------------------|---------------------------------|--|------------------|
|  |                        |                        |                     |                                 |  |                  |
| Spring<br>recruitment                    | April to May           | June                   | July                | Second<br>quarter<br>recruiting | Early July<br>to early<br>December           | Late<br>December |
|  |                        |                        |                     | Third<br>quarter<br>recruiting  | Mid-December<br>to mid-<br>March             | Late<br>March    |
| Fall<br>recruitment                      | October to<br>November | January                | February            | First<br>quarter<br>recruiting  | Early April<br>to early<br>July              | Early<br>July    |
|  |                        |                        |                     | Second<br>quarter<br>recruiting | Early Sep-<br>tember to<br>early<br>December | Late<br>December |

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Accepted applicants are given approximately four months of training in language, the North-South problem, the development program, and cultures, conditions in the host country, training in the specific field of specialty, and so forth. After training, they are sent as full-fledged volunteers. The recruiting, selection, training and field activity of the volunteers are carried out as follows.

#### 1) Recruitment and Selection

Recruitment is carried out twice a year, in spring and in autumn, in accordance with the procedure presented in the table 5, and with the cooperation of the ministries, government institutions, local governments, universities, youth organizations, and so forth.

The criteria for acceptance of an applicant are as follows.

- a) The candidates should be over 20 years of age and in principle less than 35 years old at the time of application.
- b) In principle, academic background is not taken into consideration, but general knowledge and a cultural level equivalent to at least that of a junior college graduate is desirable. Linguistic capability sufficient to enable work in a foreign country is also required.
- c) The candidates should have technical skills and knowledge sufficient to comply with the demand of the recipient country.
- d) The candidate should be able to adjust to the social environment of the place of assignment, and to live in harmony with the people of the host country.

The selection of candidates is performed by means of two examinations, i.e., a written examination (composition, English and specific technical knowledge) and an oral examination (character test, English conversation skill and specialized technical knowledge). The first is carried out at the level of the local government, and the second in Tokyo.

#### 2) Training

Accepted candidates are given three months of group training before being

dispatched overseas.

The training covers the nature of JOCV, cultures, development programs, conditions in the host countries, case studies mainly devoted to learning the language of the host country, the improvement of adaptability, etc.

After the completion of training, the candidates are given a final qualification examination, and after obtaining the confirmation from the host countries, are sent overseas.

During the training period, the candidates' lodging and board, plus study materials are paid for by the agency. A training allowance as well as other benefits such as an installment deposit and mutual aid benefit are also provided.

#### 3) Activities in the Host Country

After arriving in the host country, the volunteer is given local training, lasting approximately a month. The training is undertaken either at school to study the local language, or by lodging the volunteer with a local family to provide an opportunity to get accustomed to the local customs and the local language. After finishing the local training, the volunteer is assigned to the ministries and agencies (of the central government), local governments, or other places, and he begins cooperation.

The work of the volunteers differs depending on the host country, but broadly speaking it can be classified as follows.

- a) "Village type" cooperation, where the volunteer participates in the rural society of the host country as a member of the local community, and works in the dissemination and popularization of new techniques and knowledge (e.g., rice cultivation, livestock breeding, etc.).
- b) "Classroom type" cooperation, where the volunteer is responsible for training activities and classes, like vocational training and the teaching of sciences, etc. (e.g., teaching of Japanese language, vocational training on radio and TV technology, etc.).
- c) "Field work type" cooperation,

where the volunteer participates in field work in areas such as civil engineering, communication, etc. (e.g., civil engineering design, surveying, installation of telephone, etc.).

- d) "Office and laboratory type" cooperation, where the volunteer is in charge of test and research activities (e.g., cultivation trials, geological surveys, etc.).

In principle the duration of assignment is two years. However, if the volunteer's work is not completed within the initially scheduled period, and an extension is requested by the host country, that period can be extended by approximately one year. On the other hand, if the continuation of the work becomes impossible prior to the completion of the two-year assignment due to problems such as injury, the volunteer may return to Japan at that time. To ensure the volunteers good health, a medical check-up is made twice a year, and medicine is supplied to volunteers while on assignment. Also necessary measures are taken to be able to put the volunteers, in case of emergency, in contact with medical doctors.

#### 4) Activities after Return to Japan

After their return to Japan, the volunteers, must be reoriented into the Japanese society, either by returning to their former jobs or by finding new ones. In order to ensure a perfect reorientation after their return, JOCV offers them support and guidance.

Those volunteers who have no jobs waiting for them in Japan receive the amount deposited in installments in Japan. This money is intended to help the volunteers to find a new job, if necessary, and to facilitate their reintegration in Japan. After their return, some volunteers join the association of former volunteers, organized on the prefectural level, as a means of contributing to the local community by using the experience and knowledge gained abroad and to participate in the orientation of new volunteers.

## (4) Treatment and Status

The following treatment and status are offered to the volunteers.

### 1. Living Allowance

During the period of overseas activities of the volunteer, \$240 to \$440 a month is paid to the volunteer as overseas living allowance (the amount may be modified in view of the specific living circumstances of the host country). This allowance is not paid as a salary or remuneration, and is the minimum amount needed to insure satisfactory daily life in the host country. All volunteers in a country receive the same amount, irrespective of individual differences such as academic background, age, etc.. This equal treatment is adopted because of the fact that the participants in this program are volunteers.

### 2. Housing Allowance

Housing accommodation for the volunteer should be provided, in principle, by the host country, as stipulated in the dispatch agreement. However, if local conditions do not permit the furnishing of an adequate dwelling, he will be paid a housing cost assistance which will enable him to rent an appropriate accommodation.

### 3. Installment Deposit in Japan

Some volunteers leave their jobs in Japan to participate in the program and others are unemployed when they join the program. Installment deposits are made for these volunteers, and the accumulated amount is paid to them when they come back to Japan, so as to facilitate their reorientation into the Japanese society. This arrangement is not applicable to volunteers who participate in the program on temporary leave with pay from their jobs in Japan. The payment of this money during the period of assignment is not authorized, except in very special cases.

### 4. Employers Compensation System

When a Japanese youth working in a private company becomes a volun-

teer without resigning his post, the employer is compensated for his personnel expenses. In other words, if the youth participates in the program on leave with pay, his personnel expenses are compensated and indirect expenses to the employer are also paid so that the volunteer can retain his post. In the case of government employees, this system is not applicable, because it is possible to take leave in accordance with the "dispatch regulation".

#### **5. Public Welfare**

Volunteers are enrolled in mutual, life insurance and accident insurance.

#### **(5) Evaluation**

It is undeniable that JOCV lags behind the Peace Corps of the United States and the volunteer organizations of other countries because of their inferior linguistic capability. However, on the other hand, Japan sends volun-

teers possessing high levels of skills and techniques, which is not necessarily the case with other countries.

This "possession of technique" is a factor which decisively contributes to the high reputation given by the host countries. In other words, by working and living together with the population of the recipient country, thanks to their command of technical skills, the Japanese volunteers are contributing to the upgrading of the technical level of the people of the host countries. This achievement is unique in Japanese volunteers, and is not necessarily observed in the case of volunteers from other countries. On the other hand, each one of the volunteers is making an effort to build up his character through participation in the cooperation activities and their sincerity in working as well as their high degree of integration in the local community are highly esteemed in the host country.

## **6. Project-Type Technical Cooperation**

#### **(1) Significance**

The technical cooperation programs entrusted by the Government of Japan to JICA for their implementation consist of three basic components: namely, technical training in Japan, the dispatch of Japanese experts and the provision of equipment and materials.

These three types of technical cooperation can be implemented independently, but in the interest of better coordination and more effectiveness, they sometimes are combined to form a new type of technical cooperation which is called the "project-type technical cooperation". This aims at integrated technical cooperation making it possible to implement a specific technical cooperation project comprehensively and systematically from planning to implementation with a project support system established in Japan. The section of

the Ministry of Foreign Affairs in charge of this type of cooperation is the Technical Cooperation Division of the Economic Cooperation Bureau. The objective of the project-type technical cooperation is the transfer of technology to the engineers technicians, medical staff, farmers, extension officers and so on in the recipient country by means of their participation in development projects of specific fields. The specific fields are agriculture, forestry, fisheries, medical care, public health, population studies and family planning, vocational training, mining and manufacturing, small-scale industry, and researches related to these fields.

Implementation of the project-type technical cooperation is carried out systematically and comprehensively over a period of several years with a specific site of the recipient country as its operational base (e.g., an agri-

cultural experimental center or research laboratory, a specific agricultural development area, medical institutions like medical departments of universities, institutions for small-scale industry, vocational training centers, etc.). For this purpose, Japan provides technical cooperation by combining effectively the dispatch of various teams, assignment of experts, provision of equipment and materials, technical training of counterpart personnel in Japan, while the recipient country provides land, building, facilities, etc., which will serve as the project base as well as the local experts who work as counterpart personnel with the Japanese experts. The recipient country is also to be born local costs such as operational expenses.

As for the normal procedure of implementation, a Record of Discussions is prepared for each project and is signed by the Japanese executing agency (JICA) and the authority concerned in the recipient country. This recommends the project to the respective governments for their acceptance, the details of the implementation plan as well as the obligations to be observed by the two parties concerned.

On the basis of this recommendation, both governments execute the project defined in the R/D by reaching mutual agreement on the implementation of each one of the three components mentioned earlier: i.e. training in Japan, dispatch of experts and the provision of equipment and materials. The project-type technical cooperation contributes directly to

the transfer of technology with an integrated sequence of activities for a long period and on a large scale. At the same time it aims at meeting basic human needs of the recipient country. Therefore it plays a major role among Japanese technical cooperation programs. Recently there has been a net increase of requests for this form of cooperation, and the nature of such requests tends to be more comprehensive, larger in scale (in combination with financial cooperation) and more advanced and specialized in technical requirement than in the past.

However, it should not be forgotten that the project-type technical cooperation is in essence only one form of technical cooperation. Its essential role is the development of human resources in the various development fields by means of technology transfers. In this regard, there is an important difference when compared with financial cooperation which contributes directly to the realization of development projects.

## (2) Five Programs under Project-Type Technical Cooperation Scheme

There are five programs under the present project-type technical cooperation scheme. All programs are implemented through effective combination of such elements as the dispatch of various teams, assignment of experts, the provision of equipment and materials and technical training in Japan.

**Table 6 Number of Project-Type Technical Cooperation Projects**

|  | 1982       | 1983       | 1984       | 1985       | 1986       |
|--|------------|------------|------------|------------|------------|
| Technical Cooperation Center Program               | 28         | 30         | 32         | 28         | 32         |
| Health and Medical Cooperation Program             | 32         | 33         | 26         | 28         | 27         |
| Population and Family Planning Cooperation Program | 4          | 5          | 5          | 4          | 6          |
| Agricultural and Forestry Cooperation Program      | 41         | 39         | 39         | 42         | 44         |
| Industrial Development Cooperation Program         | 15         | 16         | 15         | 13         | 11         |
| <b>Total</b>                                       | <b>120</b> | <b>127</b> | <b>117</b> | <b>115</b> | <b>120</b> |

Note: Figures for each fiscal year indicate the number of projects in cooperation as of April 1.

**Table 7 Performance of Project-Type Technical Cooperation Projects** (¥1 million)

|  | 1981          | 1982          | 1983          | 1984          | 1985*         |
|--|---------------|---------------|---------------|---------------|---------------|
| Technical Cooperation Center Program               | 3,918         | 4,632         | 5,018         | 5,446         | 5,940         |
| Health and Medical Cooperation Program             | 3,533         | 3,652         | 3,769         | 3,927         | 4,134         |
| Population and Family Planning Cooperation Program | 520           | 661           | 775           | 814           | 829           |
| Agricultural and Forestry Cooperation Program      | 5,756         | 6,211         | 6,734         | 7,050         | 7,399         |
| Industrial Development Cooperation Program         | 1,196         | 1,296         | 1,424         | 1,516         | 1,640         |
| <b>Total</b>                                       | <b>14,921</b> | <b>16,451</b> | <b>17,721</b> | <b>18,753</b> | <b>19,942</b> |

Note: \* Figures for 1985 denote those budgeted.

**Table 8 Geographical Distribution of Project-Type Technical Cooperation Projects** (%)

|                        | Technical Cooperation Center Program | Health and Medical Cooperation Program | Population and Family Planning Cooperation | Agricultural and Forestry Cooperation Program | Industrial Development Cooperation Program | Total |
|------------------------|--------------------------------------|--|--|---|--|-------|
| Asia                   | 56.2                                 | 44.4                                   | 66.7                                       | 68.2  | 54.5                                       | 58.3  |
| Africa                 | 6.3                                  | 11.1                                   | 0  | 9.1   | 9.1  | 8.3   |
| The Middle & Near East | 15.6                                 | 11.1                                   | 0  | 2.3   | 0  | 7.5   |
| Latin America          | 21.9                                 | 25.9                                   | 33.3                                       | 15.9  | 36.4                                       | 22.5  |
| Others                 | 0                                    | 7.4                                    | 0  | 4.5   | 0  | 3.3   |

### 1. Technical Cooperation Center Program

This program was begun in 1960 and is aimed at the development of human resources in various fields such as vocational training, telecommunication, marine products processing, maritime transport. These are important for the economic and social development of developing countries.

Concrete examples of activities under the program are as follows.

- 1) Cooperation in training engineers, skilled workers and instructors.
- 2) Cooperation in research and development, experimental works involving tests for practical application.
- 3) Cooperation in development and improvement of production techniques.
- 4) Cooperation in regional development.
- 5) Cooperation in school education.

### 2. Health and Medical Cooperation Program

This program was started in 1966 as Medical Cooperation Program, and the

Public Health Program was added in 1977. It is intended to contribute to the improvement of social welfare in developing countries suffering from epidemic and endemic diseases, by promoting medical care and improving the national health in the fields of parasites, viruses, tuberculosis, cancer, heart disease, public health, nurse training and so forth. For that purpose cooperation is offered for the improvement of medical care education, research and prophylactic measures, local medical care services and environmental sanitation.

### 3. Population and Family Planning Program

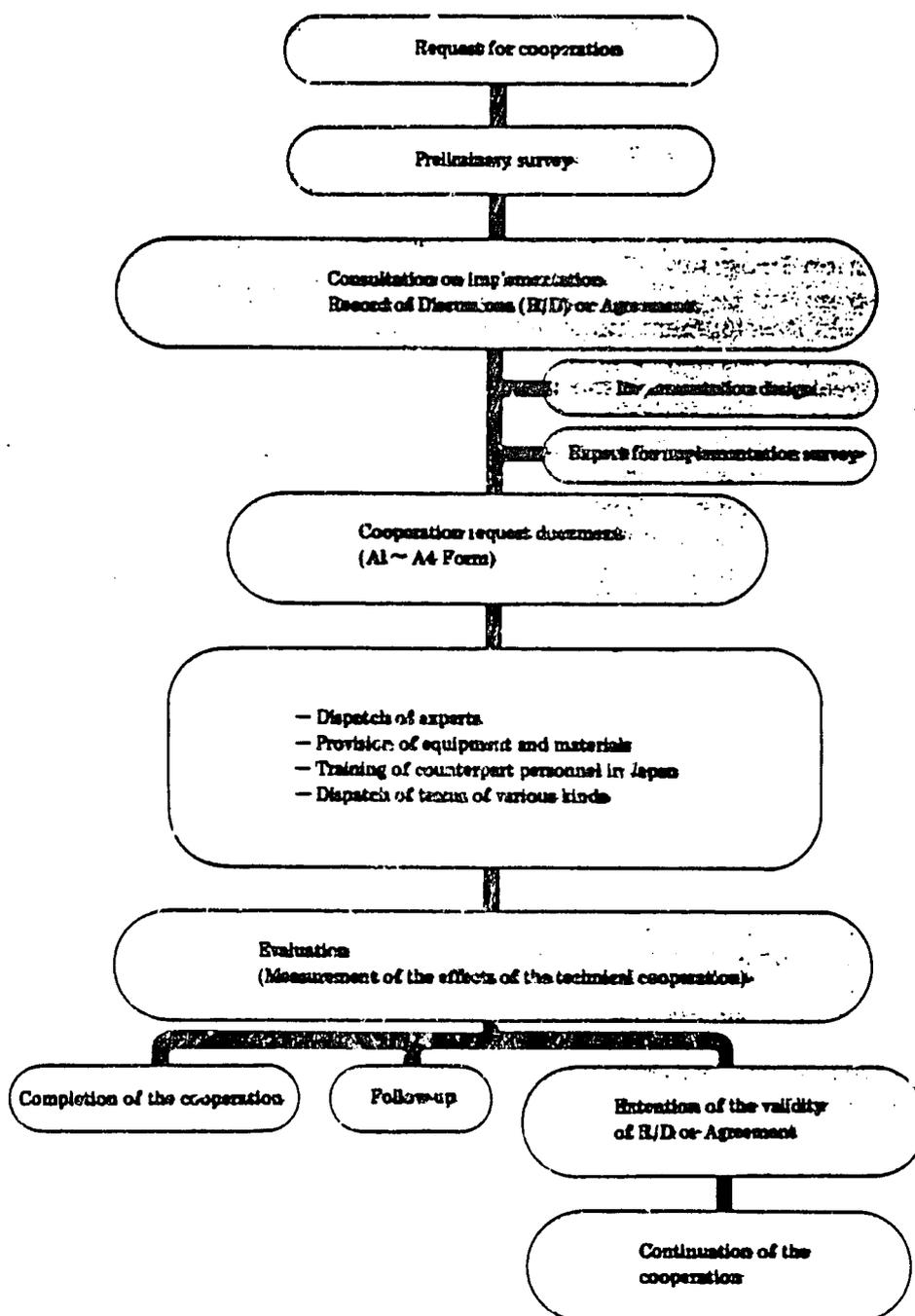
In F.Y. 1980, this program was separated from the Public Health and medical Cooperation Program. In order to cope with serious population problems which developing countries are facing, comprehensive family planning projects intimately related not only to birth control but also to guidance for material and child health as well as public health are being implemented.

#### 4. Agricultural and Forestry Cooperation Program

The agricultural cooperation program was started in 1967 and expanded to include forestry cooperation in 1977. As an example, this program offers cooperation for the development of human resources as well as for im-

proving technology in the fields of rice cultivation, upland farming, sericulture, livestock breeding, forestry, and fish farming, and so on. At the same time it aims at improving the infrastructure required for the autonomous development of agriculture, forestry and fisheries.

Chart.30 Procedure of the Project-Type Technical Cooperation



Concrete examples of activities under this program are as follows:

- 1) Cooperation in the establishment of training centers and model farms for the dissemination and popularization of improved techniques;
- 2) Cooperation in the improvement and diffusion of technology;
- 3) Cooperation in improving the production infrastructure such as irrigation and drainage;
- 4) Cooperation in regional agricultural development projects through combination of the contents of items 1) through 3) above-mentioned;
- 5) Cooperation in agricultural training and research centers, and experimental laboratories.

#### **5. Industrial Development Cooperation Program**

This program was begun in 1978 replacing the old Development Technology Cooperation Program, and is intended to create and promote specific local industries or economic activities such as small-and-medium-scale industry. This aid combines the aid vis-a-vis planning and preparation of policies, the development and human resources research and development, development of industrial technology, etc., and implements them from compre-

hensive and multifarious points of view.

Incidentally, the number of projects under those programs (those in progress as of April 1, 1986) totals 120, including 32 projects under the Technical Cooperation Center Program, 27 projects under the Health and Medical Cooperation Program, 6 projects under the Population and Family Planning Program, 44 projects under the Agricultural and Forestry Cooperation Program, and 11 under the Industrial Development Cooperation Program.

The budget and the number of cases of implementation of the project-type technical cooperation for the last five years are as shown in pages 66 and 67.

#### **(3) Ordinary Procedure**

The flow of project-type technical cooperation is shown in the chart.

In order to bring the whole process of the cooperation smoothly to a successful completion where the recipient country can take over and operate the project by herself, it is necessary to always pay attention to the progress of the project in the whole procedural flow which takes up a number of years from beginning to end.

## **7. Dispatch of Survey Teams**

### **(1) Significance**

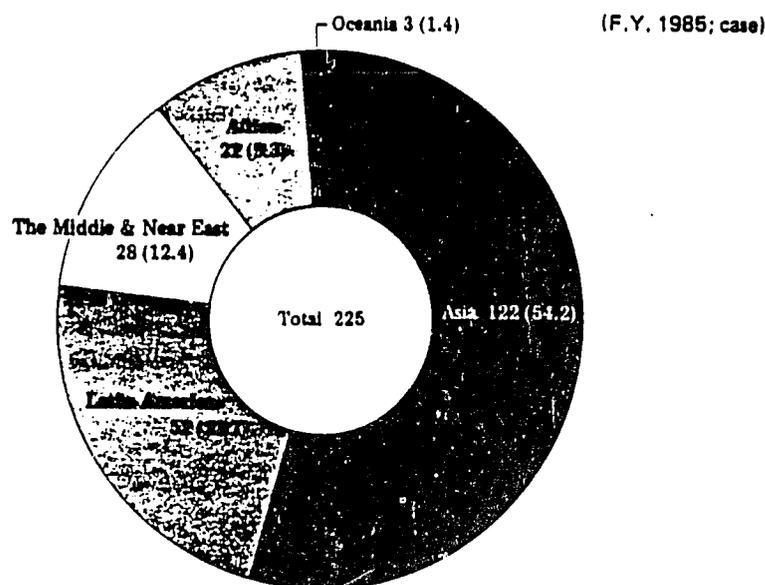
All areas are covered by the development surveys, including transportation & traffic, public utility, telecommunications, infrastructure, agriculture, forestry and fisheries, mining and manufacturing, energy, health and medical care and education, to which survey teams are dispatched. Most surveys are concerned with only one country, but there are also projects involving several countries.

The results of a development survey are summarized in the report presented to the government of the country concerned, which uses the report to identify a project or projects for de-

velopment of the area covered by the survey or to decide on the order of priority and judge the feasibility of a specific project, and to make a decision on whether or not to proceed with the implementation. In other words, the development survey is used to provide the government of a developing country with the basic data and information required to make important policy decisions.

Feasibility studies, which account for a large part of development surveys, are conducted in order to verify the viability of projects from the technical, economic and financial points of view. Based upon the results of the

**Chart. 31 Geographical Distribution of Survey Teams' Destinations**



(Note) The figures in parentheses indicate the number of persons.

**Table. 9 Performance of Japan's Development Surveys**

(F.Y. 1985; case)

|                            | Number of Projects | Breakdown (%)  |
|----------------------------|--------------------|----------------|
| Transportation             | 53                 | (23.6)         |
| Mining and Industry        | 44                 | (19.6)         |
| Public Works and Utilities | 31                 | (13.8)         |
| Agriculture                | 31                 | (13.8)         |
| Construction               | 28                 | (12.4)         |
| Communication              | 12                 | (5.3)          |
| Forestry                   | 5                  | (2.2)          |
| Fishery                    | 4                  | (1.8)          |
| Public Health and Medicine | 3                  | (1.3)          |
| Environment                | 3                  | (1.3)          |
| Others                     | 11                 | (4.9)          |
| <b>Total</b>               | <b>225</b>         | <b>(100.0)</b> |

feasibility study, the government of the country in question proceeds with the procurement of the investment capital needed, either by means of its own financial resources, or from world financial institutions like the World Bank, the Asian Development Bank, the African Development Bank, etc., and from third countries or Japan. Thus the development survey re-

port constitutes a basic document indispensable for requesting a financial cooperation.

The development survey contributes also to the improvement of the technological level of the developing country. In other words, it aims at the transfer of technology, through field surveys carried out in cooperation with the local counterpart engineers,

or through the training of such counterparts in Japan for activities including the analysis of data and information collected during the field survey and the subsequent preparation of the report.

Transfer of technology here does not mean only the piecemeal transfer of individual items of technology, but also the transfer of overall know-how for the preparation of a viable development project from the economic, technical, financial and social viewpoints by combining the various individual items of technology.

The development survey is the first step for the materialization of a project. Thus it is a type of cooperation lying at the contact point between technical cooperation and financial cooperation.

## (2) Procedure

The length of the survey period depends upon the nature of the survey, and may last from between several months to several years. In general, development surveys are carried out in the following sequence.

**Chart. 32 Procedure for Dispatch of a Survey Team**

The request for a development survey is presented to the government of Japan

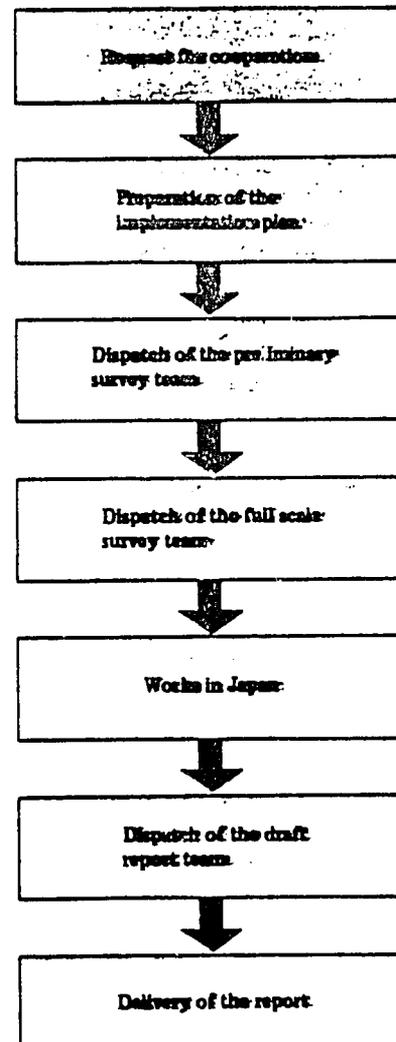
The basic policy of the cooperation in question is planned, in consultation with the ministries and government agencies concerned

The contents of the request are confirmed

The field survey is carried out, with cooperation of the recipient country

The results of the field survey are comprehensively analyzed and summarized in the report

The results of the survey are reported to the recipient country and the final report is prepared taking into consideration the opinions of the recipient country



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### **1. Request of Cooperation**

An official request referring to a specific survey is sent from the government of a developing country to the Government of Japan. Usually this 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.

### **2. Preparation of Implementation Plan**

Related information about the requested survey is collected so as to study the possibility of its implementation. If the Ministry of Foreign Affairs decides to take up the request, instructions referring to the preparation for the survey are sent to JICA. At the same time, consultations with the ministries and agencies concerned are made, both to prepare the implementation plan for the survey and the basic policy related to the matter.

### **3. Dispatch of Preliminary Survey Team**

When the implementation plan is determined, survey members are determined, and a preliminary survey team is dispatched. At the time of this preliminary survey, the contents of the request made by the recipient country are confirmed, a preliminary field survey of the object area is carried out, and necessary data and information are collected. Thus, upon confirming the possibility of implementing a full scale survey, a conference is held with the executing agency of the recipient country, to reach an agreement on the framework of the survey covering items, period, etc. of survey. The contents of the agreement are compiled as S/W (Scope of Work).

### **4. Dispatch of Full Scale Survey Team**

After E/N verbale on the implementation of the survey between the government of the recipient country and the Japanese embassy, which constitutes the international agreement for

the implementation of the survey, the scope of work is agreed on and signed by JICA and the implementing agency of the recipient country. Then based on the S/W referred to above, a full scale survey team consisting of consultants, etc. is dispatched. The survey team carries out the field survey in cooperation with the government authorities of the recipient country according to the agreed scope of work.

### **5. Work in Japan**

A draft report is prepared, by making a comprehensive analysis of the results of the full scale field survey. During the preparation of the report, a team may be dispatched with the purpose of explaining the progress of the work to the recipient country.

### **6. Dispatch of Team to Explain the Draft Report**

When the draft report is completed, it is presented and explained to the officials of the country requesting assistance. Consideration is to be given to the opinions of the requesting country presented in the draft report for the preparation of the final report.

### **7. Delivery of the Report**

When the final report is completed, a prescribed number of copies is delivered to the recipient country, and the survey is completed.

## **(3) Types of Surveys and Concrete Examples**

### **1. Master Plan Survey**

Generally, a master plan survey is such that, as the initial stage of a development plan, it evaluates the development potentialities of development projects as a whole in a specific region/field, and makes clear the interrelations among the individual projects, and investment priority to them. An integrated development planning survey, one of the master plan surveys, is intended to probe into the development potentialities for various sectors such as agriculture, mining and manufacturing, and infrastructure, as well as those for human and natural

resources of a specific region. In view of the results of this survey, the development strategy for the specific region in question is drafted, and concrete development project are proposed, while determining the order of investment priority.

The master plan survey is carried out in compliance with the request presented by the recipient country's government, and the resultant development plan serves as the basic data for the socio-economic development strategies of the recipient country. At the same time, it serves as a reference for Japan when implementing economic cooperation in the future. This type of survey also serves for "project finding" (finding out sound projects), and as such, may be said to be an effective way of survey cooperation.

## **2. Feasibility Study**

A feasibility study (F/S) is aimed at analyzing the technical, economic and financial viability of a specific individual project in the fields of agriculture, infrastructure, etc., and thereby making relevant recommendations. More than half the development surveys are occupied by those feasibility studies.

The following fields are subjects for feasibility studies:

- 1) Agricultural development (e.g., increase of rice production through construction of irrigation and drainage facilities, dairy farming promotion, maize development project etc.).
- 2) Forestry development (e.g., reforestation lumbering, paper and pulp plant construction etc.).
- 3) Fishery development (e.g., fishing port construction and improvement etc.).
- 4) Industrial development (e.g., power development, for development of textile industry, mining, chemical industry etc.).
- 5) Infrastructure improvement (e.g., construction and improvement of roads, ports, communication systems, broadcasting systems, railways etc.).

Besides those mentioned above, feasibility studies are prepared for a wide variety of fields, such as urban development, water resource development, river improvement.

If the results of the feasibility study indicate that the project is feasible from the points of view of technology, national economy and finance, the project is to be implemented by means of the recipient country's own financial resources or through financing from international financial institutions like the World Bank as well as from other governments like the Government of Japan.

## **3. Detailed Design Survey**

This survey comprises the preparation of detailed design upon which will be based the actual construction. It is the next step after the feasibility study or the basic design survey toward the implementation of the project. Detailed design work is normally included as a part of the construction expenses, but based upon a strong demand from the government of a recipient country and other considerations, the detailed design survey composed of the preparation of drawings, specifications, etc., required for the construction work may be included, within the framework of development survey, as a part of technical cooperation. However, implementation of the detailed design survey as a part of technical cooperation has the pre-requisite of the existence of a workable plan for procuring the capital required for the project itself, and the confirmation of the feasibility of the project.

Since F.Y. 1980, a total of 8 cases of detailed design survey have been carried out in Thailand, Indonesia, the United Arab Emirates, Oman and Venezuela.

## **4. Ground Water Exploitation Survey**

Ground water surveys are carried out as a step necessary to secure a supply of good quality water in arid regions, etc. Since it is quite difficult to secure a supply of good quality water

not merely in arid regions, but also even in humid regions, such as Southeast Asia, demand of the developing countries for this type of survey is deep-seated.

Since F.Y. 1980, this type of survey has been carried out in Mali, Rwanda, China, Guatemala, Jordan and Ethiopia.

## **5. Surveys Aimed to Supply Basic Data for Development**

### **1) Survey for Preparation of Topographical Maps**

Topographical maps constitute basic data indispensable for the planning of a development plan and project implementation. However, since cartographic studies or mapping require considerable time, personnel, funds and sophisticated techniques, usually, developing countries have a poor stock of topographical maps. This comes in the way of working out various plans, often making those countries to ask Japan for cooperation.

Surveys for preparation of topographical maps are being carried out to produce the so-called national basic map covering areas on the order of 10,000 to 20,000 square kilometers [with the scales of 1:50,000 (or 1:25,000)], and available for general purposes. In recent years, they have also been carried out to produce the basic city map covering areas on the order of 1,500 to 2,000 square meters (with the scale of 1:10,000) intended for major urban zones which imminently require various kinds of effective development plan to solve numerous city problems. These maps are being prepared over a time span of 3 to 5 years.

Since F.Y. 1980, a total of 9 cases of this survey have been carried out to cover Manila, the Metropolitan area of the Philippines, the entire territory of Tunisia (whose northern districts were covered by topographical maps, and southern districts by aerial-photographs), Satipo district of Peru, and Bangkok, Thai Metropolitan area, etc.

### **2) Forestry Resource Survey**

Newly introduced in F.Y. 1976,

forestry resource surveys are usually carried out over a period of about 3 years, to grasp the state of forestry resources, such as the existing quantity of forests and variety of trees covered by the survey, by taking aerial-photographs, carrying out field surveys and analyzing the data.

Since this type of survey makes it possible to make a topographical map of the forestal area covered, it makes possible the planning of adequate land utilization of that area, administration of river basin areas, etc.

Since F.Y. 1980, this survey has been carried out in Indonesia, Paraguay, Honduras, Panama, Fiji and Ecuador.

### **3) Marine Resource Survey**

Marine resource surveys are intended to obtain information on the species and quantities of fish in the area covered, proper fishing season(s), method(s), etc. by carrying out actual test fishing using fishing boats in the survey area. Normally, this type of survey is carried out in different periods, each time for about six months and over a total length of two years.

If the results of the survey indicate that the area in question is a promising fishing ground, normally, a subsequent test operation lasting one to two years is carried out on a commercial basis, followed by full-scale commercial fishing operations.

Since F.Y. 1980, this survey has been carried out in Gabon, Honduras, Panama, Fiji, Tuvalu and Colombia.

### **4) Mineral Resource Survey (Basic Survey for Cooperation in Resources Development)**

Usually carried out over a time span of three years, a set of mineral resource survey involves geological surveys, physical prospecting, boring, etc. through which the occurrence of mineral resources (mainly copper, zinc and lead among the non-ferrous metals) is examined.

Since surveys of mineral resources require survey equipment and materials, personnel, funds, etc., the developing countries usually feel it difficult

to carry them out. This survey is aimed to supply basic data necessary for development of mineral resources in the recipient country.

In F.Y. 1984, a total of 21 surveys of this type were carried out in Indonesia, Malaysia, Kenya, Colombia, etc.

#### **6. Project Selection and Confirmation Survey; Basic Survey for Project Formation**

With a view of effectively extending Japan's aid, a project selection and confirmation survey is carried out to discover a good project suiting the needs of the recipient country, mainly covering Africa and Oceania from which there arise few cases of project request.

A basic survey for project forma-

tion is aimed to extend cooperation in survey/study of the recipient country at a stage where, according to its development policy, etc., the recipient country drafts a concrete plan for a project that remains low in maturity, or a project intended for a new field, etc., and thereby enhance the maturity of such project as an effective object of aid suiting the needs of the recipient country.

#### **7. Others**

Besides the surveys enumerated above, Japan can comply with all the requests for other types of development surveys, whenever they are related to development projects of a public nature in the recipient country.

## **8. Development Cooperation Program**

### **(1) Outline**

The development cooperation program is aimed to furnish funds in 'soft' conditions and also surveys/technical instruction to those social, agricultural, forestal, mining and manufacturing development projects to be undertaken by Japan's private enterprises in the developing countries, etc. which will contribute to socio-economic development, improvement of welfare of inhabitants, stabilization of people's livelihood, etc. in the said countries, etc., and which have difficulty in receiving a supply of funds from the Export-Import Bank of Japan and OECF.

This program intends to indirectly support economic cooperation extended on a private basis both financially and technically, while letting the private vitality to work effectively. As such, it is characterized by its orientation to strengthened tieup between government-based cooperation and private-based cooperation that has so far not necessarily been achieved fully under the conventional economic cooperation system of Japan.

### **(2) Contents of the Program**

The concrete contents of the development cooperation program are as follows:

#### **1. Development Investment and Loan Program**

This program is aimed to furnish funds in softer conditions to those projects undertaken by Japan's private enterprises in developing countries, etc. which will be conducive to social, agricultural, forestal, mining and manufacturing development in the said countries, etc., and whose implementation is deemed to be difficult when loaned from the Export-Import Bank of Japan or OECF, from the point of view of their risk, profitability, technical problems, effect of economic cooperation, etc. As such, it intends to cooperate in smooth implementation of such projects.

##### **1) Coverage of the program**

a) Related facilities improvement projects

Related facilities improvement projects refer to those facilities im-

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provement projects that are required in relation to development projects undertaken by Japan's private enterprises in developing countries, etc., and as such, they intend to improve facilities of a highly public nature conducive to improvements of living and welfare of the neighboring inhabitants.

Incidentally, the related facilities improvement projects presuppose that their main projects are loaned from the Export-Import Bank of Japan and OECF.

b) Experimental projects

Experimental projects refer to those development projects of a pioneering nature that will be hard to achieve unless they are implemented integrately with technical improvement/development, and those that will be of great cooperation effect not merely upon the enterprises involved, but also upon the regions covered, once their development possibilities have been confirmed.

Incidentally, petroleum, inflammable natural gases and metallic minerals are excluded from the coverage, since their development projects are benefited with a support system of the Japan National Oil Corporation and the Metal Mining Agency of Japan, while manufacturing development projects are also excluded, since there are less regional differences in locational conditions, and there are rare cases that fall under the category of experimental project.

2) Persons covered

Those benefited with the development investment and loan program are, in principle, Japanese corporations or Japanese people who undertake or implement, for themselves, development projects in developing countries, etc., or those who invest in local corporations who undertake or implement such projects, or who will invest in such projects.

## 2. Survey/Technical Instruction Program

This program is aimed to provide technical support to those activities of Japanese private enterprises conducive to the socio-economic development of developing countries, etc., and also to improvement of welfare of inhabitants involved, thereby having a high development cooperation effect. As such, along with the supply of funds from JICA's development investment and loan, it intends to solve a number of problems arising from the implementation of such activities, through technical support.

1) Survey cooperation

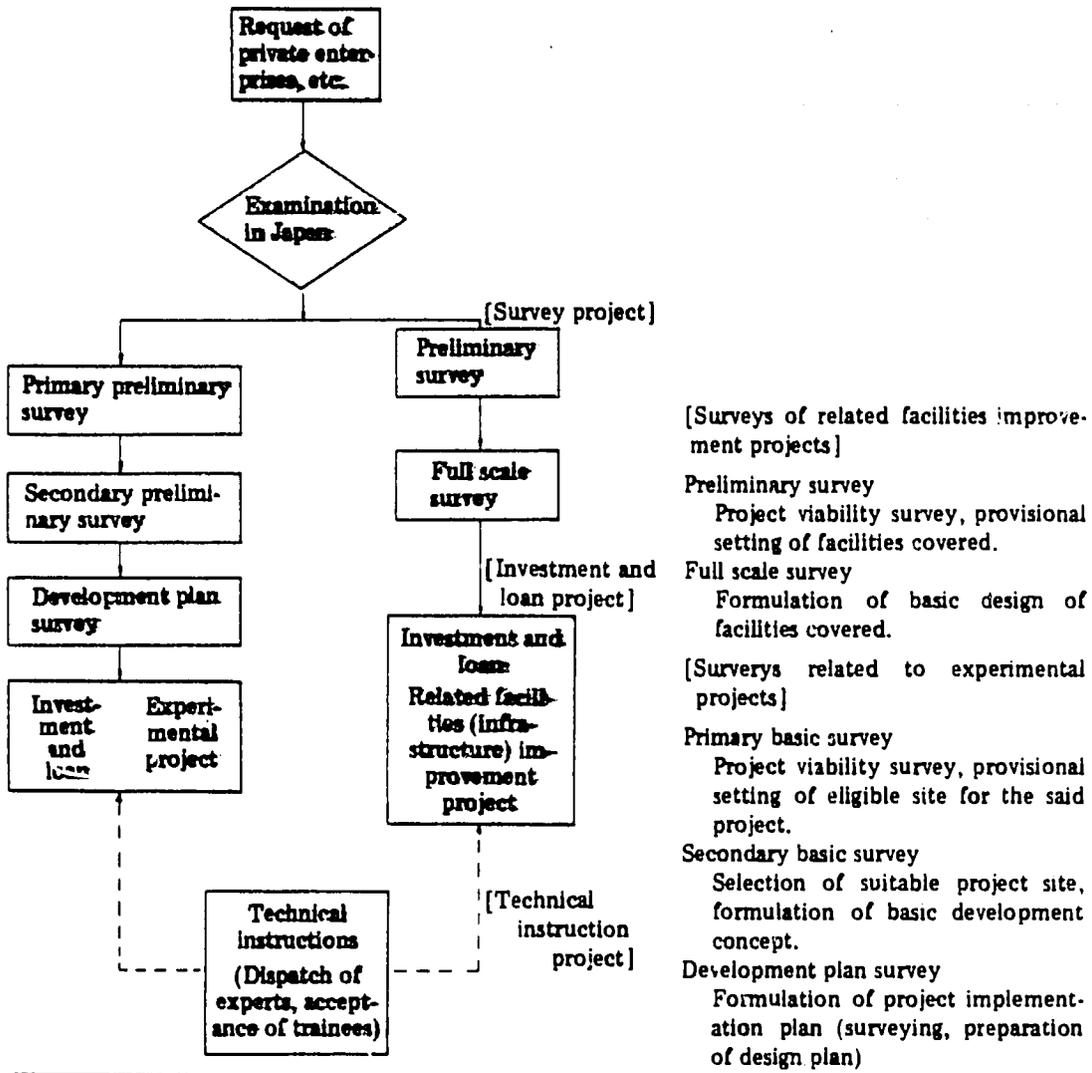
This cooperation is extended to those projects covered by the development investment and loan program, so that, at the request of Japanese enterprises which will undertake or implement those projects, on behalf of those enterprises, JICA will undertake a basic survey, a development plan survey, a full scale survey, etc., thereby facilitating smooth implementation of each project.

2) Technical instructions

These instructions are given by dispatching experts and accepting trainees for smooth implementation of projects loaned from the development investment and loan. That is, in cases where technical problems arising in the course of project implementation cannot be responded to locally, or where local engineers are somewhat at a problematical technical level, JICA will, at the request of Japanese enterprises, dispatch experts to the location in question, or accept local engineers for training in Japan.

Incidentally, survey cooperation/technical instructions are implemented at the partial or total expense of JICA.

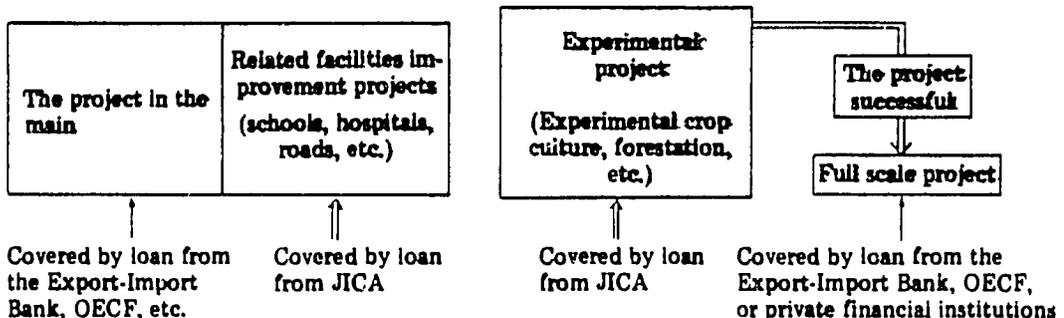
Chart. 33 Mechanism of Development Cooperation Program



**Project covered**

**[ Related facilities improvement project ]**  
 A project aimed to improve those related facilities which become necessary related to the development project in the main, and will be conducive to the development of the neighboring areas.

**[ Experimental projects ]**  
 Those development projects to be implemented experimentally, which are hard to achieve unless they are implemented integrately with the technical improvement or development.



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# III. LOAN AID

## 1. Loan Aid

Loan Aid means a direct loan by the government and is usually called "Japan's ODA loans". This is classified as a form of ODA in accordance with the criteria of DAC of OECD, and it must fulfill the following prerequisites:

1. This cooperation should be done by official agencies to developing countries.
2. This cooperation should be administered with the promotion of the economic development and the welfare of developing countries as its main objective.
3. This cooperation should be concessional in character, and contain a Grant Element of at least 25%.

Taking into consideration the debt burden of the developing countries, the loan should be as 'soft' as possible, and a grant is the most desirable form of aid.

The terms and conditions of loan extended by Japanese Government are determined taking into consideration various factors indicating economic development stage of the recipient country such as the severity of poverty.

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< Grant Element >

An index that indicates the 'softness' of a loan. When a loan is given on a purely commercial basis, its Grant Element is 0%, but when it is given in the form of a grant, its Grant Element is 100%.

The minimum Grant Element required for ODA is 25%. For example, a loan with an annual interest rate of 5% and repayment period of 10 years including 5 years of grace period has a Grant Element of 25%.

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## 2. Role and Sectors of Loan Aid

The primary role of the loan aid as a vehicle of aid is to supplement the domestic resources necessary for the economic development of the country. Although, the sector to which the loan is directed depends upon various factors such as the economic structure, development plan and distribu-

tion policy of development funds of the recipient country, ODA is extended for agricultural development as well as improvement of the economic and social infrastructure such as the construction of roads, dams, installation of communication systems.

## 3. Procedures (From the Request for Loan Aid to the Exchange of Notes)

### (1) Request for Loan Aid

Requests for loan aid from developing countries are generally made

through diplomatic channels by means of a written document (e.g., note verbale).

The official loan request is in some cases made on the occasion of visits either from high-level Japanese officials to developing countries or from high-ranking officials of developing countries to Japan.

In the case where Japan participates in co-financing with international financial institutions such as the World Bank and the Asian Development Bank, loan requests come not only from developing countries but also from these institutions.

## (2) Donor Country Meeting

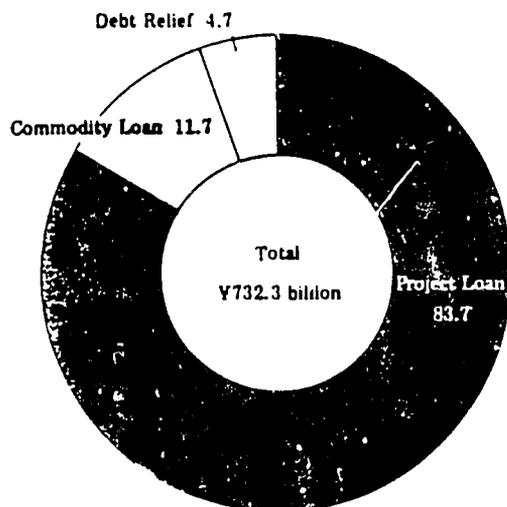
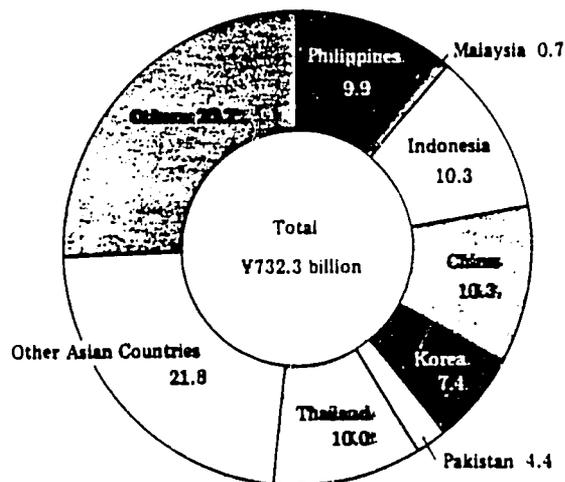
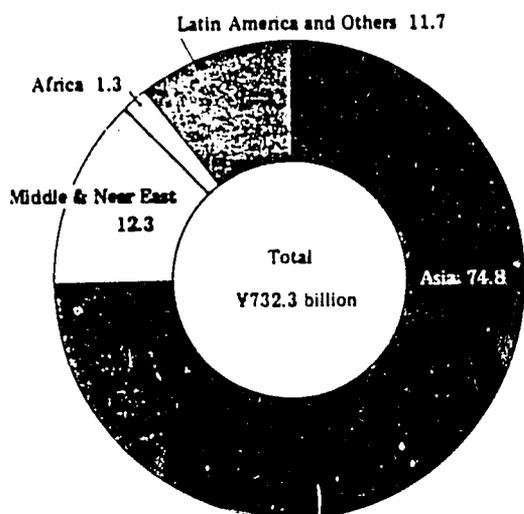
The donor country meetings are

usually known as consultative groups (CG) or adjustment groups. As these names show, the aim of these groups is to make the aid offered to a developing country more effective through informal discussions among the donor countries and adjust their aid policy to the country. The first meeting of donor countries was the India Consortium, established and held by the World Bank in 1958. Since then, many other groups have been organized at the initiative of the the World Bank.

In donor country meetings, reports from the World Bank and IMF as well

**Chart. 34 Distribution by Type and Country of Japan's Loan Aid**

(Calculated on the basis of the signed E/N) (F.Y. 1985: %)



(Note) The total does not necessarily become 100% due to rounding.

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as briefings by the developing country in question are presented, on current economic conditions and future outlooks, development plans and programs, and major projects of the developing country in question, over which an exchange of opinions take place among the representatives present at the meeting. In some cases, the various donor countries may announce their new aid commitments.

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 < Executing Agency for Loan Aid >

When Japan provides ODA loan, after signing of E/N, procedures have to be undertaken such as the appraisal of the project substance, conclusion of Loan Agreement (L/A) with the government or the executing agency of the recipient country, disbursement and repayment of the loan.

The Overseas Economic Cooperation Fund (OECF) derives its funds from (1) annual appropriation from the Japanese Government's General Account Budget (fund cost is 0), (2) borrowing from the Trust Fund Bureau, and issuance of the OECF bonds, etc.

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### (3) Aid Request and Aid Commitment

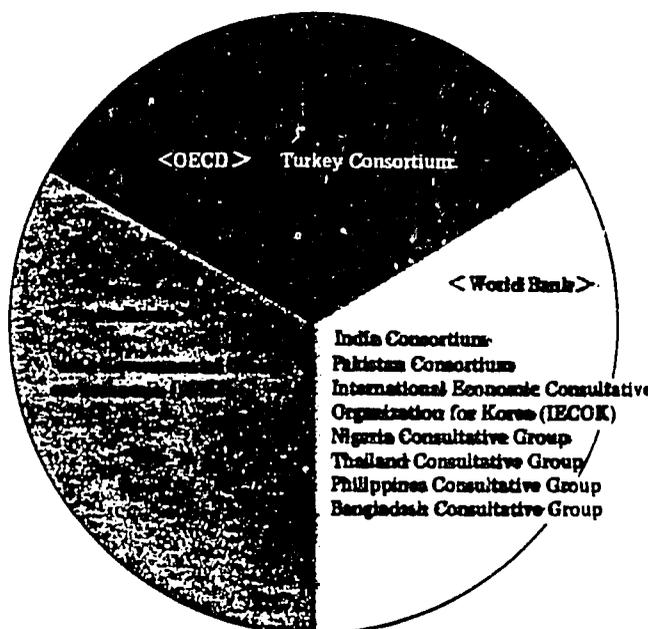
When an official request from a developing country is received, it is examined with reference to the points listed below, and if the request corresponds to one of the following criteria, it is to be declined.

1. It may link up with military assistance.
2. Requests for ocean going ships, aircrafts, and the like. In most cases, these goods are highly profitable, and are not suitable to be financed by soft loan. Therefore they cannot be approved in light of the Japanese economic cooperation policy. Especially with reference to ocean going ships, there are strict restrictions on export credits for newly-built ships in accordance with the OECD understanding on export credit.
3. Luxurious goods and other commodities with pronounced characteristics of consumer goods.

### (4) Appraisal and Survey

After receiving the ODA loan re-

Chart. 35 Chief Donor Country Meetings



quest, the Ministry of Foreign Affairs collects all the necessary data and information to enable a full understanding of the contents of the request.

In the case of a project loan, for example, Japan gives loan assistance to the project that would contribute to economic development and improvement of the living standard of the people of the recipient country. Accordingly, it is necessary to examine on some points prior to the approval of the loan. In other words, the following facts should be sufficiently confirmed beforehand.

1. Order of priority and degree of importance of projects in question within the overall economic development plan of the recipient country.
2. Degree of contribution of the loan extended by Japan to the project implementation itself and to the improvement of relations with Ja-

pan.

3. Feasibility of the projects.
4. Degree of maturity of the project.

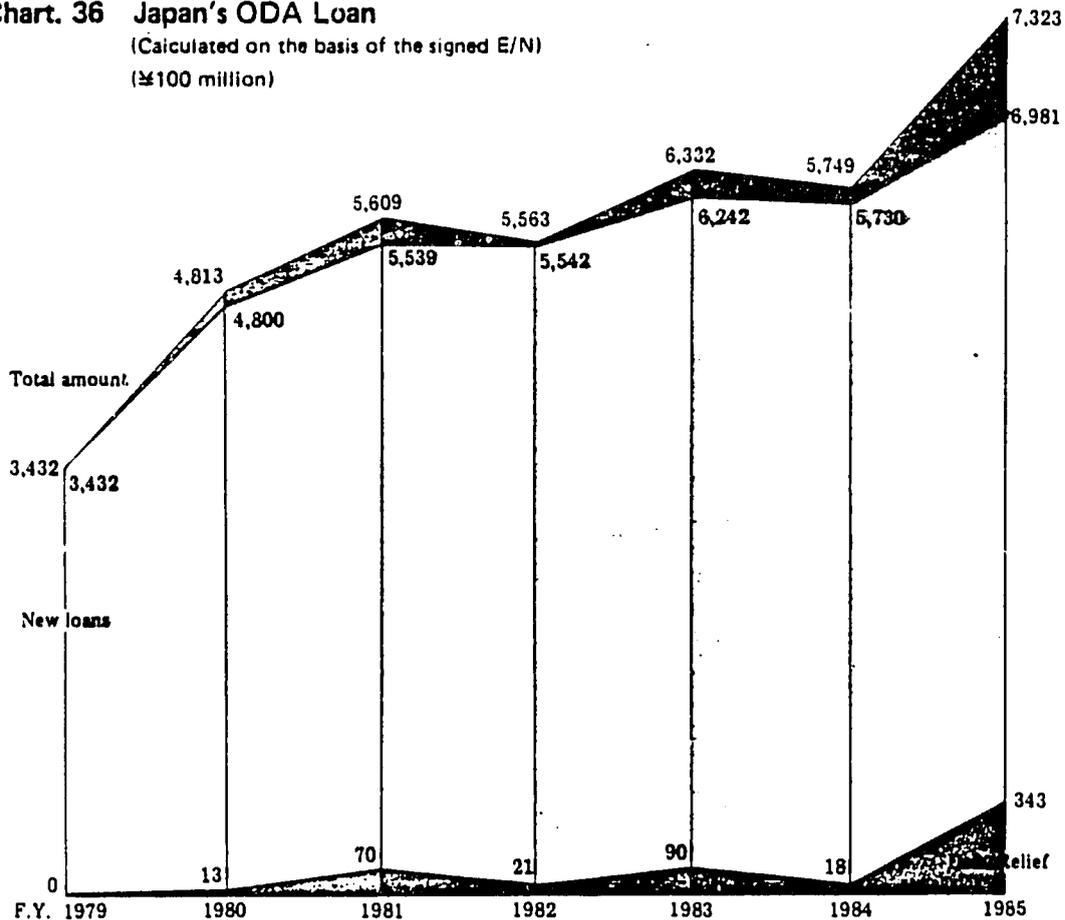
The study on technical, economic and financial feasibility normally has to be presented to Japan. When a project loan request is made to Japan, the presentation of such report is required. The contents of the report are examined and analyzed, and the feasibility of the project has to be confirmed by the Japanese Government.

However, if the presented data and information are not sufficient to confirm feasibility of the project, a survey team may be sent to the recipient country, as a part of the technical cooperation extended by JICA.

**(5) Government Approval of Loan Aid  
(With Consultation of the Four Ministries Concerned)**

Normally, when a project is proved

**Chart. 36 Japan's ODA Loan**  
(Calculated on the basis of the signed E/N)  
(¥100 million)



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feasible as a result of the survey mentioned above, the Ministry of Foreign Affairs makes initial decision on such important items as the type of the loan, the amount, the interest rate, the repayment period.

The initial decision thus made by the Ministry of Foreign Affairs, is to be reviewed by the other three ministries concerned, namely, the Ministry of Finance, the Ministry of International Trade and Industry, and the Economic Planning Agency. The conclusion agreed upon among these four ministries becomes the policy of the Government of Japan.

When the government policy is thus adopted, the Ministry of Foreign Affairs informs it to the government of the recipient country.

#### (6) Signature of the Exchange of Notes

After reaching an agreement on E/N between the Japanese Government and the government of the recipient country, E/N is to be signed by the two governments. The direct involvement of the government itself comes to an end, and the loan project is now in the hands of the executing agency: OECF.

## 4. Types of Loans

### (1) Project Loan

#### 1. Characteristics of Project Loan

Economic and social infrastructure projects such as telecommunication and transportation system, power gen-

eration, irrigation, river improvement, water supply system and the like are the most popular in Japan's loan aid, and actually this represents the majority of the project loans.

Recently, the Japanese Government

Chart. 37 Project Loan

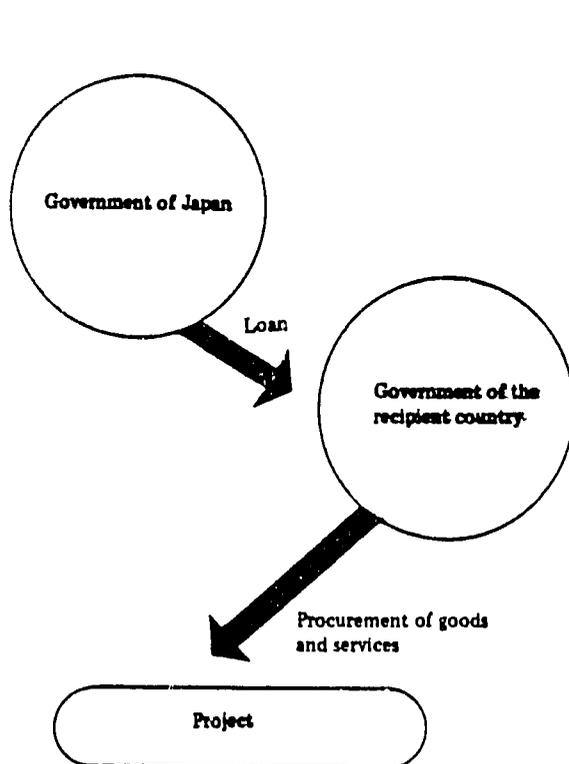
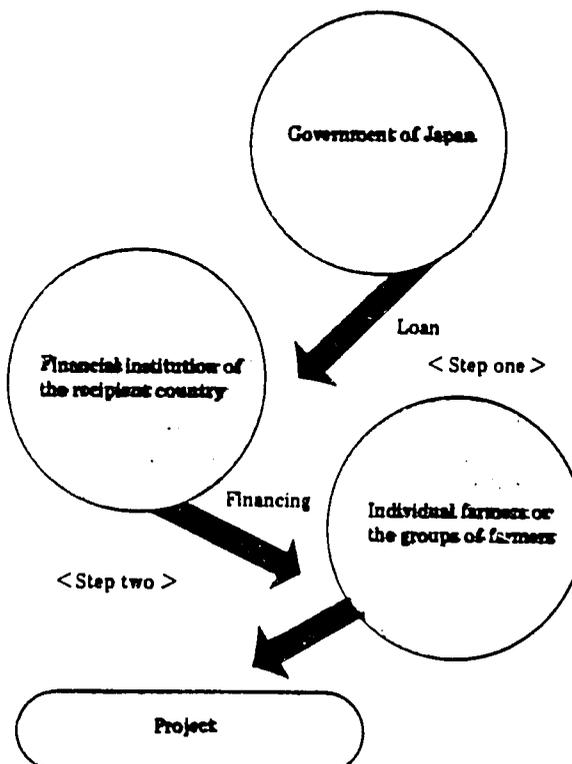
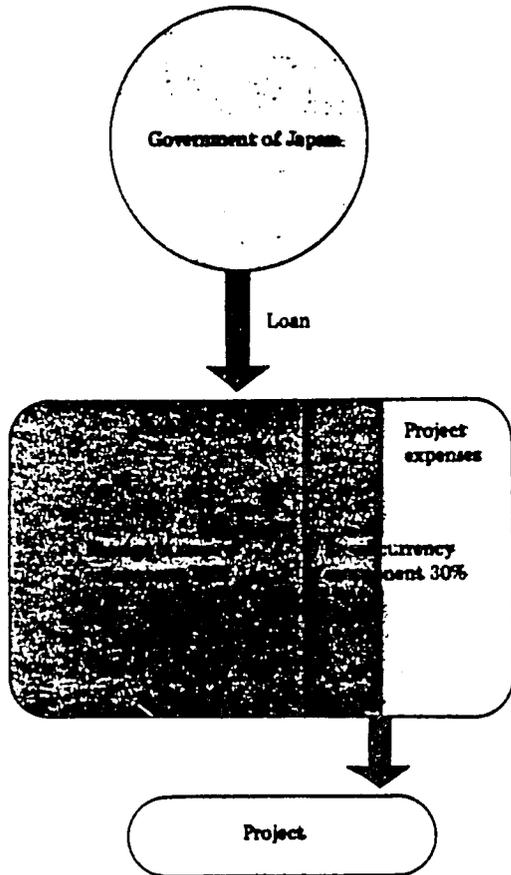


Chart. 38 Two-step Loan



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Chart. 39 Local Cost



started to provide the two-step loan to such fields as agricultural development.

**2. Forms of Project Loan Aid**

Project loan aid is classified as follows.

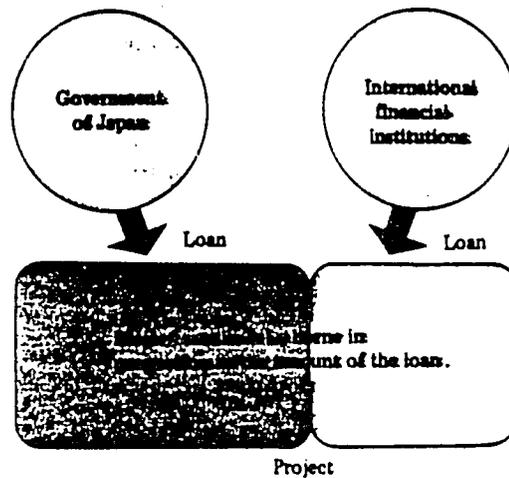
1) Project Loan

This type of loan is to provide funds for the procurement of goods and services required for a development project implementation, and corresponds to what is normally called a "project loan" in Japan.

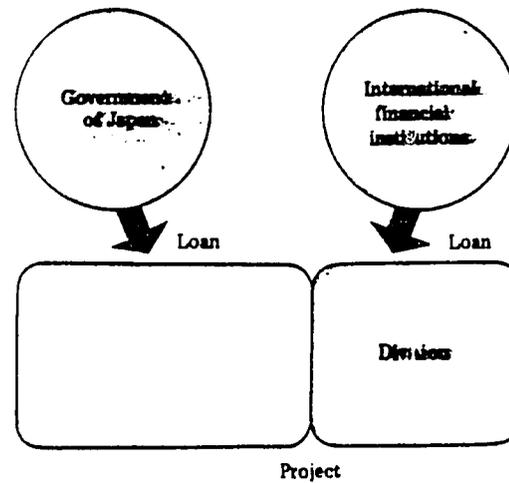
2) Two-Step Loan

In the case of a two-step loan, the loan is usually directed to a financial institution in the recipient country. This financial institution then lends money to individual farmers or agricultural cooperatives. The two-step loan gives more initiatives to the recipient country with

Chart. 40 Co-Financing



(2) Parallel (or Split) System



regard to its loan utilization, and makes it possible to extend financial assistance to small-scale projects without appraisal by the donor country. Instead, it can be provided solely on the basis of appraisal by the financial institution of the recipient country.

3) Local Cost

In some cases, part of the local cost (local currency component) required for project implementation may be covered by the project loan. For this loan, the normal upper limit is 30% of the amount of the loan. The scope of financing of the local cost is limited to expenses re-

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quired only for the implementation of the project itself (construction cost, materials, facilities, labor costs, etc.) and incidental expenses (taxes, customs duties, housing expenses, etc.) are not eligible for financing with this loan.

#### 4) Co-Financing with International Financial Institutions

If the project is too large in scale to be financed by a single country, co-financing can be organized in collaboration with an international financial institution like the World Bank.

The two systems for co-financing are described as follows.

##### a) Joint Financing

The share of each participant in the co-financing is determined in advance, and every time when there is an additional expenditure required, the necessary amounts are furnished by the participants in proportion to their respective share.

##### b) Parallel (or Split) System

In this case, the collaborating co-financiers divide the project into various component parts (e.g., in the case of dam construction, the project may be divided into three parts, namely, the civil works, the generator unit, and the transmission line); and each co-financier provides loans for the part for which it is responsible.

#### 5) Mixed Loan

As far as Japan is concerned, there is no special scheme for the mixed loan, and the ODA loans and official export credit are independently operated. Japan has made it a rule to examine the validity of a mixed loan in such a case where, in response to the mixed loan to be extended by other countries for the purpose of export promotion, "matching" is needed to secure financially equal competitive conditions. In addition, where a project is considered to be adequate as an aid project, but hard to be covered by the ODA loans alone, in view of its large aid scale, export credit may

be provided on an appropriate case basis in parallel with the ODA loans.

### 3. Cost Over-Run of Project

Since the completion of a project involves many stages and a long period of construction, the project cost for which the loan is committed should be determined by taking into consideration the escalation in the costs of goods and services expected to occur every year up to the completion as well as by providing an adequate contingency. However, if project implementation is delayed due to various causes or there is an abnormal increase in costs, the initially committed amount may become insufficient to complete the project. This shortage of funds is called the "cost over-run".

If the cost over-run occurs, the recipient country is asked to make its own efforts (e.g., through self-generated funds or procurement of funds from third countries) or to revise the project scale.

### 4. Untied Loan

Since January 1, 1975, Japan has made it a rule to offer LDC untied loans, and in 1978, the basic policy of the general untying has been adopted to improve the quality of the loans.

### 5. Exchange of Notes (E/N)

The content of E/N differs slightly depending upon the type of loan, but there exists a basic uniform pattern.

In E/N for a project loan, the following items are usually included.

1. Amount of the loan, name of the institution of the recipient country responsible for taking out the loan, name of the project to be financed and other information are stipulated as follows: "A loan in Japanese Yen up to the amount of \_\_\_\_\_ yen ( $\frac{\text{¥}}{\text{US\$}}$  \_\_\_\_\_) will be extended to the Government (or name of the institution) of the \_\_\_\_\_ (name of the recipient country) by the Overseas Economic Cooperation Fund in accordance with the relevant laws and regulations of

Japan for the implementation of the \_\_\_\_\_ (name of project)". In this case, relevant Japanese laws are the ones related to OECF, the foreign exchange control law and other laws referring to the loan provision.

2. The basic terms and conditions of the loan such as the rate of interest, period of repayment, period of grace and disbursement period are stipulated in this document. In addition, it must be stipulated that the actual implementation of the loan will be carried out in accordance with the loan agreement to be signed between OECF and the institution in charge of receiving the loan (normally the government of the recipient country), and that the negotiation on the loan agreement which includes technical points of financing will directly take place between OECF and the loan receiving institution.
3. Also the use of the loan and the object of the loan are to be stipulated as follows: For an untied loan (including LDC untied loan), it should read: "The loan will be made available to cover payments by \_\_\_\_\_ to suppliers, contractors and/or consultants of eligible source countries to be agreed upon between the authorities concerned of the two governments for purchases of products and/or services required for \_\_\_\_\_". Normally, in the case of the general untying of loans, the member countries of OECD, the developing countries listed in the LDC list of DAC, and in the case of an LDC untied loan, the developing countries listed in the LDC list of DAC and Japan, are considered as eligible source countries for procurement. In the case of untied loans (including LDC untied loans), it is stipulated in E/N that the government of the recipient country insures that the procurement of goods and services with the funds provided by the loan will be carried out in accordance with the procurement guideline of OECF.
4. On the occasion of the negotiation

for E/N, the Government of Japan asks the government of the recipient country to exempt the taxes on the principal and interests of the loan, the income of Japanese natural and juridical persons of Japan resulting from implementation of the project and the customs duties on materials and equipment brought into the country by Japanese persons for the project implementation. Exemption from such taxes and charges is to be stipulated in E/N.

5. It has to be stipulated in E/N that the government of the recipient country will accord to the Japanese natural and juridical persons of Japan the facilities required for entry and stay in the country for the purpose of project implementation.
6. It is to be stipulated in E/N that the governments of both countries "will not hinder fair and free competition" with regard to the shipping and marine insurance of the products purchased under the loan.
7. In addition, it should be stipulated that the governments of both countries will consult with each other in regard to any matter that may arise from or be connected with the project implementation and other related matters.

#### < Untied Loan >

When goods and services are procured, through an international open tender, such a loan is called "untied loan". Japan is committed to the "DAC memorandum upon LDC untied loan" agreed on in June 1974 among eight OECD member countries. Since then, all developing countries listed in DAC List are included among the eligible source countries for the procurement of goods and services financed by the Japanese loan. Since 1978, the eligible source countries have been increased, and now general untying (all developing countries listed in DAC List and OECD member countries are the eligible source countries) is the basic policy for the Japanese loan.

## **(2) Commodity Loan**

### **1. Characteristics of Commodity Loan**

The commodity loan is extended to such developing countries that are facing with severe imbalance of international balance of payments or a shortage of hard currency which makes them almost impossible to import, in sufficient quantities, the basic commodities indispensable for the national economy. The commodity loan is extended to make it possible to obtain the goods and services necessary to cope with such a deteriorated economic situation.

### **2. Goods to be Provided with Commodity Loan**

A list of goods which will be purchased by the commodity loan is to be agreed upon in advance by the authorities of both governments. There is a list of "positive" commodities in which all items approved to be purchased by the loan are listed.

Equipment and machinery, industrial raw materials and other producer goods which will contribute directly to the economic development of the recipient country are considered suitable as objects of the commodity loan extended by Japan.

### **3. Eligible Source Countries for Commodity Loan**

Japan decided in 1978 to adopt as its basic policy the general untying of ODA loans, which means all member countries of OECD and all developing countries now listed in DAC List qualify as eligible source countries.

### **4. Disbursement Mechanism of Commodity Loan**

There are two ways of disbursement of commodity loan, namely, 1) the cash reimbursement system, and 2) the letter of credit switch system. The mechanism of the two systems is shown in the charts 41 and 42.

### **5. Local Currency Funds**

There is no general rule on the use of local currency obtained by selling in domestic market the goods pro-

cured through commodity loan.

The use of the local currency funds, which has to be agreed upon by the recipient country and Japan, can be generally classified into the following two types.

- 1) The funds will be used for the implementation of specific development projects in the recipient country.
- 2) The funds will be used for stabilizing the people's livelihood and promoting the well-being and the economic development of the recipient country.

### **6. Exchange of Notes**

When a commodity loan is to be provided, the following eight items must be agreed upon in E/N.

- 1) Loan amount, lending agency (i.e. OECF) and borrowing institutions: In Japan, E/N is considered as an administrative agreement, which is an agreement made on a government basis, and accordingly, it is explicitly stated that the lending of loan carried out by the implementing agency is done within the restrictions imposed by the relevant laws of Japan such as the laws related to OECF, the Foreign Exchange Control Law and Foreign Trade Control Law.
- 2) Conclusion of loan agreement, and terms and conditions of the loan: The name of institution that signs the loan agreement as well as the basic terms, conditions of the loan (interest rate, period of repayment, disbursement period of the loan) should be stated. Details on the loan lending procedure and the technical points of financing should be stipulated in the loan agreement.
- 3) The scope of the commodity loan disbursement: "The commodity loan will be made available to cover payments to be made to suppliers of eligible source countries by importers under such contracts as have been or may be entered into between them for purchases of such products as will be enumerated in a list to be mutually agreed upon between the authorities concerned of

Chart. 41 Cash Reimbursement

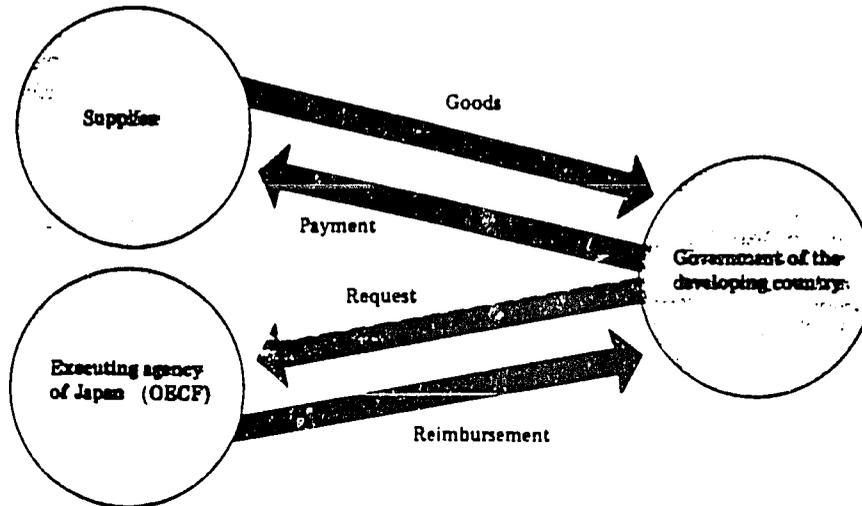
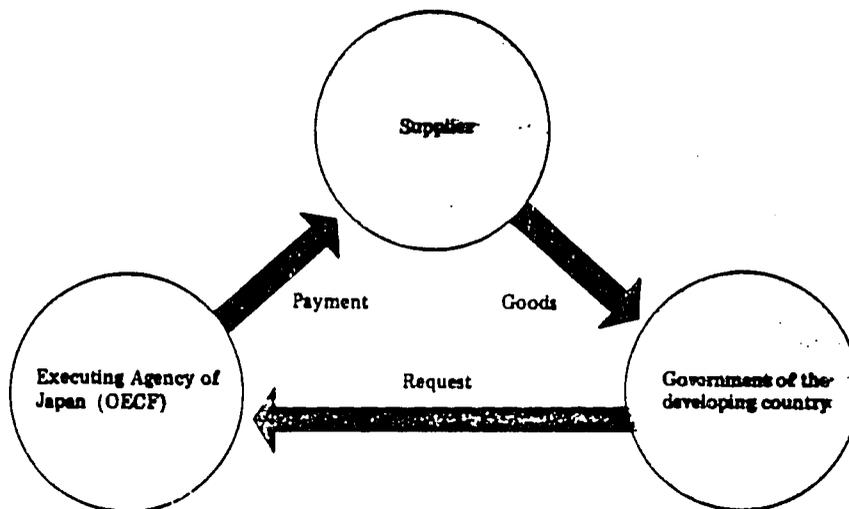


Chart. 42 Letter of Credit (L/C) Switch



the two governments and for purchases of services incidental to those purchases, provided that such purchases are made in such eligible source countries for products produced in those countries".

The "services" mentioned here refers to the insurance charges and to the freight cost (in some cases the expenses of installation of machines and other facilities are also included).

- 4) The method of procurement of goods: To ensure effective and correct use of the loan, the document should stipulate that the procure-

ment of goods will be carried out in accordance with the guideline of OECF.

- 5) Shipping and marine insurance of the goods: It should be stipulated explicitly that the recipient country will guarantee open competition in the field of the shipping and marine insurance with regard to commodities purchased under the loan.
- 6) Tax exemption of the loan and its interest: This is to stipulate tax exemption which should be accorded by the government of the recipient country to the implementing agency.

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- 7) Consultation: It should be stated that the governments of the two countries will consult with each other on any important matters related to the agreement.
- 8) Government guarantee on repayment of the loan: This is to ensure that repayment of the loan will be guaranteed by the government of the recipient country, when the borrowing institution of the recipient country is the central bank or other government institution of that country, instead of the government itself.

### **(3) Debt Relief**

#### **1. Debt of Developing Countries**

Every year, developing countries are almost on the verge of being crushed under the ever increasing huge pressure for the repayment of their foreign debt. As a matter of fact, some developing countries become unable to repay their foreign debts, and default has been barely avoided only because of emergency international relief measures.

In the light of the deteriorated economic situation in the developing countries, the problem of accumulating debts of developing countries has become an important topic at the meetings of international organizations such as UN, UNCTAD, for example. While developing countries are asking for a reduction of the debt burden, the developed countries (donor countries) consider that the fundamental solution to the problem can be found only through the efforts of each developing country. In other words, debt relief is an exceptional emergency measure which should be taken only to alleviate a critical situation in the international balance of payments caused by external factors.

#### **2. Debt Relief Implementation Criteria**

Due to the accumulation of public and private debts, when a country becomes unable to repay its international debts, relief measures are to be taken by taking coordinated action

under the leadership of the World Bank, OECD and the Ministry of Economy and Finance of the French Government (in the case of the Paris Club). However, the decision for or against the adoption of relief measures depends upon the country's debt service ratio (the debt burden of the country in question is generally considered excessive when the debt service ratio exceeds 20%) and the size of the net transfer (new aid amount minus amount of debt repayment for the year in question) which are both important criteria for deciding whether debt relief measure should be taken or not. At the Paris Club which has been held quite often, whether, or not the developing country in question has made stand-by credit arrangements with IMF is used as one of the data for decision-making.

#### **3. Contents of Debt Relief**

The two measures for debt relief are as follows.

##### **1) Re-Financing**

If there is a shortage of foreign currency in the developing country in question, the repayment of the debts in foreign currency becomes impossible regardless of the debt repayment capacity of the debtor. The creditor accepted deferred payment, for its export because the government and/or central bank of the borrower country guaranteed the payment, and if the repayment becomes impossible the exporter has no guarantee to be paid for its exports. To cope with such situation, either the government or a financial institution of the country of the creditor (exporter) refinances the loan so as to make it possible to continue the repayment to the creditor (exporter) of the lender country.

In the case of Japan, when it was recognized that the payment to Japanese exporters becomes difficult due to adverse situation in the international balance of payments of a developing country, the Export-Import Bank finances the country in question the amount

necessary for repayment.

Re-financing covers export credits of private exporters (irrespective of whether or not they were originally financed by the Export-Import Bank covered by government guarantee (i.e., covered by export insurance) and having repayment terms of 180 days or longer.

The government guarantee needs to be covered by re-financing because there are no ways to confirm if the debt really exist. Re-financing will cover not only in cases where repayment is over due, but also in cases where the repayment is not yet due, at the signing date of E/N concerning re-financing.

In Japan, only the Export-Import Bank is authorized to offer re-financing, and as for OECF, it cannot offer re-financing, because the laws do not stipulate explicitly that it can offer re-financing. In the case of the Export-Import Bank, there is a provision referring to re-financing, which says that re-financing is authorized only when "all or the majority of the creditor countries" undertake re-financing.

Import Bank contains the following provisions referring to the prerequisites of re-financing.

- a) Serious difficulty of debt repayment because of the severe constraints of the international balance of payments of the recipient country.
- b) A considerable number of creditor countries should exist with regard to the debtor country mentioned above.

c) The government of the recipient country asks for debt relief measures all or the majority of the creditor countries.

d) It should be confirmed that all or the majority of the creditor countries will agree to those measures.

## 2) Rescheduling

Rescheduling is another way of debt relief by which the due date for the repayment of debts is extended when a developing country becomes unable to pay exporters to repay loans received from the government of a lender country, or when it is expected that repayments will become impossible in the near future, due to difficulties arising from an adverse international balance of payments. In many cases, a reduction or exemption of interest amount is also adopted. In the case of Japan, the rescheduling measures related to ODA loans have been provided to Indonesia, India, Pakistan, Turkey and other countries, while the rescheduling measures referring to credits of the private sector have been provided to Egypt, Ghana, Zaire and other countries.

In the case of government loans, rescheduling is applied only to the principal. In the case of private debts, rescheduling applies to both principal and interest, if they are covered by export insurance.

There is also the possibility of rescheduling the debt which was re-financed or rescheduled in the past by the Export-Import Bank.

**Table. 10 Distribution by Type of ODA Loan**

(excluding the consultant's services)

(¥1 billion)

|      | Project Loan |      | Commodity Loan |      | Debt Relief |     | Total |     |
|------|--------------|------|----------------|------|-------------|-----|-------|-----|
|      |              | %    |                | %    |             | %   |       | %   |
| 1980 | 4,375        | 90.9 | 425            | 8.8  | 13          | 0.3 | 4,813 | 100 |
| 1981 | 4,565        | 81.4 | 974            | 17.4 | 70          | 1.2 | 5,609 | 100 |
| 1982 | 4,828        | 86.8 | 714            | 12.8 | 21          | 0.4 | 5,563 | 100 |
| 1983 | 5,732        | 90.5 | 510            | 8.1  | 90          | 1.4 | 6,332 | 100 |
| 1984 | 4,724        | 82.2 | 100.6          | 17.5 | 18          | 0.3 | 5,749 | 100 |
| 1985 | 6,127        | 83.7 | 854            | 11.7 | 343         | 4.7 | 7,323 | 100 |

## 5. Procedures for Loans

### (1) Appraisal

After the conclusion of E/N, the executing agency (OECF) carries out project appraisal to confirm the viability of the project.

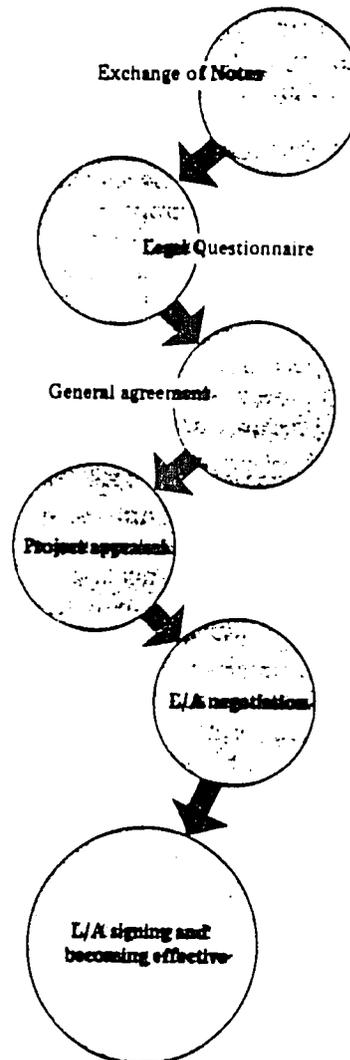
Before the appraisal, the recipient country (either the government or the executing agency) provides OECF with a project Implementation Program (I/P). I/P is prepared on the basis of the Feasibility Report (F/R) by the institution in charge of the project implementation and must be authorized by the recipient country. In other words, I/P is an announcement of intention on the part of the recipient country that it will implement the project in question, and also it indicates what the measures (e.g., arrangement for obtaining the necessary funds, organizational arrangements for the project implementation) will be taken to implement the project. Accordingly, it cannot be replaced with F/R, but many items in both I/P and F/R are so similar that when F/R is well prepared, it is relatively easy to prepare I/P.

OECF appraises the project by using relevant data such as I/P and F/R, but in many cases this document appraisal is accompanied with the field appraisal. When the pledge of the Government of Japan is given to a number of projects of a developing country, the General Agreement (G/A) on items common to all the projects is to be signed between the borrower of the recipient country and OECF.

### (2) Legal Questionnaire and Loan Agreement Negotiations

1. Before the preparation of the draft Loan Agreement (L/A) OECF sends a "Legal Questionnaire (L/Q)" to the recipient country. This questionnaire is aimed at getting information of the legal background pertaining to raising a loan from abroad in accordance with the laws and regula-

Chart. 43 Loan Procedures up to the Exchange of Notes



tions of the recipient country. When the recipient country receives L/Q, it has to prepare the legal answer for it. It is necessary that the legal answer be prepared by the Minister of Justice, or other competent person in a position to state objectively and authoritatively the legal background to the loan.

2. On the completion of appraisal, if OECF is satisfied with the feasibility study of the project, OECF prepares the draft L/A by taking into ac-

count the legal answer as well as the result of the appraisal. The prepared draft L/A is sent to the recipient country, and the country enters into negotiations on L/A so as to reach an agreement on the contents.

OECF will make recommendations on the project implementation to the recipient country during L/A negotiations, if any problems are found in the course of appraisal.

(Notes): In case of a commodity loan, it is not necessary to send I/P for appraisal so that the primal concern of L/A negotiation is the procurement procedures of commodities which are to be decided upon in E/N as well as the procedures of loan implementation.

### **(3) Contents, Signing of L/A**

1. L/A includes not only the amount and conditions of the loan, but also the procedures necessary for project implementation such as the general terms, procurement procedures and disbursement procedures and other procedures necessary for the smooth implementation of the loan agreement and the project.

2. When the recipient country and OECF agree upon the contents of L/A and the date of signing of L/A is fixed, OECF prepares L/A and waits for the signature. There are two original

cial language to be used in L/A. Signing usually takes place at OECF headquarters in Tokyo. In most cases, the ambassador of the recipient country to Japan is delegated the power to sign on behalf of the recipient country.

3. L/A does not necessarily enter into force when it is signed. The recipient country must make L/A legally valid in conformity with the domestic procedures to be followed under the laws and regulations of the recipient country. In some cases, approval of L/A by the national assembly or by the Cabinet is required.

The recipient country has to provide OECF with a legal opinion, evidence of authority and specimen signatures in order to make L/A effective. After these legal documents are studied, L/A becomes effective. The important point of the legal opinion, prepared by the authorities of the recipient country such as the Minister of Justice, is to make sure that all the necessary procedures have been duly completed.

Evidence of authority (including specimen signatures) carries the name of the person responsible for the issuance of the documents related to L/A as well as the list of specimen signatures. This information and data are requisites for L/A to be effective, because they are indispensable to the verification of the validity of the documents given to OECF.

## **6. Procurement of Goods and Services**

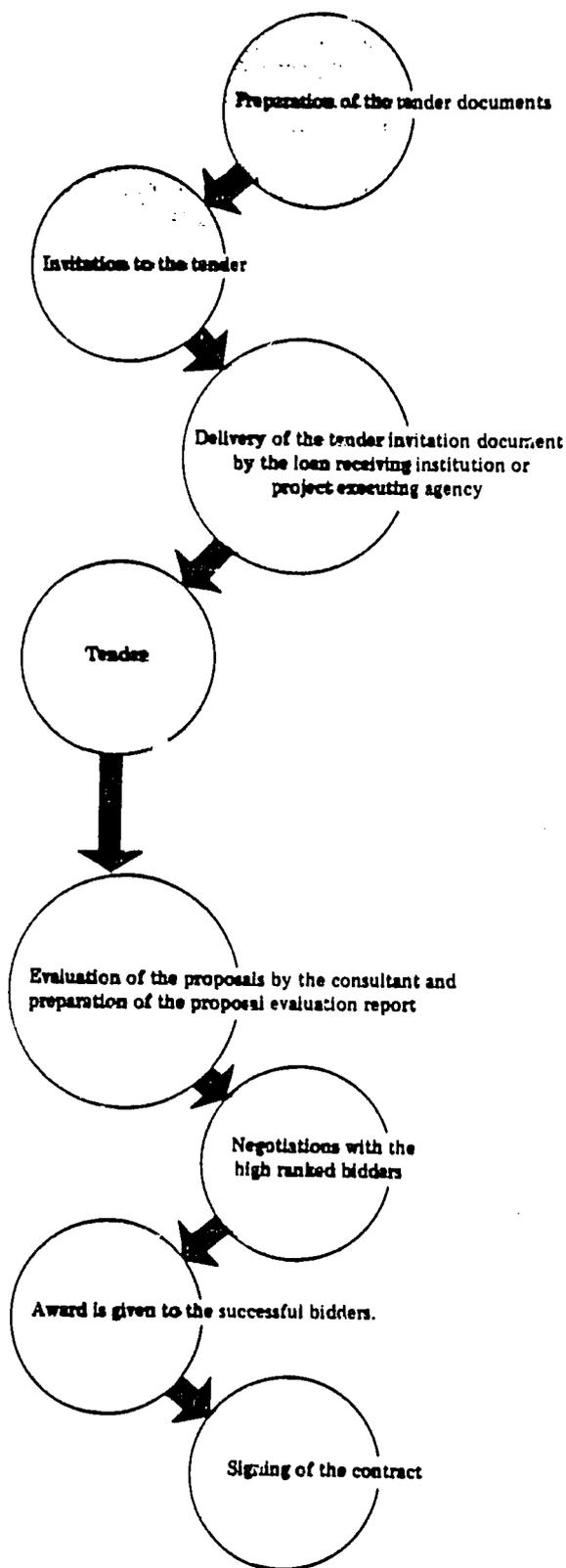
### **(1) Selection of Consultants**

Whether or not a consultant should be employed for the project, and in the case it is needed, the procedure for its selection must be stipulated in L/A.

The ultimate responsibility in the choice of the consultant lies in the recipient country, but the selection must be made in accordance with the guidelines and procedures agreed upon

with OECF, and OECF approval is needed for the selection. When there is only one company as a candidate for consultancy service, or when a specific consultant is in charge of the survey of the same project and its experience is deemed necessary, the consultant can be employed through negotiated contract with approval of OECF.

**Chart. 44 Procurement of Goods and Services**  
(excluding the consultant's services)



**(2) Procurement of Goods and Services**

1. The procurement procedures of the goods and services for the project is in the next diagram. An international competitive tender is required in the case of an untied loan, irrespective of whether it is a general untied loan or LDC untied loan. Accordingly, special considerations will be required in order to organize it fair and open so that there will be no complaint coming from any country concerned.

Therefore, the tender documents and the bid evaluation report must be checked in advance by OECF.

2. Procurement should be made with due consideration to the basic principles of tendering, that is, efficiency and non-discrimination among eligible source countries. Normally, it is made through international competitive tender.

3. There are four types of procurement as indicated below. However, in the case of general untied loan OECF requests the recipient country to organize international competitive tender. But if the recipient country prefers, for some reasons, other type of tender, the reasons have to be explained, in a written form, and obtain the consent of OECF.

- 1) Open tender: By making an announcement of tender in newspapers and other media, many unspecified bidders are invited to participate.
- 2) Limited tender: The bidders are limited in advance, and invitations are sent only to qualified bidders.
- 3) Quotation: Specific suppliers are asked to submit their respective quotation. Bidding is not used in this case.
- 4) Negotiated contract

4. The following two points are important as conditions of purchasing contract.

- 1) The purchasing contract is to be concluded between the supplier of eligible source country and the buyer of the recipient country.
- 2) The goods and services which are the object of the purchasing con-

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tract must be from eligible source countries.

**(3) Approval of Purchasing Contract by OECF**

When the contract is concluded, the recipient country provides OECF with the Application for Approval of Contract (with certified copy of the contract).

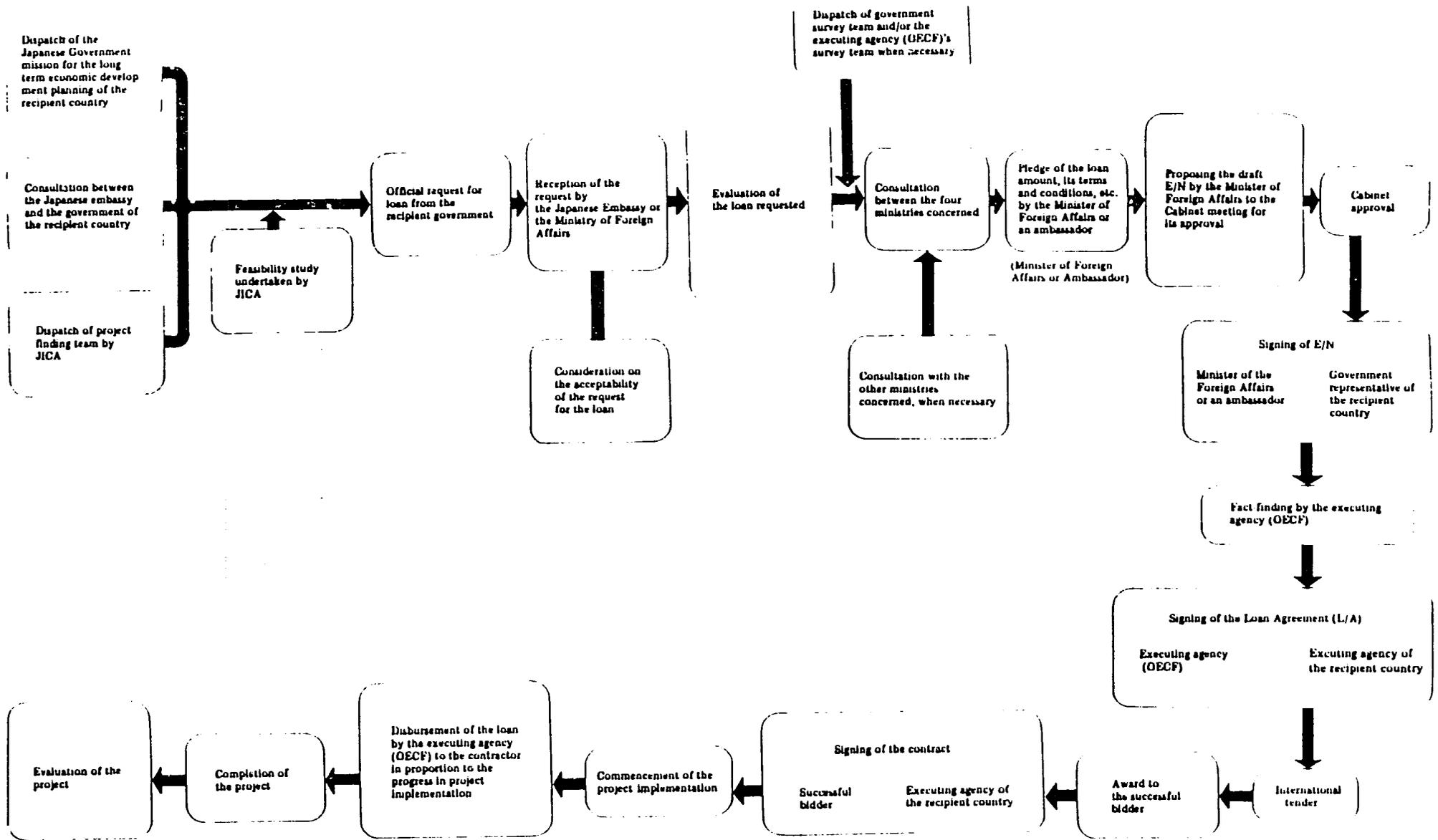
OECF will check the contract to see if its contents comply with L/A, if

conditions in the contract are in conformity with the provisions of L/A, if the supplier is competent enough to execute the contract. If the contract proved to be viable, a Notice of Approval of Contract is to be sent to the recipient country.

As for the service contracts such as contract on consultancy service and civil construction contracts, such authorization of the Government of Japan is not needed.

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Chart. 45 Mechanism of ODA Loan (Project Loan)



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<Reference>

DAC: Development Assistance Committee of OECD

GATT: General Agreement on Tariffs and Trade

OECD: Organization for Economic Co-operation and Development

UN: United Nations

UNCTAD: United Nations Conference on Trade and Development

<Exchange rate of yen to 1 dollar based on DAC rate>

| Year | Yen    |
|------|--------|
| 1971 | 350.83 |
| 1972 | 308.00 |
| 1973 | 272.84 |
| 1974 | 291.49 |
| 1975 | 297.04 |
| 1976 | 296.55 |
| 1977 | 268.51 |
| 1978 | 210.47 |
| 1979 | 219.17 |
| 1980 | 226.74 |
| 1981 | 220.53 |
| 1982 | 249.05 |
| 1983 | 237.52 |
| 1984 | 237.52 |
| 1985 | 238.54 |

<Sources>

OECD, development co-operation 1986

The Japan's Ministry of Foreign Affairs

The Japan International Cooperation Agency (JICA)

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## A GUIDE TO JAPAN'S AID

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### ASSOCIATION FOR PROMOTION OF INTERNATIONAL COOPERATION

23 MORI BLDG, 1-23-7, TORANOMON MINATOKU,

TOKYO 105 JAPAN

TEL: 03-504-2085

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## JAPAN'S FOREIGN ECONOMIC ASSISTANCE

William L. Brooks and Robert M. Orr, Jr.

Americans tend to define relations between the United States and Japan in terms of trade and defense, two areas that seem increasingly prone to friction and criticism. Almost unnoticed by the public eye, however, has been Japan's emergence as a major and constructive provider of economic assistance to the developing world. Disbursing over \$3 billion in overseas development aid (ODA) annually, Japan has become the second largest aid donor in the free world in absolute terms. Moreover, Japan-U.S. cooperation in aid policy coordination to ensure smooth and effective flow of aid resources to economically troubled Third World countries is probably stronger than that between any other Western donors.

Japan is the second largest economic power in the free world, holding a 10% share of the world's gross national product and having a per capita income of roughly \$10,000, close to that of the United States. As Japan's wealth has grown, so has its dependency on the developing world for sources of energy and other natural resources and as a market for Japanese goods. About half of Japan's annual \$300 billion in trade is conducted with developing countries. Japan's increasing interdependence with the Third World naturally has become a major factor in establishing its foreign policy objectives. At the same time, however, Japan's membership in the Western alliance has made it increasingly concerned with the peace and stability of countries or regions judged to have important geopolitical significance to the West.

William L. Brooks served in the economic section of the U.S. Embassy in Tokyo, 1980-82, and is currently a research analyst in the State Department's Office of Analysis for East Asia and Pacific. Robert M. Orr, Jr., special assistant to the assistant administrator for Asia in the Agency for International Development during 1981 and 1982, is presently a visiting scholar at Tokyo University in Japan. The authors' opinions and analysis do not necessarily reflect the views of the State Department and USAID.

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Over the years, Japan has assumed an increasingly active role in international organizations or forums dealing with the problems of the developing world. Viewing itself as a kind of bridge between rich and poor countries, Japan has participated constructively in the events associated with the North-South dialogue, including the Cancun Summit in October 1981, and it supports the launching of global negotiations under United Nations auspices to address some of the major problems confronting the South. It has not supported a major restructuring of the world economic order demanded by the Group of 77 but has sided with industrial democracies seeking a practical response to development needs.

Tokyo began to assume more international responsibilities toward the South partly as a natural outgrowth of its maturation as a global economic and political power, but it was the series of international crises of the 1970s, starting with the Arab oil embargo, that served to reinforce the critical need for Japan to maintain smooth and friendly relations with resource-rich developing countries. Moreover, Tokyo was convinced that it had to devise a stratagem to counter growing instability in key developing countries brought on by internal or external forces. Lacking a military or security assistance option because of its peace constitution, Tokyo realized that its means of influencing the course of world politics was limited almost entirely to economic and diplomatic tools. The aid policies and programs that evolved are the subject of the rest of this article.

### The Evolution of Japan's Aid Programs

Until recently, Japan's foreign aid programs seemed largely commercially motivated and bereft of any underlying philosophy or concrete policy objectives. Nonetheless, four distinct yet overlapping phases are discernible in the evolution leading to current programs: (1) war reparations, from roughly the mid-1950s until 1965;<sup>1</sup> (2) excessively tied aid used primarily as a means to promote exports, particularly in Southeast Asia, from the mid-1950s to the early 1970s; (3) concentration of aid in the 1970s on resource-rich countries and countries along shipping routes in order to achieve economic interdependence; (4) emphasis in aid policy, since the late 1970s, on basic human needs, poorer countries, and a sensitivity to the humanitarian needs of countries of strategic importance.

Reparations negotiations between Japan and those Southeast Asian countries occupied by the Imperial Army during World War II began with

1. N. S. Ginsburg and James Osborn, "Japan and Southeast Asia: The Geography of Interdependence," in Morton A. Kaplan and Mushakoji Kinhide (eds.), *Japan, America and the Future World Order* (Chicago: The Free Press, 1976), p. 245, Table I

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the Philippines and Indonesia in 1951. The sometimes acrimonious negotiations culminated in reparations agreements in 1956 and 1958 providing \$500 million to the Philippines and \$400 million to Indonesia over a 20-year period. Agreements were also signed with Burma and Thailand.<sup>2</sup> Special foreign aid packages were likewise arranged for Singapore, Vietnam, and Malaysia. The sum of reparations expenditures over 20 years was relatively small, about \$1 billion, but the benefits to Japan were significant. Since reparations aid usually was tied to procurement from Japan, it in effect led to the introduction of Japanese financial institutions and created a market for Japanese goods and spare parts in those countries. Conversely, the funds helped Southeast Asian countries to increase their absorptive capacity for imports as well as to accelerate economic development.

The loss of Northeast Asia after the war as a source of raw materials played a major role in Japan's desire to normalize relations with Southeast Asia. Japanese business interests supported reparations as essential to reestablish trade relations in the region.<sup>3</sup> The success of the reparations agreements established a geographical bias of official aid toward Southeast Asia that still holds true.<sup>4</sup>

"Economic cooperation" has been the ill-defined term long used to describe Japan's aid programs. Initially used as an umbrella term for all activities in Southeast Asia, the words later came to be associated strongly with the policy concerns of the Ministry of International Trade and Industry (MITI) and with the export-promoting aid programs of the 1960s. Early aid programs had terms for loans at close to commercial levels, lacked a sufficient government-to-government component, and were heavily tied to the purchase of Japanese goods. Technical assistance was assigned a low priority.<sup>5</sup>

Until the early 1960s the Japan Export-Import Bank functioned as the principal aid lending agency. In 1961, the Overseas Economic Cooperation Fund (OECF) was established as a quasi-official lending institution under the Economic Planning Agency and gradually assumed control of all official aid programs.<sup>6</sup> In 1962, a technical assistance organ, the Overseas Technical Cooperation Agency (OTCA) was established under the Foreign Ministry to consolidate a number of entities and train foreign offi-

cial. In 1965 OTCA assumed responsibilities for administering the newly established Japanese Overseas Cooperation Volunteers (Japanese Peace Corps).<sup>7</sup>

Japan became a member of the Development Assistance Group (later known as Committee and abbreviated DAC) in 1960 and joined its parent organization, the Organization of Economic Cooperation and Development (OECD), four years later as the first non-Western member. It soon found that membership in this exclusive club of industrialized democracies brought increased global responsibilities, which Japan at that time was ill-prepared to accept. At the United Nations Conference on Trade and Development (UNCTAD I) in 1965, Japan was strongly criticized by both industrialized and developing countries for its commercially oriented aid programs. In reaction, Japan promised to increase its imports of primary goods from less developed countries (LDCs) and its aid flows to the 1% level of GNP (a promise never fulfilled).<sup>8</sup>

By 1966, Japan's fledgling aid program was beginning to gain international credibility. Tokyo hosted the first ministerial conference on Southeast Asian economic development that year and established itself as one of the region's most important aid donors. Japan helped create the Asian Development Bank (ADB), launching it with a contribution of \$200 million, on par with that of the United States.<sup>9</sup> Still, Japan in the 1960s lacked a clear definition of its aid objectives, and regional aid efforts, while noteworthy, were geared toward export promotion. By the end of the decade, annual aid flows had only reached the \$450 million level<sup>10</sup> and technical assistance was still insignificant.<sup>11</sup>

Faced with growing international pressure to improve its aid performance, Tokyo in 1970 agreed to a .7% of GNP goal for its ODA, and at UNCTAD III in 1972 emerged as a leading proponent of aid untying, pledging to untie its multilateral contributions. In 1975 it began to untie its bilateral aid loans.

A major weakness in aid policy formulation in Japan from the beginning has been the division of responsibility among many ministries and agencies. An intense debate occurred in the early 1970s over the possibility of establishing a single organization along the lines of the U.S. Agency for

2. Ibid., p. 244.

3. J. Alexander Caldwell, "The Evolution of Japanese Economic Cooperation: 1950-1970," in Harold B. Malmgren (ed.), *Pacific Basin Development: The American Interests* (Lexington, Mass.: Lexington Books, 1972), p. 34.

4. Alan Rix, *Japan's Economic Aid* (New York: St. Martin's Press, 1980) p. 25.

5. Ginsburg and Osborn, "Japan and Southeast Asia," pp. 246-247.

6. Caldwell, "Evolution of Japanese Economic Cooperation," p. 39.

7. Ibid., p. 36.

8. Frank C. Langdon, *Japan's Foreign Policy* (Vancouver: University of British Columbia Press), p. 92. See Rix, *Japan's Economic Aid*, p. 36, also see Edgar C. Harrell's Ph.D. dissertation, "Japan's Postwar Aid Policies," Columbia University, 1973, p. 107.

9. Caldwell, "Evolution of Japanese Economic Cooperation," p. 43.

10. Rix, *Japan's Economic Aid*, p. 33, table.

11. Caldwell, "Evolution of Japanese Economic Cooperation," p. 45.

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International Development (USAID). As a result, OTCA was abolished and a streamlined organization to handle technical assistance, the Japan International Cooperation Agency (JICA), was established. The other functions of Japan's aid programs were not consolidated under one organ and remain to date scattered under various authorities, resulting in periodic jurisdictional disputes or impasses on aid decisions.<sup>12</sup>

The cumulative impact of a series of international crises in the 1970s that began with the Arab oil embargo in 1973 had profound effects on Japanese foreign policy, including aid. Japan's economy was shaken to the core by the first oil embargo. For the rest of the decade, Tokyo embarked on a frantic search for new sources of energy and other resources and firmed up its relations with traditional suppliers. Known as resource diplomacy, the effort was generally successful in building economic interdependence with Japan's overseas suppliers. Aid was used in the implementation of this policy and was often provided to resource-rich countries outside of Asia for large-scale resource development or industrial projects.

Further changes were set off in the late 1970s by such events as the Iranian revolution, the Afghan and Kampuchean invasions, and the slowing down of the world economy. Japan began to link its aid programs to broadly defined security objectives. Under the rubric of comprehensive security, Tokyo aimed to integrate diplomatic, aid, and defense efforts into a foreign policy framework designed to meet its own as well as Western security interests. Lacking a military security option, Japan's policy makers decided to use economic assistance as a major foreign policy tool. They reasoned that by wise application of sufficient economic aid to crucial countries or regions, enough political, social, and economic resiliency could be promoted so that conditions leading to internal disorder, disputes, or external intervention might never develop.<sup>13</sup>

At the same time, Tokyo began a program to improve the quality and the quantity of its aid flows to the developing world. Between 1978 and 1980, Japan more than doubled its annual ODA disbursements, fulfilling a 1977 pledge by Prime Minister Fukuda. A second aid doubling plan covering the first half of the 1980s was announced in 1981. That year, Japan was already disbursing over \$3 billion annually in ODA and had become the fourth largest donor in dollar terms after the United States, France,

TABLE 1 *Japan's Overseas Development Assistance, 1978-1983*

|                        | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 |
|------------------------|------|------|------|------|------|------|
| \$ billion             | 2.22 | 2.64 | 3.30 | 3.17 | 3.02 | 3.76 |
| As % of GNP            | 0.23 | 0.26 | 0.32 | 0.28 | 0.28 | 0.33 |
| Average % of Total DAC | 0.35 | 0.34 | 0.37 | 0.35 | 0.38 | 0.36 |

SOURCE: Ministry of Foreign Affairs, Government of Japan.

and West Germany. Its aid programs had become among the most untied in principle of all DAC members. Capital intensive aid projects involving heavily tied loans had given way to an aid program increasingly oriented toward addressing the economic problems of the poor majority in developing countries. The terms of Japan's official assistance improved slightly in recent years, but still lag behind DAC standards.

### Aid Philosophy

Japan in the 1980s began to emphasize a basic human needs approach in its aid programs. Prime Minister Suzuki formally introduced the new policy emphasis in a January 1981 Bangkok speech, but related programs existed earlier. Four sectors were selected for special attention: (1) rural and agricultural development; (2) development of new and renewable energy; (3) human resource development (technical assistance); and (4) promotion of small and medium-sized businesses in developing countries. The first category is broadly defined to include major infrastructure projects (e.g., irrigation, drainage, rural roads, electrification, and communication), assistance to improve the quality of rural life (e.g., health care and education), and grants to increase food production. The priority attached to these four areas, however, does not preclude the possibility of aid to other sectors.

The introduction of the basic human needs approach to Japan's aid programs has ushered out the era of ODA-funded large-scale industrial projects. Such projects were judged to benefit only a few in the host country and to accentuate the gap between the rich and the poor. Large-scale projects are no longer eligible for consideration for ODA funding but are to be financed by commercial or nonconcessional lending sources.

In reality, the success rate of ODA-funded large-scale projects in the past has been low. In 1977, for example, then Prime Minister Fukuda pledged one billion dollars in ODA loans to finance an industrial project in

12. Rix, *Japan's Economic Aid*, chapter entitled "Scrap and Build: The Origins of JICA." Chalmers Johnson also discusses this in *MITI and the Japanese Miracle* (Stanford, California: Stanford University Press, 1982), p. 74.

13. Ministry of Foreign Affairs, *Keizai Kyoryaku no Rinen*, November 1980. Also Matsuzaki Koichiro, "Nihon Keizai no Shikata," *Keizai to Guiko*, April 1981.

each of the five countries of the Association of Southeast Asian Nations (ASEAN). For one reason or another, only two of the five projects—urea plants in Malaysia and Indonesia—appear to be scheduled for completion sometime in the mid-1980s. The Indonesian plant has already suffered \$90 million in cost overruns. Some other projects elsewhere, such as a petrochemical plant project in Saudi Arabia, will only add to the glut of such products on the world market when the plants are complete.

### Allocation of Aid Resources

For historical, geographical, economic, and political reasons, Japan naturally has favored Asian countries in its allocation of aid. At one time almost all of Japan's bilateral ODA went to Asia, but the ratio now fluctuates at around 70%. The other 30% is allocated about evenly to Africa, Latin America, and the Middle East, although annual disbursements may fluctuate over or under the 10% level.

Asia is likely to remain the priority region for Japan's aid programs. Currently, about two-thirds of the bilateral ODA received by Asian countries comes from Japan. A large number of Asian countries have low per capita incomes and suitable development projects are readily identifiable. In contrast, other regions such as the Middle East and Latin America have larger numbers of countries with per capita incomes that are higher than the level associated with eligibility for ODA. In some cases, where Japan would like to increase its aid presence, as in Africa where incomes are decidedly low, a lack of familiarity with the countries or sufficient numbers of personnel with country expertise has hindered aid expansion. (See Table 2.)

Japan allocates 95% of its yen loans to countries with per capita incomes of \$1,000 or less (using 1979 figures). Grants are awarded mainly to countries with a per capita income of \$600 or less, but many countries qualify for both grants and loans. Between 65% and 70% of Japan's grant aid is distributed in Asia to such countries as Bangladesh, India, Pakistan, Burma, and the ASEAN states.

With a per capita income of about \$100, Bangladesh is one of Asia's neediest countries and one in which Japan, with little political or economic interest there, has developed a major grant aid program based on humanitarian considerations. Net ODA disbursements to Bangladesh reached \$104.20 million in 1983, placing the country among Japan's top ten recipi-

TABLE 2 *Geographical Distribution of Japan's Bilateral Overseas Development Aid (net disbursement in millions of U.S. dollars)*

|      | Total               | Asia               | Middle East*     | Africa           | Latin America   | Europe         | Oceania        | Unclassifiable |
|------|---------------------|--------------------|------------------|------------------|-----------------|----------------|----------------|----------------|
| 1979 | 1,921.22<br>(100.0) | 1,331.15<br>(69.3) | 203.45<br>(10.6) | 186.72<br>(9.7)  | 165.97<br>(8.6) | 2.22<br>(0.1)  | 13.60<br>(0.7) | 22.55<br>(1.2) |
| 1980 | 1,960.80<br>(100.0) | 1,382.51<br>(70.5) | 203.61<br>(10.4) | 222.91<br>(11.4) | 118.47<br>(6.0) | 1.46<br>(0.1)  | 11.58<br>(0.6) | 23.18<br>(1.2) |
| 1981 | 2,260.41<br>(100.0) | 1,604.51<br>(71.0) | 190.07<br>(8.4)  | 210.53<br>(9.3)  | 176.52<br>(7.8) | 2.28<br>(0.1)  | 19.42<br>(0.9) | 61.64<br>(2.7) |
| 1982 | 2,367.33<br>(100.0) | 1,624.30<br>(68.6) | 193.64<br>(8.2)  | 268.23<br>(11.3) | 184.45<br>(7.8) | -3.<br>(-.1)   | 22.63<br>(1.0) | 76.99<br>(3.3) |
| 1983 | 2,425.27<br>(100.0) | 1,613.80<br>(66.5) | 200.53<br>(8.3)  | 261.41<br>(10.8) | 240.66<br>(9.9) | -2.43<br>(-.1) | 17.95<br>(0.7) | 93.35<br>(3.8) |

SOURCE: Japanese Ministry of Foreign Affairs.

NOTE: Figures in parentheses indicate component percentages.

\*Includes Egypt

ents of bilateral ODA.<sup>14</sup> (See Table 3.) Burma, which is of economic interest because of its energy resources, receives both grants and loans and netted \$113.39 million in ODA from Japan in 1983, placing it sixth among major recipients.<sup>15</sup>

No other region in Asia is perceived by Japan as more vital to its political and economic interests than that formed by ASEAN. Japan assigns high priority to maintaining friendly relations with the ASEAN countries and assisting their self-help efforts in social and economic development. A stable political order in the region is judged to be essential to Japan's policy interests.

Japan annually assigns between 30% and 35% of its bilateral ODA to ASEAN states—or about a billion dollars a year. The ASEAN countries in turn obtain more than half of their bilateral aid from Japan. Between 1970 and 1978 Japan provided \$2.7 billion in ODA to the region compared to \$1.96 billion extended by the U.S. and \$1.69 billion by the European

14. Ministry of Foreign Affairs, Government of Japan. Also see Organization for Economic Cooperation and Development, Development Assistance Committee, Memorandum on Japan, 1982/83.

15. Ministry of Foreign Affairs.

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TABLE 3 Ten Major Recipients of Japan's Bilateral ODA (net disbursements)

| Rank  | 1980        |          | 1981       |             | 1982       |       | 1983        |          |       |
|-------|-------------|----------|------------|-------------|------------|-------|-------------|----------|-------|
|       | \$ million  | %        | \$ million | %           | \$ million | %     | \$ million  | %        |       |
| 1     | Indonesia   | 350.03   | 17.9       | Indonesia   | 299.80     | 13.3  | China (PRC) | 350.15   | 22.4  |
| 2     | Bangladesh  | 215.14   | 11.0       | Korea, Rep. | 295.55     | 13.1  | Indonesia   | 294.55   | 18.8  |
| 3     | Thailand    | 189.55   | 9.7        | Thailand    | 214.47     | 9.5   | Bangladesh  | 215.79   | 15.0  |
| 4     | Burma       | 152.46   | 7.8        | Philippines | 210.05     | 9.3   | Thailand    | 170.32   | 9.4   |
| 5     | Egypt       | 122.97   | 6.3        | Bangladesh  | 144.98     | 6.4   | Philippines | 136.38   | 8.3   |
| 6     | Pakistan    | 112.42   | 5.7        | Burma       | 125.38     | 5.5   | Burma       | 103.93   | 7.2   |
| 7     | Philippines | 94.40    | 4.8        | Pakistan    | 117.72     | 5.2   | Bangladesh  | 95.28    | 6.7   |
| 8     | Korea, Rep. | 76.30    | 3.9        | Egypt       | 70.74      | 3.1   | Malaysia    | 75.32    | 5.9   |
| 9     | Malaysia    | 65.63    | 3.3        | Malaysia    | 64.72      | 2.9   | Sri Lanka   | 61.61    | 4.7   |
| 10    | Sri Lanka   | 44.78    | 2.3        | Turkey      | 51.42      | 2.3   | Pakistan    | 61.61    | 4.6   |
| Total |             | 1,960.80 | 100.0      | Total       | 2,260.41   | 100.0 | Total       | 2,367.33 | 100.0 |
|       |             |          |            |             |            |       | Total       | 1,566.03 | 100.0 |

SOURCE: Japanese Ministry of Foreign Affairs.

Community (EC) countries.<sup>16</sup> Prime Minister Suzuki in 1981 pledged \$100 million each to the five ASEAN countries to establish technical training centers tailored to the basic needs of the countries. Money was also set aside for a main training center for the region in Okinawa. These centers are now under construction. Because Malaysia is important to Japan's security interests, Japan treats it as a priority aid recipient even though its per capita income (\$1,320 in 1979) is fairly high. Malaysia is a source of essential natural resources, is strategically located on the Straits of Malacca—a vital sea route for oil from the Middle East—and plays a key role, along with Thailand, in the stabilization of the political situation on the Indochina Peninsula. ODA disbursements to Malaysia increased in 1983 to \$92.30 million, and the country ranks eighth among Japan's top recipients of ODA.<sup>17</sup>

Thailand has long been a major recipient of Japan's ODA, obtaining two-thirds of its bilateral aid from Tokyo. Japan provides aid based on strategic considerations—to bolster the country's economic and social stability in the wake of the Vietnamese invasion of Kampuchea—and humanitarian concerns, such as the massive influx of Indochinese refugees. Aid to refugees has also been channeled through international organizations to the tune of \$149 million between 1979 and 1982. Japan's bilateral ODA disbursements to Thailand in 1983 totaled \$248.12 million in loans and grants making it the second largest recipient of Japanese aid.<sup>18</sup>

The Philippines has recently taken on increasing importance as an aid recipient because of Tokyo's desire to help it survive its present economic crisis. Loans pledged in 1983 totaled \$271 million, and in early 1984 Tokyo reportedly promised Manila \$150 million in quick-disbursing commodity loans linked to an International Monetary Fund (IMF) stabilization program.

Japan and China have achieved a remarkable level of economic interdependence since the normalization of relations in 1972. Diplomatic ties are perhaps the closest and friendliest of any two Asian countries. Trade levels now range between \$9 and \$10 billion annually. Japan is committed through private and official means to assisting China in its modernization efforts. Japan provides China with much needed capital and technology, while China supplies Japan with oil, coal, and other resources. Since 1979 Tokyo has designated China as a priority aid recipient and has allocated

16. Japan Economic Institute, *Japan's Relations with Southeast Asia*, Washington, D.C., August 7, 1981, p. 3.

17. Ministry of Foreign Affairs.

18. See the World Bank's annual *World Development Report* for a list of economic indicators for development.

about \$3.5 billion in yen credits mainly for railroad and port construction projects. Loans were also made for a petrochemical project at Daqing and an iron mill at Baoshan. In addition, Tokyo has funded by grant aid a thousand-bed hospital in Beijing as a symbol of Sino-Japanese friendship and is involved in a major agricultural technical assistance project in northeast China. In 1982 China rose to become the top recipient of Japan's bilateral ODA.

South Korea has long been an important recipient of Japan's economic assistance. Although relations have thawed and chilled several times since their normalization in 1965, they now seem on even keel thanks to the personal diplomacy of Prime Minister Nakasone. Just before he took office in November 1982, a rift had developed between Tokyo and Seoul over a request for \$6 billion in Japanese economic aid over a five-year period. Seoul's linkage of aid to security needs and the enormity of the request was deemed unacceptable in Tokyo, and negotiations dragged on for over a year. When Nakasone became prime minister, he soon established a personal relationship with President Chun and a compromise settlement of the aid question was reached. Japan agreed to provide \$1.85 billion in yen credits over a seven-year period as well as \$2.15 billion in nonconcessional credits.<sup>19</sup>

Despite the importance of the Middle East to Japan, which draws over 60% of its oil from that region, the aid flow has dwindled in recent years. Part of the reason has been the political turmoil in the region and the halting of large-scale projects, such as the Iran-Japan Bandarhomeini petrochemical project that was partly subsidized by OECF loans. Another reason has been the difficulty in justifying the ODA to high-income oil-producing countries. The Middle East's (excluding Egypt) share of Japan's bilateral ODA decreased from 10.4% in 1980 to 8.3% in 1983.<sup>20</sup> Nonetheless, Japan has designated certain countries in the region as high-priority recipients based on the desire to promote peace and stability there. Egypt, as a result, has become Japan's largest ODA recipient in the Middle East and until 1983 was among its top ten recipients in the world. ODA disbursements in 1983 dropped somewhat to \$50.36 million due to the absorptive capacity of the Egyptian economy.

Turkey also receives large amounts of Japanese economic assistance for geopolitical reasons. Between 1979 and 1982 Japan extended about \$400 million in soft loans to Turkey as part of an annual OECD consortium

effort to help that country attain stable economic growth.<sup>21</sup> An additional \$25.48 million was disbursed in 1983. Japan recently has also begun new aid relationships with countries bordering the Persian Gulf, such as Oman, which receives assistance to improve its marine patrol capacity and for irrigation projects, and North Yemen.

Japan's foreign aid to Latin America has been concentrated traditionally in a few resource-rich countries such as Brazil, Mexico, and Panama with which it has close economic ties. As a result, Latin America's share of Japan's bilateral ODA dropped to 5.9% in 1980 and only climbed to 7.8% in 1981 and 1982. Net outlays in 1982 reached \$184 million.<sup>22</sup> But in 1983 Japan significantly boosted its aid presence in the region by broadening the scope of its programs and the number of recipients. Significant amounts of aid are being provided to such poor countries as Bolivia and Paraguay based on humanitarian considerations and because of the presence of Japanese immigrants. Aid is also being increased to poor countries in the Caribbean and Central America such as Honduras and Haiti, which receive over \$4 million each year in grants.

Even though relations with Jamaica were remote, Japan in 1981 responded to an international effort to revive that country's economy by pledging \$10 million in fast-disbursing soft loans. The rationale used to justify the commitment was that Japan as a member of the West had an obligation to aid economically ailing fledgling democracies. Since then, Japan has extended a \$25 million loan in June 1983 for a coffee plantation development project, and in the same year loaned \$46.6 million for a barge-mounted diesel power plant.

Japan's aid programs in Africa are based mainly on humanitarian considerations. A select number of countries, however, such as the Ivory Coast, Kenya, Nigeria, Zimbabwe, and Zaire, receive ODA because of their economic or political interest to Japan. Since 1972, Japan has increased its ODA to Africa almost seventyfold; Africa now accounts for over 20% of Japan's total grant aid. Much of that is refugee assistance and food aid to drought victims. Aid is also channeled to drought victims through multilateral contributions. Japan's aid disbursements to sub-Saharan Africa in 1982 reached \$268 million, an 11% share of total bilateral assistance.

In February 1982 Japan pledged \$26 million in ODA loans to Sudan as part of an international effort to help that country recover economic stabil-

19. *Washington Post*, January 6 and 12, 1983.

20. Ministry of Foreign Affairs. DAC statistics treat Egypt as an African country; Japan does not. The share mentioned in the text excludes Egypt.

21. DAC treats Turkey as a European country, but here we discuss it as a Middle Eastern country.

22. Ministry of Foreign Affairs.

ity.<sup>23</sup> Tanzania is another priority recipient in Africa, with about \$40 million in ODA allocated annually, because of that country's status as a leader in the North-South dialogue. Japan is also a leading supporter of the African Development Bank. Among non-African members, Japan is second only to the U.S. in capital stock subscriptions.

Japan views the economic health of Southwest Asia as indispensable to peace in the whole of Asia and allocates 20% of its bilateral ODA to the region. Priority is given to Pakistan, Bangladesh, Burma, and India. Following the Soviet invasion of Afghanistan, Japan doubled its aid commitments to Pakistan and since 1979 has provided over \$30 million in relief aid to Afghan refugees through the United Nations. By 1981, 28% of Pakistan's ODA was coming from Japan, surpassing that of the United States. Japan and Pakistan have held annual aid consultations since 1980. Pakistan in 1983 was Japan's tenth largest aid recipient with net disbursements of \$72.77 million. India, too, has been given a higher priority than before as a recipient of Tokyo's ODA with over \$140 million in new annual commitments.<sup>24</sup>

Although its policy preference is clearly bilateral aid, Japan seeks to maintain about a 3 to 7 ratio in its ODA budget of multilateral to bilateral aid. Because of the cyclical nature of the various multilateral development funds and other external factors, annual contributions may fluctuate widely, averaging between 26% and 40% of the ODA budget in recent years.

Multilateral aid serves a variety of purposes for Japanese policy makers. It allows Japan to play a major international role equal to its economic power in global or regional financial institutions, and demonstrates Japan's support for the North-South dialogue as well as for the humanitarian goals of international agencies. It also allows aid funds to be channeled into countries or regions where Japan's interest or presence is slight or into projects or programs that could not be handled bilaterally because of scale, complexity, controversy, or other factors. In addition to the U.N. and its specialized agencies, Japan is a member of most international institutions dealing with development issues, such as the IMF, the International Development Association (IDA), the Asian Development Bank (ADB), InterAmerican Development Bank, African Development Bank, and the African Development Fund. It participates actively in consultative mechanisms chaired by the IMF, the International Bank for Reconstruction and Development, the OECD, and other organizations, and is one of the top contributors to international relief and food aid organizations.

23. Ibid.

24. Ibid.

### Aid Constituency

In contrast to the United States, foreign aid in Japan has broad-based support. Although most Japanese do not have extensive knowledge of their government's aid programs, they are likely to support the idea of the need to provide foreign aid and to approve of annual increases in the aid budget. No one attacks the notion that the foreign aid budget is given priority treatment each year or that aid contributions will double in five years. Increased foreign aid is judged to be in the country's best interest. Most Japanese view foreign aid as the price Japan as a "peace country" must pay to the developing world. Unlike defense expenditures, foreign aid increases are noncontroversial. Aid is supported by academics and politicians as an obligatory contribution to the North-South dialogue, by business interests as a means of enhancing stability in countries of commercial interest as well as obtaining procurement contracts in connection with aid projects, and by farm and fishery interests concerned with improving food resources in poor countries to build up world stocks and contribute indirectly to Japan's own food security.

Opposition parties in the Diet also firmly support foreign aid and passing the budget each year is relatively uneventful. A squabble may occur from time to time over the government's choice of an aid recipient, particularly in the case of a controversial country or if the decision appears to be linked to U.S. security assistance in the same area. The Diet has passed resolutions prohibiting aid for military or security assistance, and the bureaucracy strictly follows those guidelines, as seen in Tokyo's initial rejection of the 1981 South Korean request for security-related aid. In short, Japan has developed an aid program that strives to satisfy international standards, yet is carefully designed to appeal broadly to all domestic interests whose support is necessary if aid flows are to continue to increase.

### Budget and Disbursement Problems

Japan's annual budget discussions among the ministries start in September for the fiscal year beginning April 1. Earlier a Cabinet decision, based on Finance Ministry recommendations, sets ceilings for proposals from the various ministries. All budget proposals must be submitted by August 31.

Japan is currently in the midst of a stringent fiscal reconstruction program to reduce the government's dependence on deficit financing, which has been running 21-26% of the national budget in recent years. Mainline budget items have been held generally to zero growth. For political reasons, however, defense and foreign aid have been exempted along with certain other items. Defense increases are allowed partly because of the current international situation, but also largely in response to U.S. expect-

tations that Japan share a greater burden in the mutual security alliance. Aid increases have been permitted to enable Japan to fulfill the international pledge to double aid contributions by 1985.

Once all proposals are received, the Finance Ministry presides over interministerial negotiations over the next three months and attempts to whittle down each request as much as possible. During the final stages, the Ministry reveals the amount of any residual funds and other ministries compete for a share. With most items frozen, however, the principal contenders are usually the defense and aid accounts.<sup>25</sup> The Finance Ministry customarily completes its draft budget by late December and submits it to the Cabinet for approval, at which time political decisions at senior Cabinet levels may increase the final account figures somewhat. After Cabinet approval, the draft is sent to the Diet early in the calendar year to be enacted during the spring session. Unlike the U.S. aid budget, items in the Japanese ODA budget are listed by implementing agency and type of aid with no mention of specific country programs. Allocation of the funds to countries and regions occurs within the ministries after the Diet passes the budget. Moreover, the Diet has no veto power in the budgetary process over which countries will receive aid, although it may vent its displeasure during the year over a controversial aid decision.

Despite the ODA budget's priority treatment, aid increases were not sufficient to keep pace with the goal of doubling Japan's ODA disbursements during 1981-85. Calculated in 1981 yen terms, the general account of the ODA budget would have had to increase at least 11.4% each year to achieve the goal, but the rate of increase has been steadily falling: 12.8% in fiscal 1981, 11.4% in 1982, 8.9% in 1983, and 9.7% in fiscal 1984. Japan's ongoing budget crisis is the principal reason for the decline. In addition, dollar disbursements of ODA fell 4.1% and 4.7% in calendar years 1981 and 1982, respectively, but rose significantly in 1983 to a total of \$3.76 billion. The yen's drop in value since 1981 and the plummeting of multilateral contributions have accounted for much of the slowdown in yearly disbursements. The multilateral account in Japan's ODA budget has dropped by as much as 30% primarily because of a lack of donor consensus on the replenishment of IDA VI and other funds, a development linked to the U.S. decision to delay or reduce its share of contributions. As a result of such factors, Japanese officials acknowledged beforehand that meeting the commitment to double aid and disburse \$21.4 billion between 1981 and 1985 was in great jeopardy. Aid would have had to be increased by more than 20% in the fiscal 1985 ODA budget. The

25. The energy account is allowed priority growth, too, but it draws from a special fund of import oil revenues.

1985 pledge to increase aid by 10% will not allow the target to be reached. Nonetheless, the Japanese government fulfilled 97.7% of its commitment and will surely have doubled aid by 1986.

ODA performance is being hindered further by slow disbursement of budgeted funds, in particular OECF loans. Undistributed ODA funds in 1982 totaled about \$4 billion. OECF has been carrying over about a third of its budget each year in unused funds. Officials blame the problem on the inability of debt-ridden countries to absorb new loans; suspension of aid to risky countries; the tendency for projects under the basic human needs approach to be smaller in scale and cost; and the difficulty of finding worthwhile projects in unfamiliar countries. Moreover, current programs stress development projects that by their nature are slow to implement. ODA funds for fast-disbursing nonproject aid such as food aid and commodity loans are limited. Commodity loans are issued only to a few low-income countries each year based on balance-of-payment and other economic conditions of the recipient. A sharp jump in the past two or three years in nonproject aid reflects not so much a change of policy as the distressed economic conditions of many LDCs. In 1981, nonproject aid rose 30% over the previous year to \$1.145 billion. Its share of bilateral ODA rose from 28.9% in 1980 to 37.8% in 1981. Commodity loans jumped from \$176 million in 1980 to \$493.7 million in 1981.<sup>26</sup>

### Implementing Agencies

Although OECF loans<sup>27</sup> make up about half of ODA, the decision to make a direct governmental loan involves a consensus among four ministries: the Economic Planning Agency (EPA), Finance, Foreign Affairs, and International Trade and Industry.<sup>28</sup> OECF sends observers to interministerial meetings to offer opinions on the loan in question.

OECF draws its resources in the form of cash from the General Account budget and borrowings from the government's Fiscal Investment and Loan Program. About 1% is obtained from private borrowings guaranteed by the government. OECF applies a universal untying system as a basic lending guideline, with roughly half of its loans issued as untied to

26. Ministry of Foreign Affairs.

27. The term yen loans (*en shakkan*) or yen credits is used to describe official loans on concessionary terms to developing countries. The loans, offered at low interest rates acceptable by DAC standards, have a long repayment period including a grace period, and are provided exclusively by OECF. Terms have been easing in recent years and the rate of untied loans has reached 100%. In practice, about 50% of procurement contracts from untied loans go to Japanese firms.

28. Rix, *Japan's Economic Aid*, p. 259.

LDCs and the other half as generally untied. OECF normally cuts off loans to LDCs when the country's income surpasses a per capita GNP of \$1,000 (1979 figures), but numerous exceptions are made for higher income countries such as Turkey, Malaysia, and South Korea, based on political decisions at senior levels. Since 1981, OECF has operated an office to evaluate projects in response to Finance Ministry demands for more effective use of aid funds and similar concerns in the Diet. Evaluation surveys of numerous ongoing and completed projects have occurred and, based on the results, certain improvements have been suggested, such as assuming the burden of local costs and other operational expenses in aid projects for certain eligible countries.<sup>29</sup>

JICA is the sole executor of grant and technical assistance to developing countries. Like the OECF, JICA is technically a nongovernmental entity (*tokushu hōjin*). However, it is under the direct supervision of the Foreign Affairs Ministry while the OECF is under EPA. JICA functions as the dispatcher and administrator for the Japanese Peace Corps and the recruiter and trainer of technical experts. Technical cooperation has been taking on increasing significance in current aid programs.<sup>30</sup> Since 1980, it has accounted for an almost 17% share of bilateral ODA; and flows increased 41% between 1980 and 1982 to \$393 million.<sup>31</sup>

### Policy Coordination

With the maturation of its aid programs in the late 1970s, Tokyo began to seek regular aid policy consultations with other donors, starting with the United States. The first U.S.-Japan aid consultations were held in Shimoda in 1978 between USAID and the Japanese Foreign Ministry's Economic Cooperation Bureau. High-level talks have been held more or less annually ever since, the last one in Washington in 1983. A significant accomplishment of the 1982 set of aid talks in Tokyo was the agreement to undertake jointly financed projects in Asia. Discussions of this concept had occurred in the past but had been inconclusive.<sup>32</sup> Tokyo seemed to regard increased aid cooperation and joint projects as a possible means of deflecting some of the criticism in Washington centering on trade and defense. From a practical standpoint, it was also felt that joint projects would give Japanese aid officers useful exposure to the American experi-

ence and techniques. Washington, too, was eager to establish another consultative mechanism with a close ally that would further enhance the cooperative and positive aspects of the bilateral relationship. Also, the idea of joint projects was thought to be a useful way of stretching Western aid resources during a time of fiscal frugality.

According to the initial understanding, the Japanese would contribute the infrastructure (buildings, roads, electricity, etc.) to the joint project, while the U.S. side would provide technical assistance. Technical complications had to be ironed out first, such as the differences in respective budgetary cycles, coordination procedures, and differing aid philosophies. In May 1982 the two sides, with Thai government approval, agreed that the first joint project would be a farm productivity improvement project in northeast Thailand.

U.S.-Japan aid cooperation has manifested itself in other ways as well, such as Japan's increased aid presence in a number of geopolitically important countries in the Middle East, Latin America, and Africa. The consultations and coordination of aid policies have been emphasized during several ministerial level meetings in recent years.

U.S.-Japan aid cooperation appears to have stimulated European donors to start bilateral aid dialogues with Japan. In 1981 Japan and the Economic Commission for Europe began regular informal consultations. Similar discussions have been held with the United Kingdom and the Federal Republic of Germany.

### Conclusions

Japan has made substantial progress in its foreign aid program since its inception in the 1950s. The basic orientation of foreign aid has moved away from the stimulation of exports and into broad-based development programs designed to contribute to stable economic growth in developing countries. Like most donor countries, Japan is not totally altruistic in its motives: contributions to peace and stability in the developing world will ultimately benefit Japan's own economic security and prosperity. Moreover, there is still a commercial component in some current aid programs, but such examples are now the exception rather than the rule.

The recent transformation of Japan's aid policy can be seen also in the increased emphasis on the political application of aid, particularly to countries judged to be of importance to the West which are located in areas of turmoil. Japan's use of aid for comprehensive security reasons reflects in part its growing willingness to accept a wider political role in world affairs as well as an awareness of the potential of its economic strength and diplomatic influence.

29. *Mainichi Daily News*, October 30, 1982; *Nihon Keizai Shimbun*, October 3, 1982.

30. Japan International Cooperation Agency, *Annual Report*, 1981, p. 10, and JICA report on *Organization and Aid Functions*, 1982, p. 4.

31. Ministry of Foreign Affairs.

32. Caldwell, "Evolution of Japanese Economic Cooperation," p. 35; *Tokyo Shimbun*, February 4, 1982; AID news release, June 18, 1982; *Sankei Shimbun*, October 14, 1981.

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In recent years Japan has increased its foreign aid outlays faster than any other country. While this has increased aid flows to non-Asian countries, Tokyo will continue to emphasize Asia in its programs simply because of that region's critical importance to Japan's national interest. Japan will also continue to improve the quality of its aid, providing more aid to the poorest nations and increasing the amount of grant aid in the budget. The biggest problem, however, remains that of reconciling a government policy of doubling foreign aid disbursements with the contradictory government goal of shrinking the national budget by slashing spending each year. Other targets, such as progress in increasing the share of ODA to GNP, also remain in doubt.

Another inhibiting factor in the effective extension of Tokyo's aid has been internal organization—a decentralized, cumbersome system that invites discord. Policy and jurisdictional rivalry over foreign aid is particularly troublesome in Japan because of the number of agencies, ministries, and organizations directly involved in aid policy making and implementation. Two of the main actors, the Foreign and Finance ministries, on occasion have fought bitterly over certain aid decisions because of a difference in policy outlook. The two implementing agencies, JICA and OECF, receive policy direction from two parts of the government with different mandates.

Finally, U.S.-Japan cooperation in foreign aid promises a multitude of benefits for both countries beyond that of contributing to the development of a needy country. In addition to the stretching of financial resources during an era of tight budgets, joint cooperation in aid projects helps to improve the political atmosphere during a time of bilateral frictions over trade and defense issues. Joint projects in a sense can be viewed as symbolic of the broader cooperative aspects of the bilateral relationship which remain solid and unshakeable.

# Japan Is Long on Yen, Short on Experts

By Robert M. Orr

**T**OKYO — During Prime Minister Noboru Takeshita's recent visit to Washington, the new Bush administration played down Japan's military role and "burden sharing." Instead, to the relief of the guests, it was suggested that foreign aid was the most appropriate way for Japan to fulfill its global responsibilities.

This year's projected \$11.4 billion in estimated disbursements should make the Japanese foreign aid program the largest in the world.

The aid white paper that the Japanese Foreign Ministry published last year admits that, like Japan's indus-

trialization in the last century, "catching the West" was one of the underlying reasons for supporting dramatic expansion of the aid budget. Now that that goal has been accomplished, it is time for Japan to retrench and make serious efforts to reform and streamline the system.

While aid volume has soared, the system and the number of personnel have changed very little in 15 years. As aid expenditures increased 5.2 times since 1977, spending per staff person expanded 350 percent. In other words, while in 1977 aid spending was \$1.56 million per staff person, it reached \$5.34 million in 1987.

Take Indonesia, where Japan disbursed more than \$700 million in 1987. Including the Japan International Cooperation Agency, the Overseas Economic Cooperation Fund (OECF) plus Japanese Embassy personnel working on aid policy, there are only 20 individuals responsible for administering the entire program. In contrast, in 1989 the United States will have 41 American aid experts plus 69 local employees on hand to implement a program of a little more than \$57 million.

Furthermore, the Japanese aid program employs virtually no developmental specialists. Those who have the most experience in developing countries normally come from consulting and trading companies. With the dearth of government development hands, it should come as no surprise that the private sector has had a key role in the aid program.

With the tremendous influx of funds in recent years, the OECF, which is largely responsible for yen loans, admits that it has a serious problem in identifying worthy projects. Yet strong pressure has been put on the OECF, with its 36 overseas officers, to spend these aid budgets.

Despite sincere government efforts to improve project evaluation, this also remains a weakness.

The combination of these problems means that the program is sometimes ripe for scandal. One of the strengths of the Japanese aid program until now has been public acceptance of ever higher spending levels. Public revelations of mispent aid funds could be damaging.

Thus, persistent calls in Washington for Japan to formulate even larger aid budgets do no one any favors. This includes Japan's poorest recipients, which have difficulty absorbing the avalanche of aid funds.

What is needed now is to strengthen the various mechanisms of collaboration with Japan so that Tokyo can take advantage of the much longer aid experience of Western donors, while at the same time compensating for the very real aid shortfalls, especially in the U.S. program. There are consultations, but they should be intensified. This ought to be regarded

as a priority of the Bush administration's foreign aid and Japan policy.

Opportunities for foreign consulting and engineering firms interested in bidding for Japanese aid projects must continue to be opened up. The general unyielding of yen loans has been going on for several years and is beginning to bear fruit for non-Japanese companies. Just a few weeks ago, Britain's General Electric Company signed a \$64.8 million deal to supply the Thai railway system with new signaling equipment. The project will be funded by Japanese aid in the form of OECF yen loans. GEC managed to win the project by outbidding Mitsui, something that would have been unthinkable just a few years ago.

This could become increasingly common. Last year Britain and Australia held seminars in conjunction with Japanese government representatives to alert their companies to the possibilities. In October, Ambassador Mike Mansfield made a similar pitch to American businessmen. The U.S. Agency for International Development plans a seminar on this theme.

Japanese policymakers increasingly point to foreign aid as their most concrete contribution to the global community. From now on, greater attention must be paid to reforms in the aid system, strong collaboration with other donors and use of the diverse experience of foreign concerns. This can help to assure that the money is spent wisely and not simply thrown at perceived problems.

*The writer, assistant professor at Temple University Japan and author of "Making Japanese Foreign Aid Policy," contributed this comment to the International Herald Tribune.*

Mitsui beaten for OECF loan

# GEC signs record rail contract

By Peter Mytri Ungphakorn  
and Sunanta Patchimapirom

AT precisely 11.19 am yesterday, the State Railway of Thailand and GEC-General Signal Ltd, part of the British electronics group, General Electric Company (GEC), signed a historic Bt1.7 billion contract for modernizing the railway's signalling equipment.

The deal is historic for two reasons. It appears to be the largest-ever single export deal for signalling equipment — most contracts in this business are worth about Bt400 million or less.

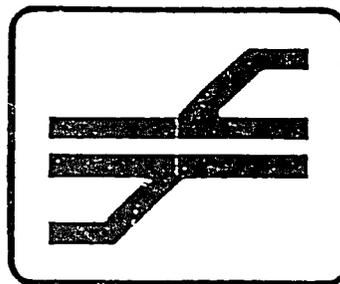
It is also by far the largest contract financed by a soft loan from the Japanese government's Overseas Economic Cooperation Fund (OECF) to be awarded to a non-Thai,

non-Japanese company in Thailand and perhaps the largest to be awarded to a British company anywhere in the world.

And in the competition to secure the deal, GEC beat off tenders from Mitsui & Co Ltd of Japan as well as WABCO Westinghouse International of the United States, despite the advantage Japanese companies are reputed to have with Japanese aid projects.

In Britain, the news comes at a time when GEC is in the headlines over still unresolved takeover and counter-takeover bids and cooperation programmes with GE of the United States and Alsthom of France.

The precise timing of the signing ceremony was chosen for spiritual reasons, not out of concern for timetables. But the



new signalling could in theory increase the SRT's capacity for running trains safely and punctually through about 110 stations between Ratchaburi and Chumphon on the Southern mainline, Lop Buri and Phitsanulok on the Northern mainline, and Ban Phachee and Thanon Chira junctions on the Northeastern mainline.

The control centre for the system, which will cover about 30 per cent of the SRT's rail network, will be at Bangsue.

The SRT still has the option of expanding the project to 184 stations on 1,414 km of track, including part of the Eastern line. The railway company can take up the option within the first 16 months of the contract.

Over the next 3½ years, GEC-General Signal will design, supply, install and maintain the coloured-light signalling system with its various safety features.

About half of the value of the contract will be subcontracted to companies outside the GEC group and about a quarter will be spent in Thailand on cable and on the assembly of GEC-supplied components into equipment boxes set up at the

trackside.

Station masters or signal operators will work at a single control panel marked with a diagram of the section of track under their control. Lights on the panel indicate what colour the signals show and whether a train is passing through each section of track. Switches on the panel are used to change the points and take the trains on to specific routes or sidings.

Among the safety features are "interlocking" mechanisms that prevent the wrong signal from being given if the points are turned in the wrong direction or if a train is already on the track. A fail-safe feature turns the lights to red if there is a malfunction in the system of track sensors that detect the

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### ▶▶▶ GEC

presence of a train.

A similar kind of signalling has already been installed on a short section of the line running from Bangkok northward, but most of the SRT's network requires staff to operate the various controls at separate locations, sometimes indicating to each other with flags that the line is clear.

Chirt Boonyaratavej, SRT general manager, said the modernization will increase SRT's safety and efficiency, allow rail traffic to move more freely, and give confidence to train drivers. With an increase in average speeds possible, the railway could handle more traffic.

Asked why the project is so large, Chirt said it is easier to modernize many stations together. The opportunity arose because the OECF was willing to provide a large loan, and the Thai government recognized the benefit of the project, he said.

"Even though the project involves a large investment and creates new debts for the State Railway and the government, we accept it because the debts are created to provide safety for the public and to protect the nation's highly valuable assets. This is essential," Chirt said.

Chirt said the fact that a non-Japanese company has won a bid for an OECF-funded project is proof of the OECF's "ideology" in opening the project to all countries.

The only previous British company to win a contract for an OECF-funded project was GEC

Telecommunications, part of a separate division within the GEC group, which was awarded a Bt130-million contract to supply a telephone-linked train dispatch system for SRT.

Sumu Iwamoto, the Bangkok-based OECF representative handling the signalling project, said the tenders were received under normal procedures for untied procurement, meaning that all members of the Organization for Economic Cooperation and Development, the club of industrial nations, were free to submit tenders.

The OECF in Tokyo still has to approve the contract signed yesterday. Iwamoto said approval could be granted in about a month's time. Terms are the standard for OECF loans to Thailand — 30-year repayment with a 10-year grace period and interest of 3 per cent per year. The ¥7.13 billion loan would cover all but Bt254.12 million of the project.

Some people connected with the project are still slightly nervous about a possible hitch at that last hurdle.

But superficially, at least, GEC's credentials appear secure because the British company's price is lower than its Japanese competitor's by a surprisingly large margin.

And the performance requirements set out by the SRT and the Japanese consultants were not difficult for GEC to comply with. Critics often accuse the Japanese consultants of designing aid-funded projects with specifications that favour Japanese contractors. For this project at least, that does not appear to have happened.

WABCO dropped out of the



At yesterday's signing: Chirt (left) and Michael Gue, GEC-General Signal's export sales manager. Looking on in the background, from left: Pol Maj Gen Chatchai Upaphong, chairman of the SRT's Board of Commissioners; Boden; and Janet Langdon, GEC export group regional director for Asia.

running in October, seven months after tenders were submitted on March 1. The US company failed to pass selection on technical specifications.

When the financial envelopes were opened Mitsui's tender was for Bt4.29 billion and GEC's for Bt2.53 billion. Subsequent negotiations between the SRT and GEC scaled the project down to within the SRT's budget.

Michael Boden, managing director of GEC-General Signal Ltd. said the contract is important to GEC because of its size and because it could be a good basis for further work with the SRT.

"This and other contracts we are hopeful of securing in the country means we can continue to expand sales, profit and employment and those of our sub-contractors," he said.

Among the sub-contractors in Thailand are Loxley, and Dale Electrical Power Systems Ltd.

GEC currently has a tender submitted to supply experimental radio-based signalling to the SRT under a project sponsored by the UN Economic and Social Commission for Asia and the Pacific. The system is designed to cut costs on more remote, less-used lines that might otherwise be uneconomical,

by using radio links between controllers and the signal lights instead of cable.

Westinghouse, a subsidiary of Hawker-Siddeley and GEC's main British rival, and Transmark, a company in the British Rail group, are GEC's partners in this tender.

Among the company's major prestigious contracts outside Britain are an £8 million (Bt345 million) contract in the Soviet Union and £5.5 million (Bt236 million) contract in India, both for installing centralized computer controlled signalling networks known as SIGNET. GEC has also been awarded a £500,000 (Bt21 million) World Bank contract to install electronic interlinked signalling in China — a more advanced version of the signalling being supplied to Thailand.

COLLABORATION OR CONFLICT?  
FOREIGN AID AND U.S.-JAPAN RELATIONS

ROBERT M. ORR, JR.  
TEMPLE UNIVERSITY (JAPAN)  
Assistant Professor of  
Political Science

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Center.

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The January 1989 announcement that Japan's ODA disbursements would probably supercede U.S. foreign aid totals had been expected for at least two years. Ever since Japan's aid doubling plans began in 1977 and boosted by the dramatic appreciation of the yen since 1985 it was inevitable that that day would come, especially as the U.S. aid program faced severe budget limitations.

Nonetheless, Japan has traveled a very long road in a very short time. Within days of the government's announcement that Japan would be the largest donor, Japanese television was reminding viewers that only 25 years ago the Shinkansen (bullet train) had been built just prior to the Tokyo Olympics as a World Bank loan project. The television programs also mentioned that Japan was the second largest recipient, after India, of World Bank assistance at that time. In other words in 25 years Japan had gone from one of the largest receivers of foreign aid to becoming the largest giver.

These changes from recipient to king donor have also been mirrored in the overall U.S.-Japan relationship. Twenty-five years ago Japan had a net trade deficit with the United States, today Tokyo enjoys an approximate \$50 billion surplus. In 1964 Japan's Self-Defense forces had a minor regional role in the Pacific, in 1988 Japan's defense budget appeared to be the third largest in the world after the U.S. and the Soviet Union. At the time of the Tokyo Olympics Japan was a debtor nation, since 1987 Japan has been the largest creditor nation.

In a way, one could argue that Japan's rapid development and indeed

challenge is a direct result of America's calculated foreign policy following World War II. One of the underlying tenets of U.S. policy has been to create conditions for the promotion of economic development and democracy. By doing so the chances that Soviet sponsored communism could advance in a given region would be minimized.

However America has seemingly been unable to come to terms with the fruits of her policy accomplishments. Japan stands before the United States as an equal which was precisely what American rhetoric envisioned.

This paper will attempt to address the role that foreign aid has come to play between the U.S. and Japan as Tokyo forges ahead in this category. This relationship spans the other two major pillars of U.S.-Japan ties, namely defense and trade. Aid has emerged as a trade issue through American concerns about Japanese aid tying and "strategic assistance" has been factored into debates over burden sharing and defense.

In this paper I will pose three fundamental questions. First, how different is Japan's approach to foreign assistance from that of the United States? Secondly, how has this created bilateral conflict? And third, has there been cooperation and if so what kind? Finally, I will suggest that for purposes of promoting both greater compatibility between the aid programs of the U.S. and Japan plus enhancing economic development, greater stress will have to be placed on collaboration over conflict in the future.

## DIFFERENCES AND SIMILARITIES: TWO DONORS LOOK AT FOREIGN AID

The basic differences relating to how the United States and Japan approach overseas assistance stem from cultural traditions and policymaking. Susan Pharr has suggested that charity is a foreign concept in Japan and that "Japan's aid approach could be seen as closely paralleling the Republican approach to addressing the problems of the poor domestically within the U.S.: involve the private sector, make the recipient of aid self-reliant as soon as possible and avoid give-aways." She goes on to relate this to Japan's own consciousness about development during the Meiji and the post World War II periods and its potential lessons for third world nations.<sup>1</sup> In a sense then from a Japanese perspective this could be seen as altruistic and indeed carefully planned out since it suggests a philosophical approach to aid, albeit in conflict with other donors.

Others have argued that Japan's approach to aid is indeed very consistent. And that is that aid is an extension of the notion of Japan, Inc. Under this scheme aid is primarily used as a means of promoting Japan's commercial interests overseas. This also assumes that Japanese aid is highly tied to the purchase of Japanese equipment and consulting services. Even when the Japanese government attempts to point out its initiatives to generally untie, advocates of the Japan, Inc. theory doubt their sincerity and instead see the Japanese government using several "smokescreen" devices to mask their real intentions of using ODA to promote their commercial goals.

This camouflaged activity takes two main forms. One is so-called LDC untied assistance, whereby only Japan and developing countries can compete for a Japan funded aid project. The rationale of this criticism is that by allowing only Japanese companies and, for example firms from a recipient such as Bangladesh to compete to build a hydro-electric plant, the winner of the bid is a forgone conclusion: Japan.

The second and most prominent criticism in recent years has been Japan's continued extensive use of infrastructural assistance, sometimes known as capital assistance, which is largely funded by yen loans. It is this approach which guarantees a strong private-sector role in Japan's aid program and according to this line of reasoning, insures that aid is used as a commercial tool. This forms the core of the criticism from a "trade" perspective concerning Japanese ODA and it is a subject which I will return to later in this paper.<sup>2</sup>

Although I would suggest that the third category is of less significance as a "conflict" point between the United States and Japan, it is nonetheless a frequent subject of bilateral discussions. That is "strategic aid," or assistance earmarked for, to use the Japanese phraseology, "countries bordering areas of conflict" (funso shuhen koku). There has been a noticeable increase in this practice over the past 10 years. Countries such as Pakistan, Turkey, Egypt, Jamaica, to name a few, have become major recipients of Japanese aid.<sup>3</sup> The United States still applies pressure on Japan to move beyond its 65-70% of aid extended to Asia and with apparent success. In 1971 98 percent of Japanese ODA went to Asian nations.

The notion of strategic aid remains largely unaccepted in Japan, at least at the public level. The Foreign Ministry denies that any such concept exists, thus adding to the confusion over the real intentions of Japanese aid in countries with which Tokyo otherwise has such little contact.

The final school of thought on Japanese foreign aid leans to the bureaucratic politics approach which Alan Rix described some nine years ago. That is that conflict over aid policymaking is so intense and rivalry among the relevant ministries so acute it is next to impossible for a single overriding "philosophy" or for that matter "conspiracy" to emerge.<sup>4</sup> It should be noted that this applies at the policy rather than the implementation level. It is at the latter level that the private sector is best able to wield influence. This is in part because of the "request basis" (yosei shugi) approach to aid by which recipients put forth requests to the Japanese government for certain kinds of projects. Despite all forms of untying these requests can and often are manipulated by Japanese consulting and trading companies. Thus the main effect of untying is to drive up the costs of project bidding for Japanese companies.

My own views on Japanese foreign aid are most closely aligned with Rix. However, there is a major caveat that needs to be added. Foreign pressure has also molded the form which Japanese aid takes, particularly emanating from the United States.<sup>5</sup> Japan is highly sensitive to the way in which other nations, but most particularly industrialized states, see her. As Seizaburo Sato has noted, one

Japan's greatest foreign policy fears is of international isolation.<sup>6</sup> Indeed, one of the underlying reasons for expanding aid as dramatically as Japan has seems to be related to this concern. The Foreign Ministry's 1988 aid white paper called WAGA KUNI NO KAIHATSU ENJO (Our Country's Development Assistance) very early on says, with almost Meiji era clarity, that "catching the west" was an important reason for spending more money on foreign aid.<sup>7</sup>

One of the great ironies is that the American foreign aid program once looked very much like Japan's. Throughout the 1960 American aid planners focused largely on capital projects oriented assistance. In 1973, with the passage of the "New Directions" legislation and the annual expansion of the Foreign Assistance Act via Congressional amendments the "Basic Human Needs" (BHN) of recipients was increasingly emphasized. This has meant a shift away from infrastructural aid toward technical assistance. Eventually all the members of the Development Assistance Committee came to increasingly focus on technical aid through the provision of grants. Thus in many ways Japan's aid program, with its dual infrastructural and loan aid approaches harkens back to an earlier time in North-South relations.

Another area of difference between the U.S. and Japan is in the area of recipient "graduation." Japan tends to change the mix of assistance, i.e. from grants, to concessional to non-concessional loans, depending upon the level of GNP per capita. The fact that middle income countries predominate in Asia, in part, explains why Japan extends mostly OECF yen loans to the region.<sup>8</sup> Nonetheless this approach insures that Japan will always have a role in a recipient

country's development, even after it has officially graduated. Under the USAID approach which, again, has mainly focused on BHN, countries that reach a certain stage of development are simply "graduated." Plus, from FY1989 AID's entire portfolio will be grant funded. There is no "after-presence" like Japan's except through the Trade and Development Program which does not have near the funds available that Japanese institutions such as the Ex-Im Bank have.

Nonetheless AID documents suggest that a reappraisal of U.S. graduation policy may be underway. In "United States Official Development Assistance: The Program, The Process and Special Issues" graduation is discussed in terms which look conspicuously like the Japanese. The document states that "...we must look increasingly to the industrial sector to provide the stimulus for growth and opportunities for employment." Later in the document it is suggested that Lesser developed Countries (LDC's) must be moved away from emphasis on primary products and toward manufacturing and exporting finished products.<sup>9</sup> These approaches bear little resemblance to BHN.

Since the inception of the Reagan Administration in 1981 there has been greater emphasis placed upon conditionality of assistance or what a former AID Administrator described as "being the tough banker." Japan has been much more reluctant to encourage economic planning reforms on recipient governments on a bilateral basis.

## THE ARENA OF CONFLICT

Some of these conflicts in approaches constitute the areas of greatest disagreement between the United States and Japan. However, in order to understand this more fully, we must ask ourselves whether things are as U.S. critics of Japan's aid program say they are. Is Japanese aid really basically a predatory instrument of commercial policy? Are there changes being undertaken to lessen the capital projects nature of the program? To what extent has Japanese ODA facilitated exports to recipient countries?

Before addressing those issues, an examination as to why the U.S. no longer focuses on capital projects is revealing. AID, rightfully I would argue, raises concerns about the ability of recipients to pay back large scale loans in the event of a global economic downturn which effects, in particular, primary products and commodity prices.<sup>10</sup> In other words loans conceivably create debt rather than development although the Japanese counter-argument is that loans impose fiscal discipline on recipients. But even more interesting is AID's admittance that "the increased cost of capital projects and the dwindling U.S. economic assistance levels (in real terms) prevent AID from being heavily involved in capital projects."<sup>11</sup> Thus we are presented with the spectacle of Japan's infrastructurally oriented aid program being criticized half for substantive reasons and, at least by implication, half because the U.S. can no longer afford to fund capital projects.

The volume of aid pumped into the Japanese system far exceeds the administrative capacity to handle it. According to the Japanese Foreign Ministry while ODA budget levels multiplied by more than 5.2 times from 1977 to 1987, staff was increased by a mere 1.5 times.<sup>12</sup> The total number of Japanese aid personnel stationed abroad in 1988 was 357. This contrasts with AID which had 1,275 U.S. personnel abroad plus 1,170 foreign nationals involved in administering the program. In 1987 there were 26 Japanese aid professionals in Indonesia responsible for administering over \$700 million in Japanese aid. In FY1989 AID has 41 Americans plus 69 local employees to implement a program of a little more than \$57 million.<sup>13</sup> This suggests two things. First, again the very different natures of the programs and secondly, compared with the U.S. Japan relies more on the private sector to implement its program. As with other aspects of Japan's economic policy, the dividing line between the private and public sectors is a thin one indeed.

In addition to criticism of Japan's emphasis on infrastructural assistance, the U.S. has also claimed that Japan, while perhaps moving toward generally untied loans in some categories, has maintained the tying status for engineering consultant services. The concern has been that tying these consultancies will guarantee that other aspects of the project will remain tied.

Up until May of 1988 all engineering consultancies were LDC untied, which, as mentioned before is seen as a "smokescreen" device. Since that time the government has moved to untie consultancies in stages. For example, by 1990 the engineering specifications part of yen loans

to Thailand, Papua New Guinea and the Philippines will be generally untied. This new scheme has resulted in a firestorm of lobbying by Japanese construction and consultant companies which fear steep increases in the cost of doing business through yen loans. The strong reaction caught the Japanese government by surprise and encouraged decisionmakers to slow down the process. Thus the untying of consultancies for China and Indonesia, Japan's two major recipients of yen loans has been temporarily placed on the back-burner.

Another American criticism of loans alluded to before has been the creation of debt. In an effort to remedy this problem Japan has been increasingly, but slowly, moving toward more program lending. In Japan Fiscal Year 1987, 27% of all yen loans were program. Because of severe debt problems, most countries in Southeast Asia are no longer enthusiastic about yen denominated project loans from Japan. This year Malaysia is refraining from requesting such loans. Only South Asian nations and China are still interested in this form of assistance. In the case of Indonesia, fully 60% of the yen loan assistance it currently receives from Japan goes toward servicing its public debt to Japan! Last year the Indonesian government for the first time requested dollar denominated loans from Japan, which the Ministry of Finance quickly turned down.<sup>14</sup> A request of this or a similar nature is expected to be made to the Japanese government again later this year.

Despite the emphasis on yen loans and infrastructural assistance, there are indications, at least on a prima facie basis, of some

decline. In a survey taken by the Overseas Construction Association of Japan, a decrease in orders from ODA related construction can be clearly discerned.<sup>15</sup>

Receipts in billions of yen (Table 1)

|        | 1983  | 1984 | 1985 | 1986 | 1987 |
|--------|-------|------|------|------|------|
| LOANS  | 1,008 | 344  | 569  | 415  | 361  |
| GRANTS | 442   | 461  | 327  | 507  | 391  |
| TOTAL  | 1,450 | 805  | 896  | 922  | 752  |

Although there are obvious fluctuations there does appear a downward trend particularly as it relates to construction/capital projects that are funded by yen loans. There are three probable reasons for this. First, the dramatic rise in the yen (endaka) since 1985 has made it more costly for Japanese businesses to operate abroad. Secondly, the general untying program has made the "cost of doing business" somewhat more expensive. And third, the increasing shift toward program assistance. These figures are hardly conclusive in large part because of the fluctuations and also depending upon the extent that the industry's lobbying effort will be successful. In addition, we must beware as to what constitutes a "Japanese company" in some developing countries. For example, according to one observer in the case of Thailand many local companies are really thinly veiled Japanese firms with token Thai management.<sup>16</sup>

But there may be some light at the end of the proverbial tunnel on

this issue. Increasingly, non-Japanese companies are aggressively bidding on Japanese aid projects. In particular British firms have been very active. In 1987 Japan agreed to allow British Crown Agents to implement a major portion of Tokyo's \$500 million package in Sub-saharan Africa. British consulting firms, in conjunction with the Japanese government, have organized seminars designed to educate prospective bidders as to the tender process. One particular recent case bears mentioning. In January of this year The British General Electric Company successfully won a \$64.8 million contract to supply switching equipment to the Thai National Railway that will be funded by OECF yen loans. In winning the bid for the Japanese aid project British GEC beat out Mitsui.<sup>17</sup> While this does not suggest that there is now an open season on Japanese aid projects it does suggest that it is at least possible to win a major project. There are other lesser examples but this comes on the heels of some of Japan's more ambitious untying efforts.

There are other indicators that suggest that Japanese aid is not the pure commercial tool it was once thought to be. The table below shows that the percentage of untied JDA loan contracts returning to Japanese companies have indeed notably decreased.

(Table 2)

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Procurement Share by Nationalities of Contractors (percentage)

|                         | JFY81 | JFY82 | JFY83 | JFY84 | JFY85 | JFY86 | JFY87 |
|-------------------------|-------|-------|-------|-------|-------|-------|-------|
| Local Cost              | 3     | 3     | 3     | 2     | 5     | 3     | 6     |
| LDC's                   | 21    | 24    | 26    | 22    | 28    | 32    | 41    |
| Other                   |       |       |       |       |       |       |       |
| OECD mbrs <sup>10</sup> |       | 7     | 6     | 7     | 11    | 14    | 12    |
| USA                     | 8     | 8     | 3     | 3     | 4     | 3     | 4     |
| Japan                   | 59    | 57    | 63    | 66    | 52    | 48    | 38    |

Of course, these figures say nothing about the all important consulting category, an area in which many Japanese claim that they are weak. But as it relates to untied procurement though yen credits the table suggests that international bidders, particularly from recipient countries can win contracts.

The table also tells us something else. The percentage of American companies winning bids has been cut in half since 1983 while bidders from other countries have either maintained or increased their share. One could conclude that this may be a contributing factor to the more vocal American criticism of Japanese aid policy.

To be sure the story is different when we examine the percentage shares in terms of Japan's overall ODA loans (including tied, LDC untied and generally untied). Nonetheless the percentage returning to Japan has dropped significantly. In 1981 71% of all ODA loan procurement contracts went to Japanese companies. In 1987 that figure stood at 56%, which arguably less than other donors.

If we accept the claim that Japanese aid is used primarily to promote commercial interests then we must assume that those countries which have received the most significant increases in Japanese economic assistance also are importing more goods from Japan. Otherwise, again accepting this view, Japan would not continuously expand aid to those countries.

(Table 3)

Share of merchandise imports and ODA volume from Japan<sup>19</sup>

|             | 1978    |            | 1985    |            |
|-------------|---------|------------|---------|------------|
|             | Import% | ODA Volume | Import% | ODA Volume |
| Indonesia   | 30.1    | 227.59     | 28.1    | 161.33     |
| Bangladesh  | 13.1    | 119.62     | 13.3    | 121.48     |
| Thailand    | 30.7    | 103.75     | 26.0    | 264.10     |
| Philippines | 27.5    | 66.47      | 14.0    | 240.00     |
| Malaysia    | 23.1    | 48.00      | 23.0    | 125.59     |

\*-ODA volume in millions of dollars

I chose 1978 and 1985 for two reasons. First, 1978 is the first year in which the disbursements for Japan's initial aid doubling plan could be felt and 1985 because it is just prior to the yen's dramatic appreciation.

These countries are major recipients of Japanese ODA. In all five cases the percentage of imports from Japan either remained almost the same or dropped and only Indonesia's aid volume declined. There are a number of possible reasons for the drop in import percentage, such as a downturn in their economies which could have been reflected in diminished demand for imports. Thailand, Indonesia and Malaysia, however, experienced significant growth. Nonetheless it would seem that if the objective of Japanese aid in these countries is to promote exports, it has not been very effective. While the absolute volume of imports from Japan may have increased, the figures suggest that the Japanese aid program has not permitted it to muscle out other trade partners and donors.

The evidence presented here is not to suggest that American criticism of Japan's aid program is not without some validity. There are some areas where the relationship to commercial interests are quite clear. However I would submit that it is hardly a closed case.

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These tables show that, contrary to "conventional wisdom" Japan's aid program is not solely a tool for commercial interests as it is some times made out to be.

#### THE ARENA OF COLLABORATION

Despite the very different natures of the two programs and the criticisms of Japanese aid efforts often emanating from Washington the two sides have had a strong collaborative relationship as well.<sup>20</sup> In addition, as I suggested earlier in this paper, U.S. pressure can sometimes play an important role in shaping the kind of foreign aid policy made in Tokyo. Usually this pressure is delivered during the course of bilateral coordination meetings.

The bilateral dialogue over aid at the level of AID Administrator to Director-General of the Japanese Foreign Ministry's Economic Cooperation Bureau began in 1978. Since that time on an almost annual basis these meetings have been conducted. The talks have focused on exchanging views on trends in each countries aid programs on a regional, sectoral and policy basis. In January 1985, at the Reagan-Nakasone summit in Los Angeles it was agreed to pursue bilateral discussions focusing on the strategic aspect of aid. This dialogue is carried out by the Undersecretary of State for Political Affairs and one of Japan's two Deputy Foreign Ministers.

Lower level discussions are carried out more frequently when aid officials visit each others capitals. By far the most significant and substantive dialogue at this level was held in May 1988 at the

East-West Center in Honolulu. Focusing on three countries in the Asia region, AID officials from the rank of Assistant Administrator on down met with Foreign Ministry officials from the rank of Deputy Director General of the Economic Cooperation Bureau as well as representatives from the OECF and JICA over a three day period. This is slated to be an annual event with the hope of enhancing the coordination between the two programs.

How that coordination is to be carried out has been the subject of considerable debate. In the late 1970s and early 1980s jointly financed aid projects were thought to be an avenue by which cooperation could be undertaken. While several joint projects were inaugurated because of conflicting budget cycles as well as the very different approaches to foreign aid noted above, they have never really become a cornerstone of cooperation. Moreover, political expectations for the projects tended to far outrun the reality of making the cooperation work while remaining consistent with concrete developmental objectives.

Coordination has tended to sputter. From the American side it seems to take on new life when there is commitment demonstrated at the "political appointee" level. When that interest is not apparent the bureaucracy's enthusiasm is more restrained. The Japanese side proposed the initial coordination meetings in 1978. In recent years, as Japan overtook the United States as the principal donor, while their support for coordination has remained they have developed bilateral dialogues with other donors. Thus the "urgency" of dealing with the Americans has been somewhat removed. Furthermore, Japanese

aid planners have tended to be reactive to U.S. suggestions as to issues for coordination and discussion rather than developing an agenda of their own to pursue with the Americans.

One area in which there has been a fairly persistent aid dialogue has been over the Philippine economic recovery plan. Officials from both governments have met repeatedly in Washington, Tokyo and Manila in order to map out coordination of their respective aid efforts. These talks have not been without their disagreements as both parties have pressed to address issues most relevant to their interests.

As Japanese aid levels have grown so has interest in Tokyo's ODA activities expanded to other parts of the government. This has largely been associated with the concept of "burden sharing." It appears that Japan has virtually reached a limit as to its defense spending. This was at least tacitly acknowledged last year when the Department of Defense called on Japan to fulfill its regional role through the extension of more strategic assistance. By openly calling for Tokyo to extend more "strategic assistance" DOD caused considerable distress among Japanese government planners who, as mentioned earlier, do not like to publically relate aid to strategic objectives.

The Congress has also become more interested in Japanese foreign aid questions. Last fall Concurrent Resolutions passed in both the House and the Senate urging that further cooperation and coordination between the U.S. and Japanese aid programs be intensified.<sup>21</sup> In addition, language was inserted in the Senate Appropriations

Committee report supporting further dialogue between both countries along the lines of the East-West Center conference.

This past January President George Bush and Prime Minister Takeshita Noboru highlighted the importance of U.S.-Japan cooperation in the area of aid policy coordination during their first meeting.

Two other developments have occurred with the expansion of Japan's aid program. First is the internal acknowledgement that Japanese developmental expertise is lacking. Second, as I have previously alluded, is the opening up of aid projects to foreign bidders.

Japan's aid system, which is managed by generalists who usually rotate to other offices or bureaus within their organizations within two years, have increasingly looked outside for assistance in such areas as project evaluation and economic analysis. In the coming fiscal year JICA hopes to employ two former AID officials in positions that will help provide access to their experience in the development business.

Related to the private sector, despite domestic pressure to keep maintain some form of tying, forces in the Japanese government, led by the Foreign Ministry have continuously pushed for open international bidding. We have seen that Britain, in particular, has begun to play an important role in this regard. This May, AID plans two seminars in an effort to alert American businesses of the possibilities that exist to be involved in Japanese aid implementation.

## CONCLUSIONS

This paper acknowledges that there are some very profound differences in the ways which Japan and the United States address economic development questions. The U.S. has leaned toward a charity and/or strategic rationale. Japan's aid is heavily infrastructure which translates into the provision of far more loans than any other donor. Japan's regional focus remains Asia while the United States has extended more assistance to strategically important areas and countries which host American military facilities. This clash in philosophies, if you will, has sometimes moved into the arena of conflict.

Conflict has mostly occurred over American perceptions of Japan using aid as a commercially predatory instrument. While capital projects oriented aid lends itself toward major private sector activity, the tables that I have presented here suggest that the commercial use of aid by Japan is not a "cut and dry" affair. Non-Japanese involvement in the implementation of Tokyo's foreign assistance seems to be on the increase. Nonetheless Japan's construction industry is known for its tenacity and pressure on the Japanese government to limit bona fide untying will not abate.

Nonetheless, a bilateral aid dialogue does exist between the United States and Japan. I would argue that the best means of making sure that economic development takes place which genuinely helps those in the developing world who most need aid is to intensify the U.S.-Japan

aid dialogue. Japan has been the largest donor in Asia since 1977. The large-scale presence of Japanese aid will gradually expand Japan's economic clout into other fields regardless of whether aid is tied or not. America's aid profile has noticeably diminished. In order to maintain and help shape economic development in Asia, the United States must attach higher priority to aid coordination with Japan at a variety of levels. Consideration should be given to creating a permanent U.S.-Japan aid coordination committee along the lines of the committee which coordinates bilateral security relations. This would insure that there is a consistent flow of information being exchanged plus give the United States an opportunity to have greater input on emerging Japanese aid policies.

Pressure on Japan's aid program has had an effect. It is difficult to conceive of Japan moving toward deemphasizing aid's commercial content without it. This pressure will no doubt be maintained but it also must be tempered by the long term benefits of strengthening the various consultative mechanisms.

NOTES

1.) Susan J. Pharr, testimony before the U.S. House of Representatives Committee on Foreign Affairs, Subcommittee on Asian and Pacific Affairs, September 28, 1988.

2.) Observers who have been critics of Japanese trade practices usually see aid policy as an instrument for promoting commercial interests.

3.) See Dennis T. Yasutomo, The Manner of Giving: Strategic Aid and Japanese Foreign Policy (Lexington, Massachusetts: Lexington Books, 1986)

4.) See Alan Rix, Japan's Economic Aid (New York: St. Martin's Press, 1980) Also Alan Rix "Japan's Aid Philosophy" in Susan J. Pharr, ed., Japan and the United States in the Third World, forthcoming.

5.) See Robert M. Orr, Making Japanese Foreign Aid Policy (New York: Columbia University Press) forthcoming.

6.) Seizaburo Sato, "The Foundations of Modern Japanese Foreign Policy," in Robert A. Scalapino, ed., The Foreign Policy of Modern Japan (Berkeley: University of California Press, 1977) p. 375.

7.) Ministry of Foreign Affairs, Wagakuni no Seifu Kaihatsu Enjo, vol.1 (Tokyo: Ministry of Foreign Affairs, 1988) p. 5. (Hereafter

cited as Wagakuni...)

8.) 94% of Japan's aid commitments for Asia in JFY 1988 were OECF yen loans.

9.) United States Agency for International Development, "United States Official Development Assistance: The Program, the Process and Special Issues," prepared for the Conference on ODA Management and Asia's Economic Development, East-West Center, Honolulu, HI, May 10-13 1988, Part III, p. 10.

10.) IBID, Grant, loan and credit mixes p. 1.

11.) IBID.

12.) Wagakuni..., p. 253.

13.) United States Agency for International Development.

14.) Asahi Evening News, "Japan Balks at Indonesia Debt Plan," June 8, 1988. Indonesian officials also reportedly proposed paying back the yen loans at the 1986 dollar exchange rate level if dollar denominated loans were not possible.

15.) The Overseas Construction Association consists of 56 of the largest construction firms in Japan. This survey was taken of its membership. While there are 500,000 construction companies in Japan it is primarily the members of the Overseas Construction Association

which carry out aid projects.

16.) See Prasert Chittiwatanapong, "Japanese Official Development Assistance to Thailand: Impact on the Thai Construction Industry," manuscript, Faculty of Political Science, Thammasat University, Bangkok, Thailand.

17.) "GEC wins Japan-backed signal deal with Thailand," p.1 and "Breaking the Japanese stranglehold," p. 6 Financial Times (London), January 20, 1989. Also "GEC signs record rail contract: Mitsui beaten for OECF loan," Nation (Bangkok), p. 13, January 20, 1989.

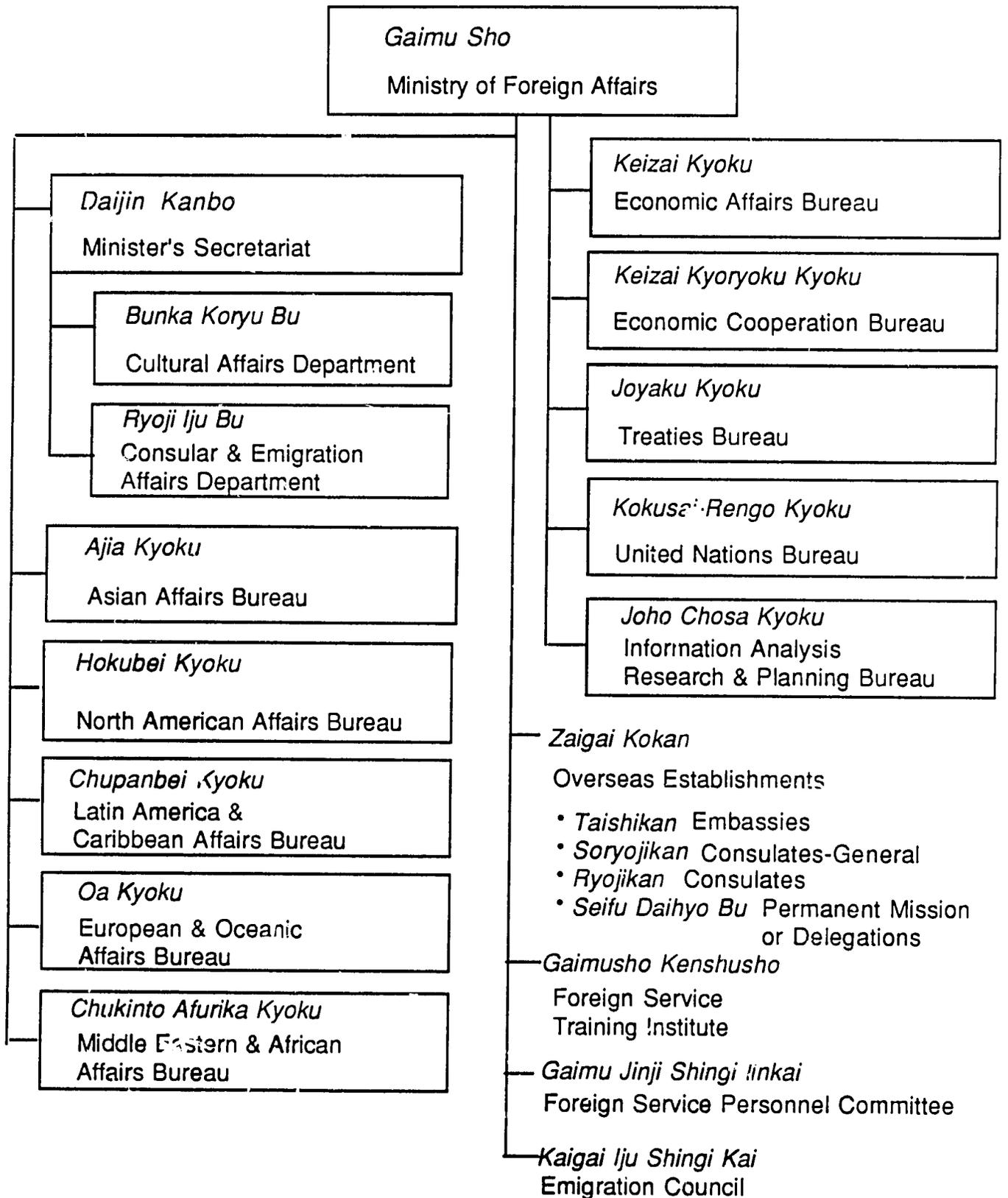
18.) Data compiled from Japan's Ministry of Foreign Affairs and the OECF.

19.) Import data compiled from the "Asia-Pacific Report: Trends, Issues, Challenges," published by the East-West Center, p.79. ODA volume figures supplied by the Ministry of Foreign Affairs. Also see Robert M. Orr, Jr. "The Rising Sun: Japan's Foreign Aid to ASEAN, the Pacific Basin and the Republic of Korea," Journal of International Affairs, Summer/Fall 1987.

20. For a more detailed account see Robert M. Orr, Jr. "The Aid Factor in U.S.-Japan Relations," Asian Survey, July 1988.

21.) The House passed H.Con.Res.387 sponsored by Doug Bereuter (R-NE) and the Senate passed S.Con.Res.157 introduced by Bill Bradley (D-NJ).

**WHO'S WHO IN JAPAN'S MINISTRY OF  
FOREIGN AFFAIRS**

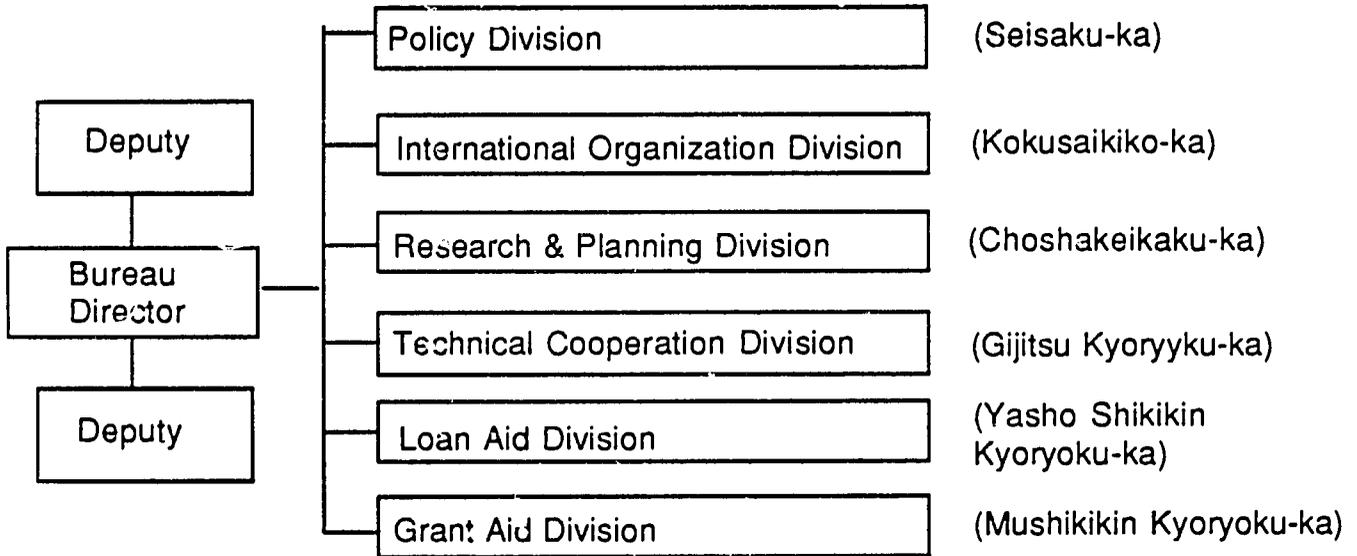


Source: Who's Who in Japanese Government  
(I.C.A. of Japan Co., Ltd., 1986)

ECONOMIC COOPERATION BUREAU

MINISTRY OF FOREIGN AFFAIRS

JAPAN

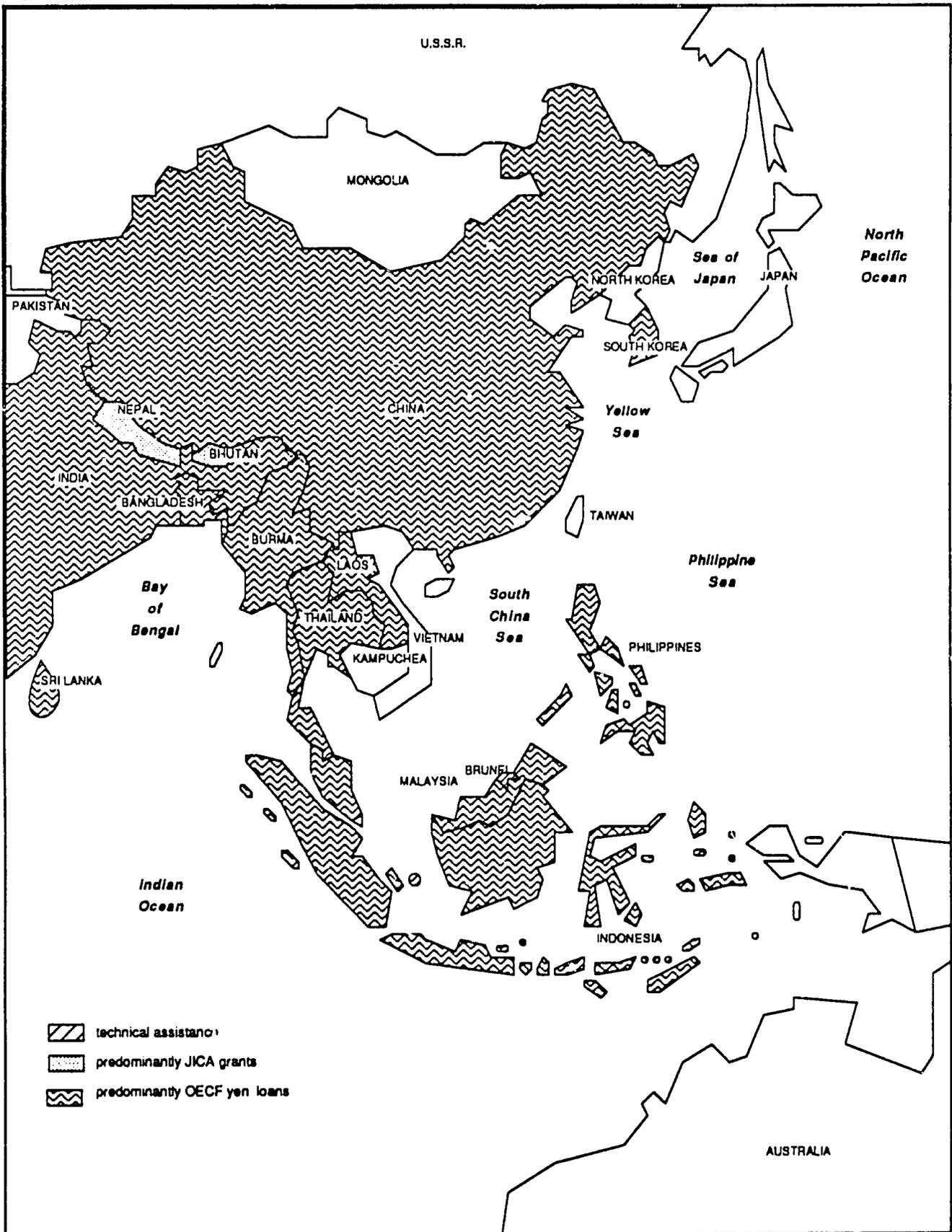


# RECIPIENTS OF JAPANESE FOREIGN ASSISTANCE 1987 DISBURSEMENTS

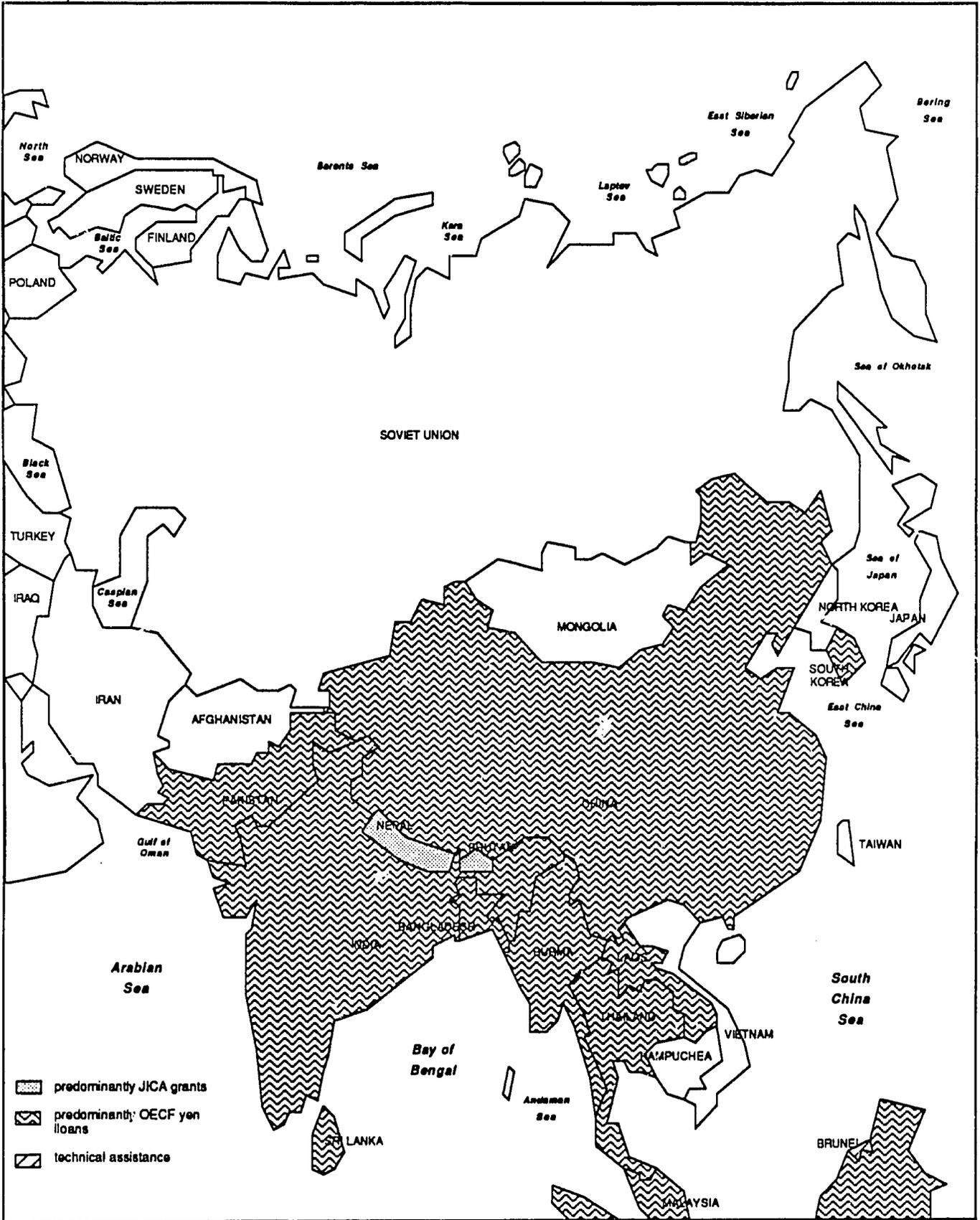
Maps are for illustrative purposes only and represent 1987 disbursements. Designation of "predominant" does not reflect order of magnitude other than as reflected in 1987 disbursements and in future years fluctuations.

Source: WAGA KUNI NO SEIFU KAIHATSU ENJO 1988, Vol 2 (Our Country's Development Assistance) published by the Japanese Ministry of Foreign Affairs

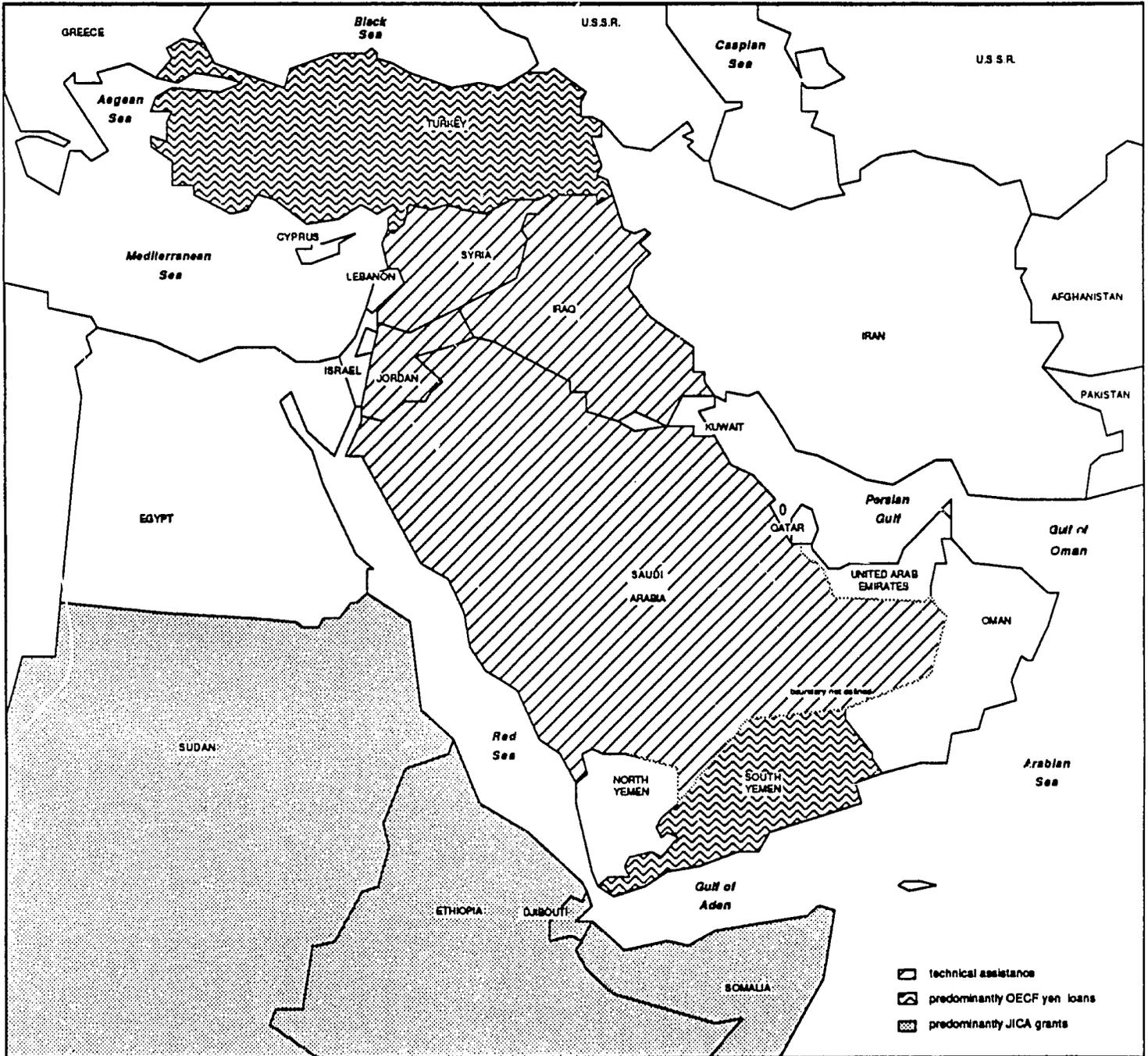
Far East



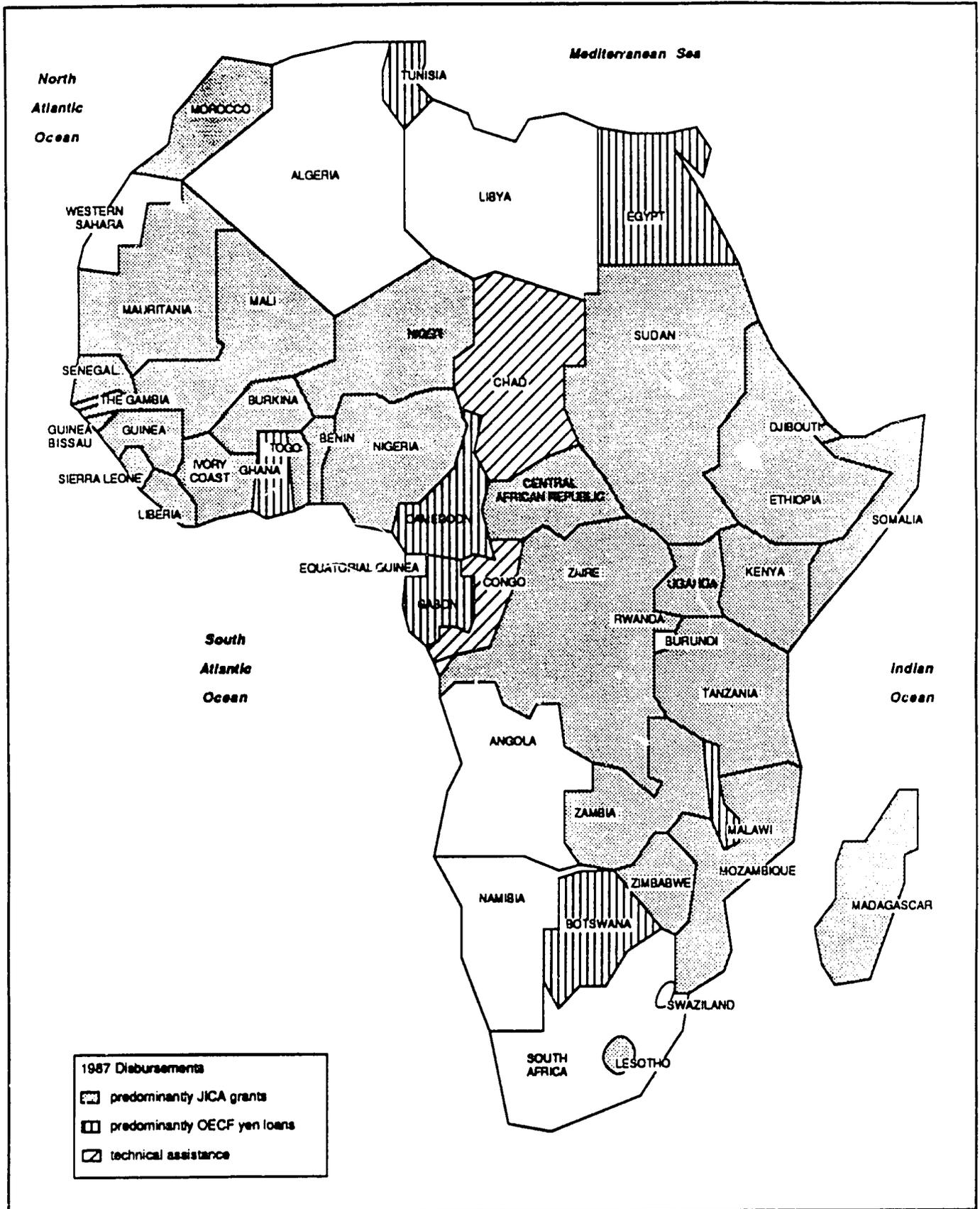
USSR, East and South Asia



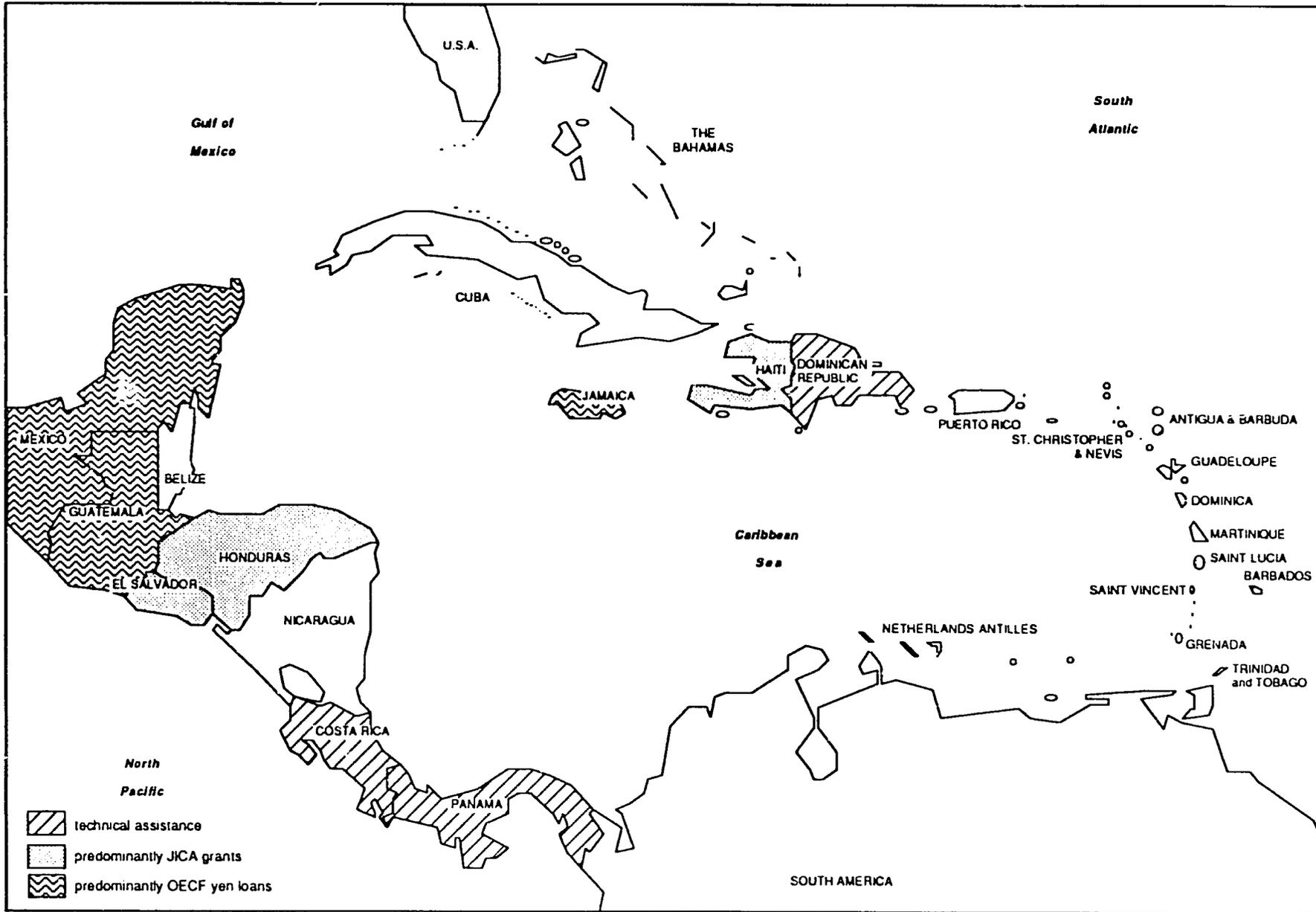
# Middle East



# AFRICA



# Central America and the Caribbean



-  technical assistance
-  predominantly JICA grants
-  predominantly OECF yen loans

# South America



JAPAN INTERNATIONAL COOPERATION AGENCY

**JICA**

**JAPAN'S ODA PROGRAMME**

**DEVELOPMENT STUDY**



**JAPAN INTERNATIONAL COOPERATION AGENCY**

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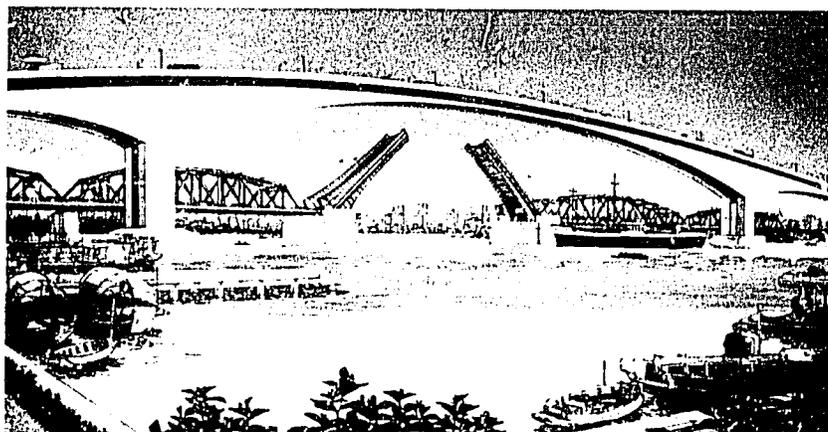
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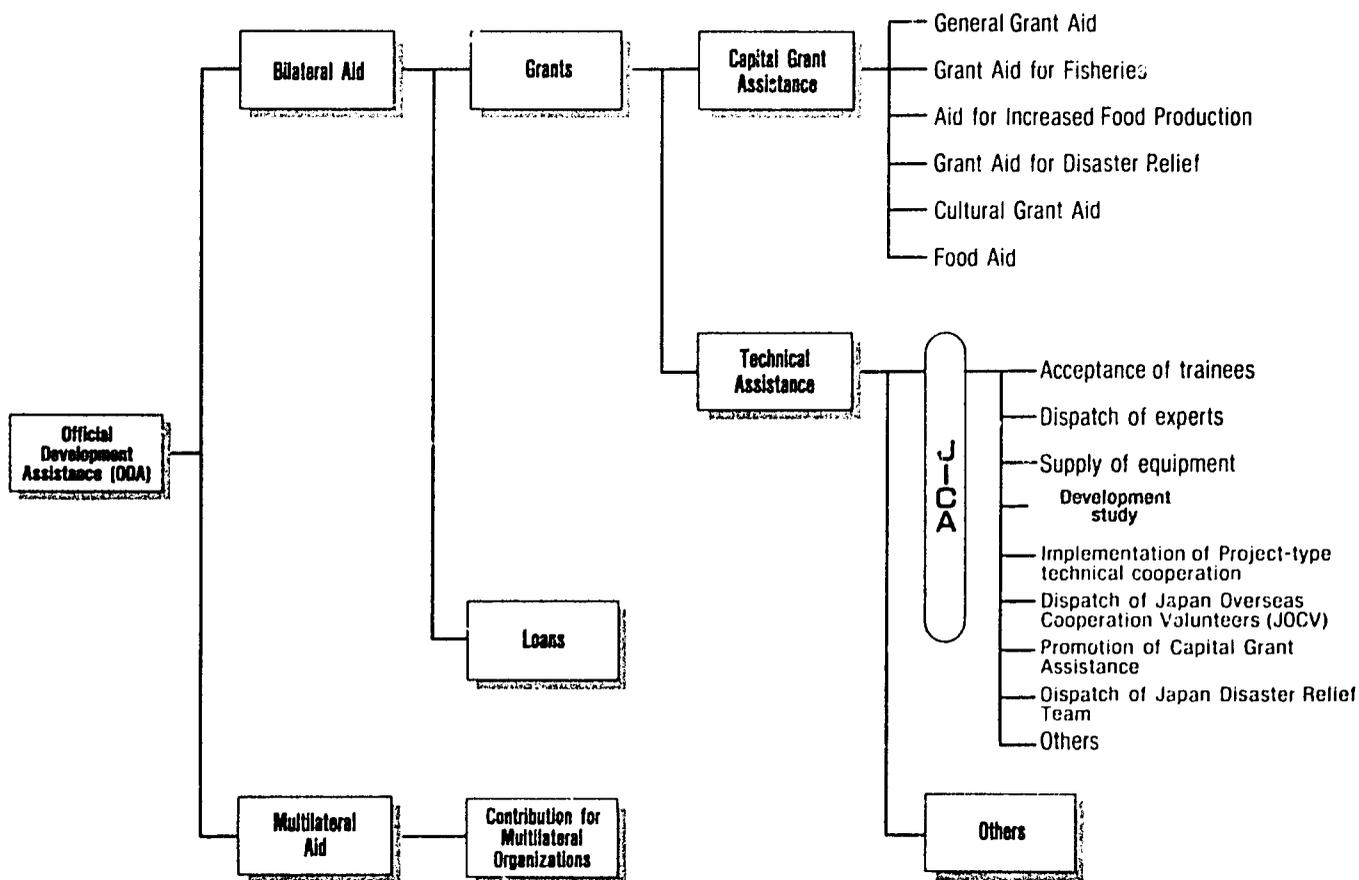
# Japan's ODA Aims at Assisting Social and Economic Development

For effective and efficient national development of developing countries, it is essential to first consolidate the indispensable requirements (i.e. Basic Human Needs), including the social infrastructure consisting of education, public health and hygiene, roads, electricity and agriculture, etc. For many developing countries, however, it is difficult to conduct all necessary work relating to the consolidation of such an infrastructure on the basis of self-reliance and there is a role to be played by industrialized countries and international organizations in the development of this infrastructure with cooperation efforts being implemented on either a governmental or private basis. When viewed in terms of capital or financial flow, this governmental cooperation is called Official Development Assistance (ODA)\*.

Japan's ODA mainly consists of grants and loans. Grants cover capital grant assistance and technical assistance which includes the dispatch of experts, the acceptance of trainees and the provision of equipment. The development study is one form of technical cooperation and it intends to assist the planning of urgent and high priority development projects through the preparation of relevant reports.

The requisites for ODA are 1 the funds in question are provided by a government or public organization responsible for the implementation of official aid, 2 the main purpose of the aid is to contribute to economic development and/or improvement of public welfare in the recipient developing country and 3 the grant element of the financial aid is 25% or higher.

## Japan's ODA



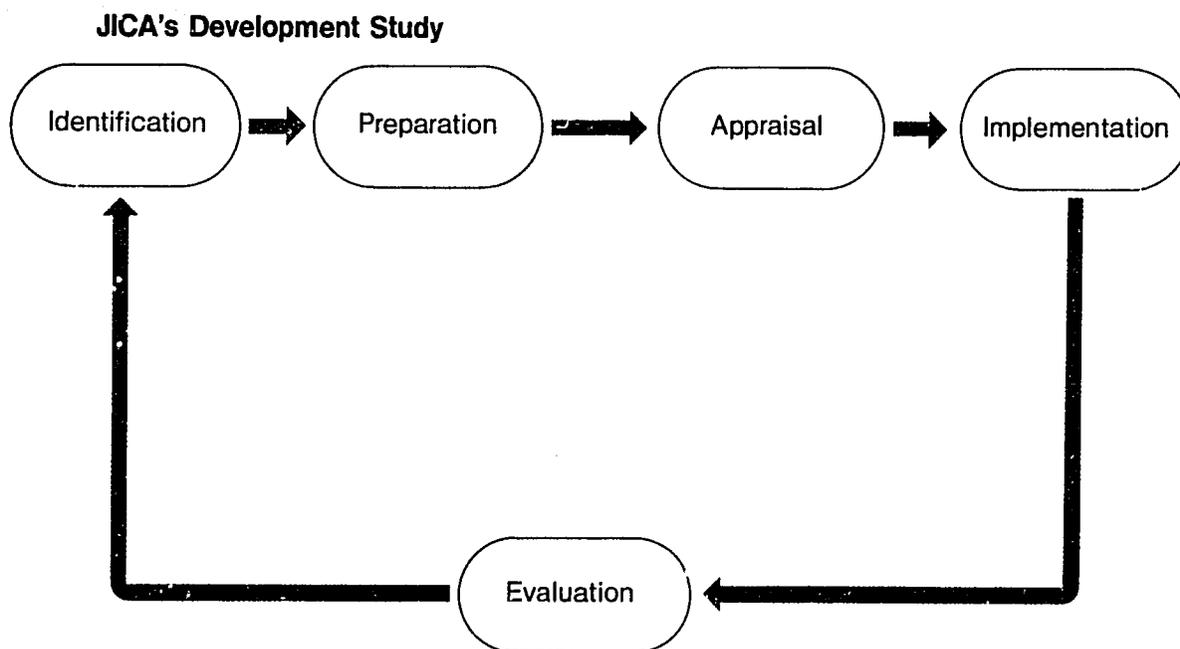
# Development Study is Preparation Stage of Project

Since development studies can be conducted in various fields, the contents vary accordingly. In general, a development project consists of the following phases.

(1) Identification (Finding & Formulation) → (2) Preparation → (3) Appraisal → (4) Implementation → (5) Evaluation → (6) Identification. Dr. Warren C. Baum explains that this chain is usually called the project cycle as the evaluation results of and experience obtained in the course of project implementation are utilized for the identification/preparation/implementation of new projects.

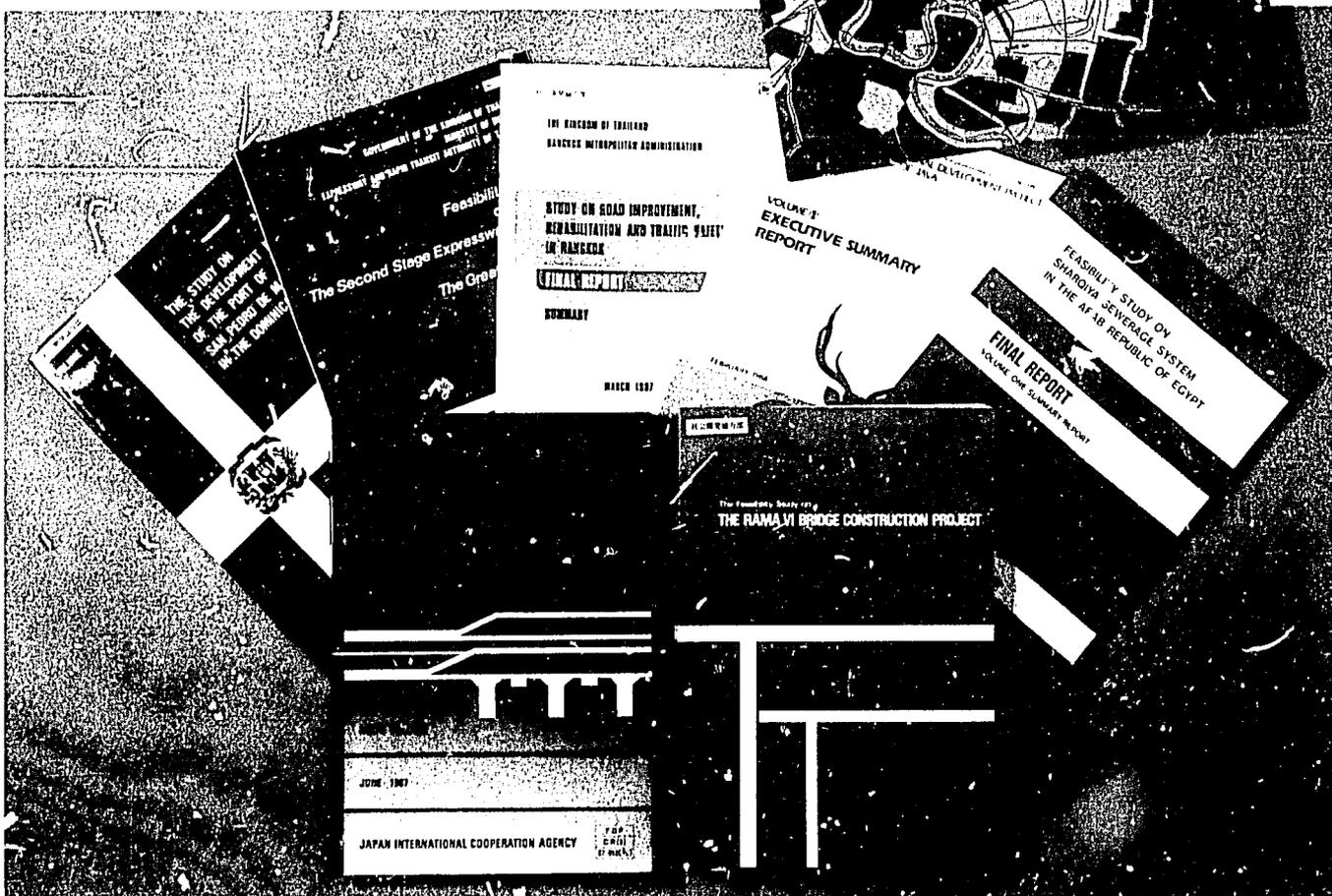
Development studies conducted by JICA relate to Phase (1) and Phase (2) where the backbone for project implementation is formed.

## [Project cycle]



# Development Study Provides Basic Data for Implementation

The feasibility and appropriate contents of a project are examined in the development study in terms of technology, cost, organization and management, etc. through a field survey and analysis and study in Japan on the findings of field survey. The development study report, therefore, contains the various conditions for alternative plans and project implementation in addition to the main implementation plan for the project. This report is not only used by the government of the recipient country to decide its policy vis-a-vis the proposed project but also by international organizations and donor countries (including Japan) to examine the possibility of providing financial aid and/or technical cooperation for the project. In the case of Japan, many development study reports have achieved positive results in the provision of yen loans (OECF), capital grant assistance (JICA) and/or technical cooperation (JICA).



# Development Study is Cooperative Work Between Japan and Recipient Countries

While the development study is conducted as part of Japan's technical cooperation, the foremost requisite for its implementation is the recognition that the study is a cooperative undertaking by Japan and the recipient country. This is because those in the recipient country have the best understanding of the project's necessity and priority. For the implementation of a development study, therefore, it is essential that project-related people in the recipient country be well aware of the importance of the project and that concrete cooperation measures, including the allocation of counterparts and engineers, be provided by the recipient country.

Moreover, the smooth entry and departure of the study team members, equipment and related documents to and from the country must be guaranteed in addition to the safety of the study team members during the field survey, necessitating the cooperation of not only the project implementation agency but also other government organizations.

Technology transfer in terms of survey/analysis and report making is facilitated in the course of the development study by joint works with the counterparts in the recipient country who may be invited to Japan for training purposes.



# Development Study is Conducted by Consultant

In implementing the development study,<sup>1</sup>JICA coordinates the negotiations and confirmation of the Scope of Work (S/W) with the government of the developing country. However, the field survey and analysis and study in Japan for the report making are actually conducted by a consultant (company or organization) with abundant experience and specialized expertise. Some 500 consultants are registered with JICA and the most appropriate consultant for the study is selected on the basis of bidding with proposal method.

Although the consultant's subject to selection in view of conducting a development study should, in principle, be Japanese nationals, it is permissible to include foreign nationals in the study team (one quarter of the total number of study team members). In the case of the field survey, domestic consultants with a qualified experience may also be used.



# From Master Plan to Feasibility Study

The development study corresponds to the preparation stage of the project cycle and mainly consists of the formulation of the master plan (M/P) which outlines the proposed development plan and the feasibility study (F/S) which studies the suitability/viability of individual projects planned on the basis of the master plan.

In special cases, the detailed design (D/D) is conducted to prepare the drawings, specifications and tender documents, etc. required for work implementation for those projects for which a yen loan and other co-operation have been provisionally agreed.

## Master Plan (M/P)

The preparation of a comprehensive master plan comprising various development plans, long-term plans for national, regional or sectoral development and normally setting a target year is usually conducted as the first stage of the development study where the coordination of many projects is essential for efficient implementation.

## Feasibility Study (F/S)

The F/S examines the feasibility, viability and investment effects of individual projects which are given as priorities in the master plan through the objective examination of the technical, economic, financial, social and environmental conditions of these projects. The F/S report is used by the government of the developing country in question to decide whether or not it should proceed with these projects and also by international organizations and donor countries in their examination of the suitability of providing financial aid for these projects.

## JICA also carries out the following studies as part of the development study.

### ► Consolidation of Basic Data

- ① Mapping = Study to prepare topographical maps (national land and city maps, etc.) which are the basic materials for development plan preparation.
- ② Groundwater Development = Study to identify groundwater resources and the possibility of their exploitation.
- ③ Forestry and Fisheries Development = Study to prepare the basic materials relating to forestry and fisheries resources.
- ④ Mineral Resources Development = Study to identify mineral resources through geological survey, electric prospecting, geochemical prospecting and boring, etc.

### ► Demonstration Study

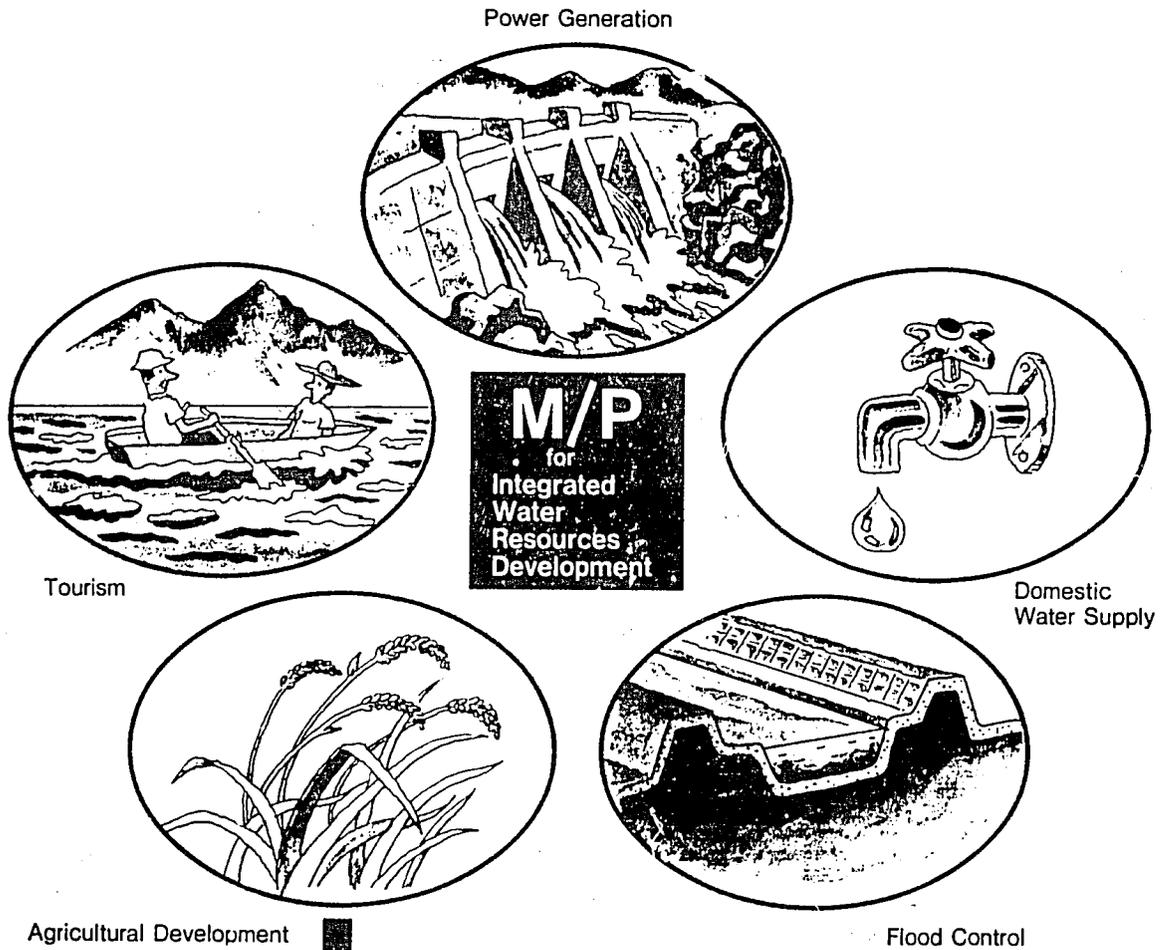
Study to demonstrate the technical feasibility of an agricultural and forestry development project where a long time appears necessary for new technology development due to the non-existence of relevant data.

### ► After-Care Study

Study to review previous development studies relating to the same project on the basis of changed socioeconomic and natural conditions over a period of several years following the completion of the initial studies so that the results of the initial studies can be effectively utilized for the realization of the proposed project.

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[Example of Master Plan]



Preparation of Development Plan  
 Calculation of Irrigation and Drainage Volumes  
 Preparation of Irrigation Plan and Cost Estimate  
 Examination of Benefits by Agricultural Development

**F/S** Study and Analysis

- Technical Feasibility
- Economic Viability
- Others

Preparation of Project Plan and Alternatives

# Development Studies Cover All Fields

The fields of development studies are diverse. In principle, any project in the public sector which contributes to socio-economic development in a developing country can be considered a development study subject.

Sector and fields covered by development study are plans necessary for the construction of transport-related projects such as roads, ports and airports, projects directly relating to daily life such as power and water supply, sewage and telecommunication, agriculture, forestry, fisheries, mining, manufacturing and industry and the medical and welfare field. In addition, the comprehensive development of and the preparation of a national economic plan which does not relate to any specific fields can also be subjects for a development study.

Most development studies in the past have dealt with projects relating to the development of the economic infrastructure in such fields

as agriculture, forestry, fisheries, mining, industry, transport and construction. However, the number of development studies in other fields, namely the environment (air pollution and water pollution control, etc.), urban development (urban transport, domestic water supply, sewage and solid waste management) and energy (hydro-power generation and thermal power generation) have been increasing in recent years. Moreover, apart from those projects aiming at building or creating something visible, development studies on software type projects, such as the establishment of a distribution system for primary products, which reflect the diversified requirements of developing countries, have also been increasing.



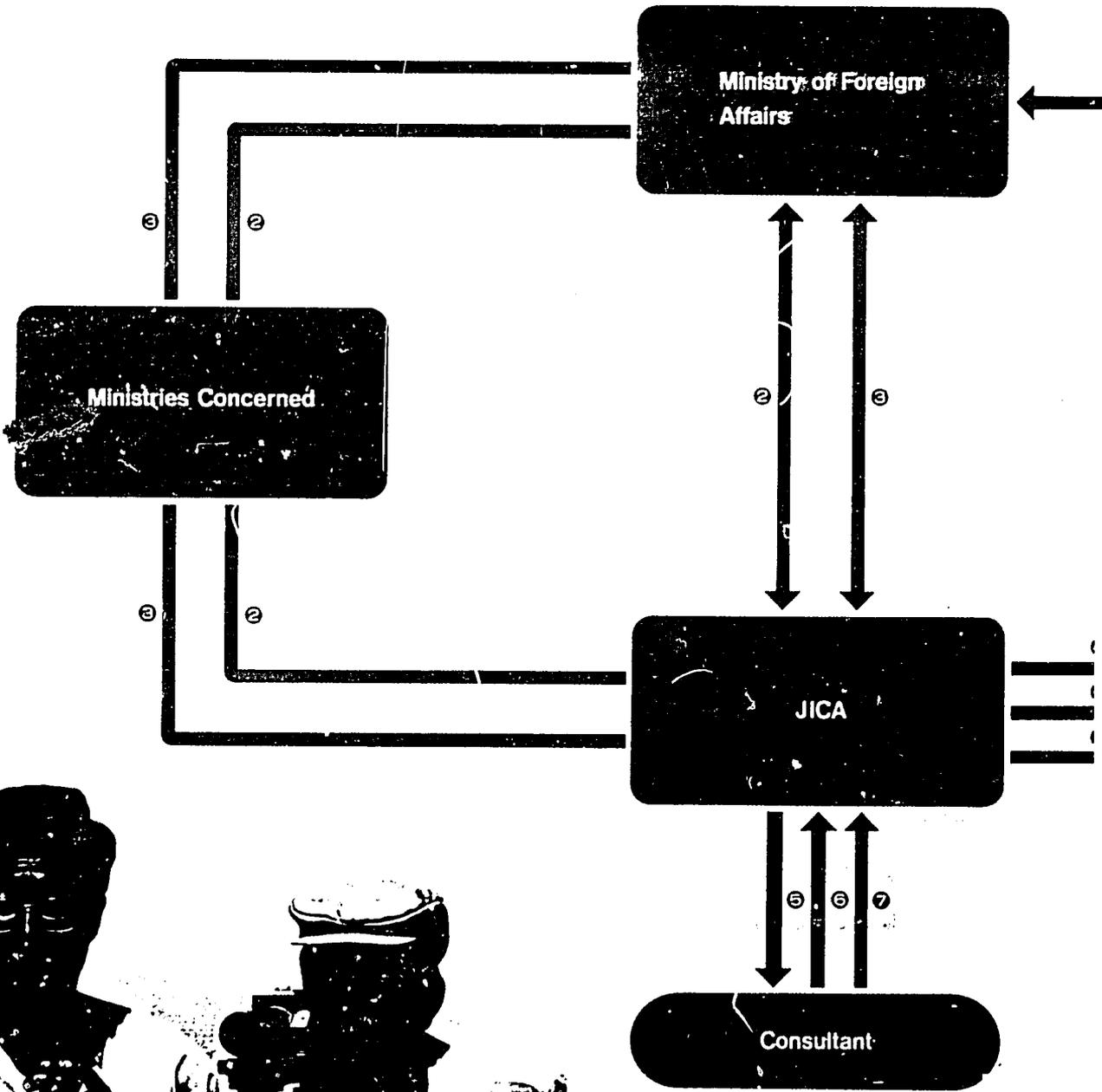
## Main Fields of Development Studies

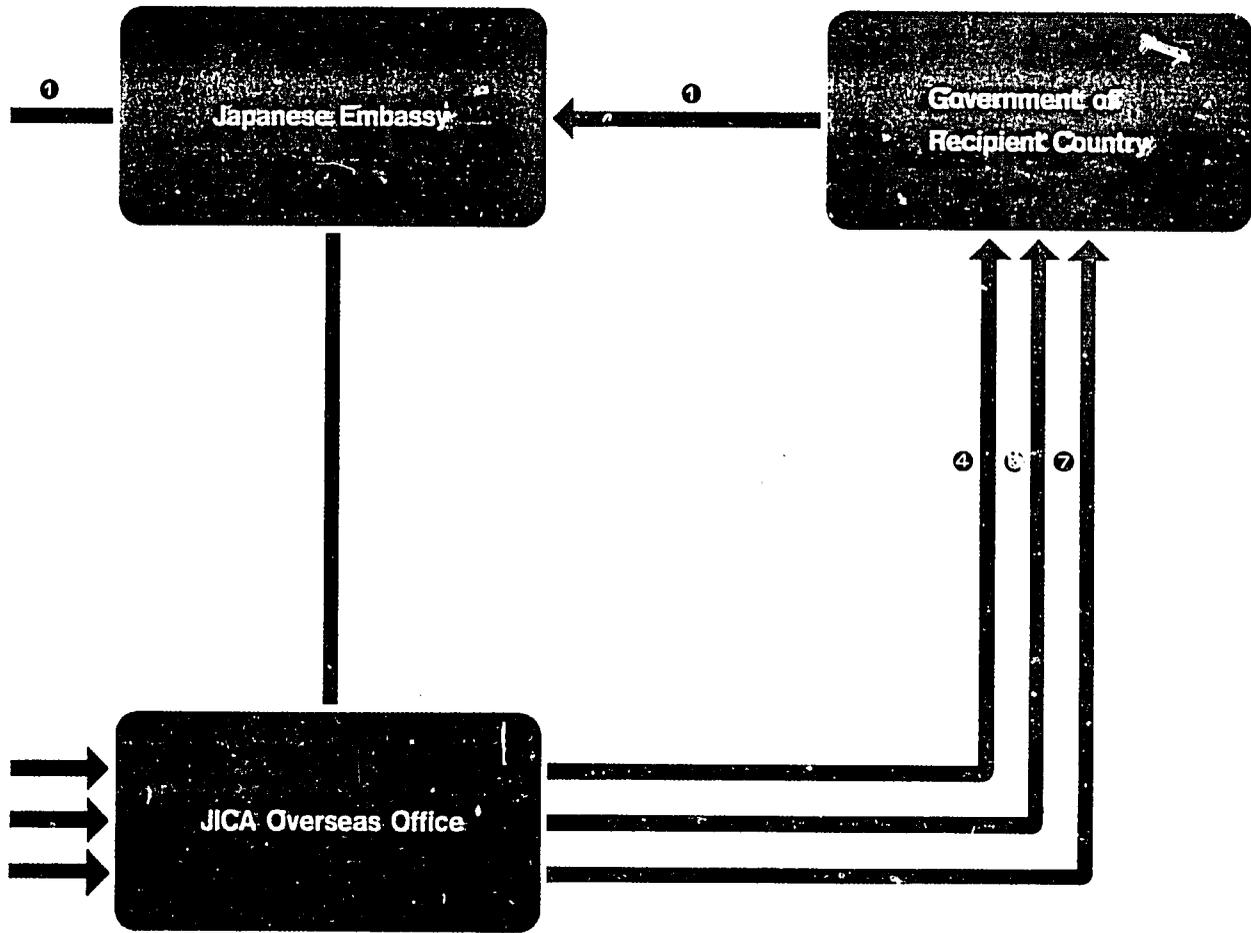
| Fields                      | Main Subjects  |
|-----------------------------|--|
| Planning and Administration | Regional General Development Plans, Economic Development Plans |
| Public works                | Water Supply, Urban Health                                     |
| Social Infrastructure       | Urban Planning, Flood Control, Housing                         |
| Transportation              | Transport Plan, Road, Railway, Port, Airport, Urban Traffic    |
| Telecommunication           | Postal Service, Telecommunication/Television/Radio Network     |
| Public Health               | Health Policy, Population and Family Planning                  |
| Agriculture                 | Irrigation, Livestock  |
| Forestry                    | Resources Surveys, Afforestation Plans                         |
| Fisheries                   | Resources Surveys, Fishery-Related Facilities, Aquaculture     |
| Mining and Industry         | Resources Surveys, Industrial Development                      |
| Environment                 | Air Pollution Control, Preservation of Environment             |
| Others                      | Energy, Human Resources, Commerce, Tourism, Others             |



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# Role of Governments and Executing Agency



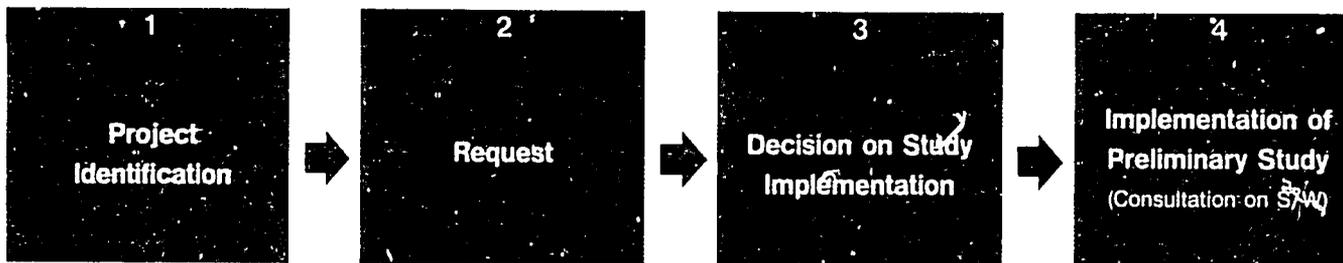


- ① Formal Request
- ② Consultation on Preliminary Study
- ③ Preparation of Scope of Work (S/W)
- ④ Preliminary Study (Consultation & Conclusion of S/W)
- ⑤ Selection & Contract of Consultant
- ⑥ Field Survey & Studying the Findings in Japan  
(Inception Report, Progress Report, Interim Report, Draft Final Report)
- ⑦ Presentation of Final Report

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# How Development Study is Conducted?

Many processes are involved in the preparation of the M/P and in the F/S, beginning with project identification and confirmation and a request for assistance by the government of the developing country to the Government of Japan and finally ending with the presentation of the final report. Each process is described in detail below.

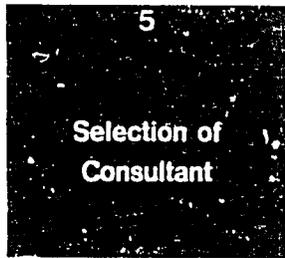


While the identification and confirmation of a project for a development study can take various forms, the developing country generally identifies and selects a priority project (or projects) through its own national development plan preparation process and related policy-making process. A number of feasible projects have, however, been identified in recent years through surveys conducted by JICA's project identification and formulation study terms, the activities of which are assisted by Japanese diplomatic establishment and JICA offices abroad.

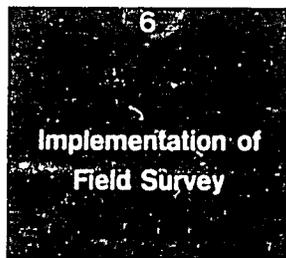
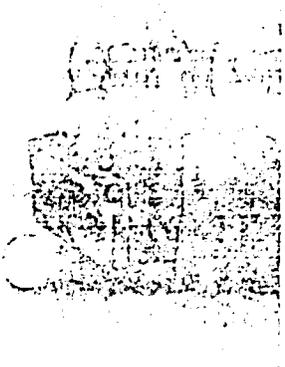
The government of the developing country makes a request for assistance for the selected project to the Government of Japan. This request is usually made through the diplomatic channel with the submission of the request accompanied by the Terms of Reference (T/R).

On receipt of the request, the Government of Japan examines its contents. If the implementation of a development study on the proposed project is judged appropriate, the Government of Japan instructs JICA to proceed with the study.

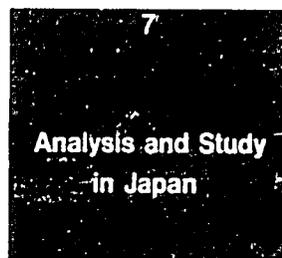
JICA dispatches a preliminary study team to the developing country in question with the cooperation of related ministries and agencies. This preliminary study team collects the necessary basic data and information for the study to follow and consults with those responsible for the project in the developing country to decide the Scope of Work (S/W) in which the contents of the study, study method and items for which each side is responsible are stated. The S/W is signed by both sides and exchanged.



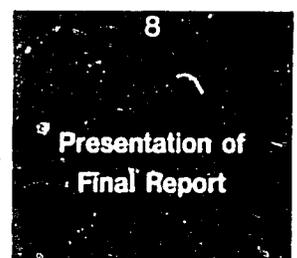
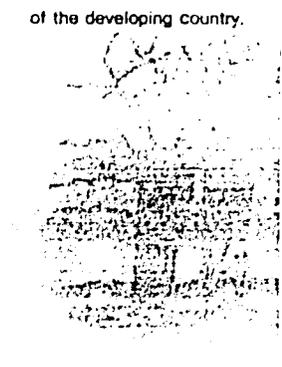
Following the report of the preliminary study, JICA selects a consultant with the most appropriate expertise from among its registered consultants by the proposal method to conduct the basic study in line with the study contents specified in the S/W and a contract between JICA and the selected consultant is made. The study is then implemented by a study team consisting of experts in the subject field.



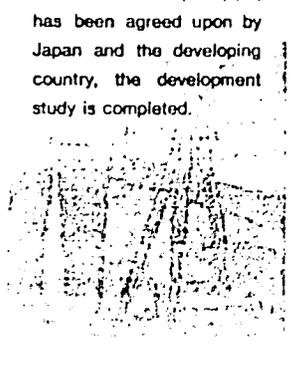
In accordance with the contents of the S/W, the consultant prepares the inception report (IC/R) in which a concrete study method and study plan are described for consultations with the government of the developing country. The period of the field survey, conducted by the consultant with the cooperation of the developing country, varies depending on the subject field and the type of study but is generally 3-6 months and the survey is often conducted in several phases.



Following the completion of the field survey, the consultant examines the field survey results and other relevant data and information and prepares its report which is completed in stages reflecting the progress of the study, i.e. inception report (IC/R), progress report (P/R), interim report (IT/R) and draft final report (D/FR). These reports are presented when deemed necessary during the study process and are finalized through consultations with the government of the developing country.



As especially close consultations are required on the DF/R, a consultation mission is sent by JICA to the developing country. The recent trend in the consultation process is for JICA to hold a seminar in the developing country to facilitate understanding of the study results by related people in the developing country. In general, a month is provided after the consultations for the developing country to prepare its comments on the DF/R. When the final report (F/R) has been agreed upon by Japan and the developing country, the development study is completed.



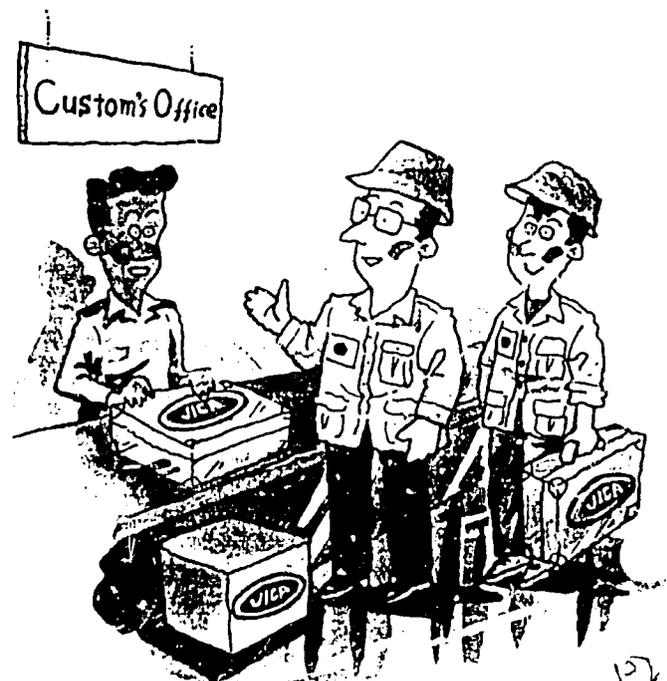
# Major Contributions of Recipient Government for Smooth Implementation of Development Study

Recipient countries are usually requested to undertake the following which are confirmed at the time of signing the S/W for the smooth implementation of the development study.

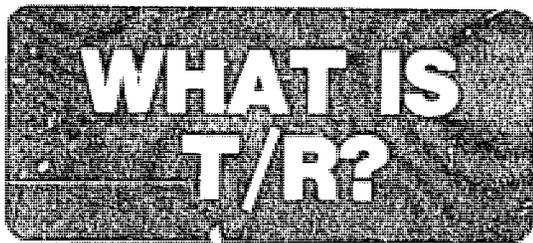
1. To secure the safety of the study team members.
2. To permit the study team members to enter, leave and sojourn in the country.
3. To exempt the study team members from income tax and to exempt equipment and materials used in the field survey from studies and other taxes.
4. To secure permission for the study team members to enter private premises or limited areas where deemed necessary for the study.
5. To provide necessary documents and data, etc. required for the study and to permit the study team to take these documents and data back to Japan.
6. To deal with any claims against the study team members.
7. To provide necessary counterparts.
8. To provide suitable office space and necessary equipment for the study team for the period of the field survey.
9. To make the necessary budgetary appropriation for 1. - 8. above.

The government of a recipient country will act as the coordinating body between both public and private organizations concerned for the smooth implementation of the development study.

If a technical cooperation agreement has already been concluded between the government of a recipient country and the Government of Japan, the provisions regarding conveniences to be provided for Japanese experts specified in the agreement will also apply for the study team members in the development study.







## Standard Model of T/R

(PROVISIONAL)

### TECHNICAL COOPERATION BY THE GOVERNMENT OF JAPAN

#### APPLICATION

By the Government of (the recipient country) \_\_\_\_\_  
for a Development Study on \_\_\_\_\_  
to the Government of Japan.

Note: This model form was devised for the general guidance of the Government agencies concerned (Japan) in order to facilitate the supply of relevant information and data necessary to afford an adequate appreciation of the nature of the technical cooperation required. The careful completion of an application in this form will avoid much reference back and lead to speedier action.

A request to the Government of Japan for the implementation of a development study is made by the government of a developing country by submitting a document accompanied by the T/R (Terms of Reference) to the Government of Japan. The main contents of the T/R are as follows.

#### 1 Purpose of Study

#### 2 Background of Study

#### 3 Scope and Contents of Study

#### 4 Undertakings by Requesting Government

It must be noted that the contents of the request should be stated as clearly as possible in the T/R in view of the smooth examination of the request by the Government of Japan and the subsequent implementation of the development study.

The request accompanied by the T/R is made through the diplomatic channel and not directly to JICA.

#### 1. Project digest

- 1) Project Title:
- 2) Location:
- 3) -1 Responsible Agency
- 3) -2 Executing Agency
- 4) Justification of the Project (Beneficiaries, objectives of the Project etc and/or Positioning in the National Development Plan)
- 5) Desirable or scheduled time of commencement of the Project
- 6) Prospective funding source and/or assistance (including external origin)
- 7) Other relevant Projects, if any.

Please describe as concisely as possible the general profile of the project on which the Development Study is required.

#### 2. Terms of Reference of the proposed Study

- 1) Necessity/Justification of the Studies
- 2) Objectives of the Study
- 3) Study Area
- 4) Scope of the Study
- 5) Study Schedule
- 6) Other relevant information

Please fill the above items in particular on separate sheet, if necessary.

#### 3. Undertakings of the Government of (the recipient country)

In order to facilitate a smooth and efficient conduct of the Study, the Government of (the recipient country) shall take necessary measures:

- 1) to secure the safety of the Study team
- 2) to permit the members of the Study team to enter, leave and sojourn in (the recipient country) in connection with their resignation therein, and exempt them from alien registration requirement and consular fees.
- 3) to exempt the Study team from taxes, duties and any other charges on equipment, machinery and other materials brought into and out of (the recipient country) for the conduct of the Study.
- 4) to exempt the Study team from income tax and charges of any kind imposed on or in connection with any emoluments or allowances paid to the members of the Study team for their services in connection with the implementation of the Study.
- 5) to provide necessary facilities to the Study team for remittance as well as utilization of the funds introduced in (the recipient country) from Japan in connection with the implementation of the Study.
- 6) to secure permission for entry into private properties or restricted areas for the conduct of the Study.
- 7) to secure permission for the Study to take all data, documents and necessary materials related to the Study out of (the recipient country) to Japan.
- 8) to provide medical services as needed. Its expenses will be chargeable to members of the Study team.

4. The Government of (the recipient country) shall bear claims, if any arises against member(s) of the Japanese Study team resulting from, occurring in the course of or otherwise connected with the discharge of their duties in the implementation of the Study, except when such claims arise from gross negligence or willful misconduct on the part of the member of the Study team.

5. (The executing agency) shall act as counterpart agency to the Japanese Study team and also as coordinating body in relation with other governmental and non-governmental organization concerned for the smooth implementation of the Study.

The Government of (the recipient country) assured that the matters referred in this form will be ensured for a smooth conduct of the Development Study by the Japanese Study Team.

Signed: \_\_\_\_\_

Title: \_\_\_\_\_

On behalf of the Government of \_\_\_\_\_

Date: \_\_\_\_\_

# WHAT IS S/W?

## Standard Model of S/W

(PROVISIONAL)

**SCOPE OF WORK  
FOR**  
[A]  
**AGREED UPON BETWEEN**  
[B]  
**AND**  
**THE JAPAN INTERNATIONAL COOPERATION AGENCY**

Name of Place Signed: \_\_\_\_\_ Date: \_\_\_\_\_

Signed: \_\_\_\_\_  
[B]

Signed: \_\_\_\_\_  
LEADER OF THE PRELIMINARY  
STUDY TEAM,  
THE JAPAN INTERNATIONAL  
COOPERATION AGENCY

The S/W (Scope of Work) is the document which is signed and exchanged by the preliminary study team dispatched by JICA and the executing Agency of the government of a recipient country following consultations between the two sides.

The S/W generally has the following contents.

- 1 Purpose of Study
- 2 Scope of Study
- 3 Outline of Study
- 4 Study Schedule
- 5 Types of Reports Required, Number of Reports to be Submitted and Report Submission Dates
- 6 Undertakings by Japanese and Recipient Sides

In some cases, the Minutes of Meetings (M/M) are compiled to refer to those items whose inclusion in the S/W is unsuitable and/or those subjects requiring further examination by both sides.

### I .INTRODUCTION

In response to the request of the Government of [C] (hereinafter referred to as " "), the Government of Japan decided to conduct [A] (hereinafter referred to as "the Study" ) in accordance with the relevant laws and regulations in force in Japan.

Accordingly, the Japan International Cooperation Agency (hereinafter referred to as "JICA" ), the official agency responsible for the implementation of the technical cooperation programmes of the Government of Japan, will undertake the Study in close cooperation with the authorities concerned of [C].

The present document sets forth the scope of work with regard to the Study.

### II . OBJECTIVES OF THE STUDY

### III . OUTLINE (or SCOPE) OF THE STUDY

### IV . WORK (or STUDY) SCHEDULE

### V . REPORTS

JICA shall prepare and submit the following reports in (English) to the Government of [C]:

### VI . UNDERTAKING OF THE GOVERNMENT OF [C]

1. To facilitate smooth conduct of the Study, the Government of [C] shall take necessary measures:

- 1 to secure the safety of the Study team,
- 2 to permit the members of the Japanese study team to enter, leave and sojourn in [C] for the duration of their assignment therein, and exempt them from alien registration requirements and consular fees,
- 3 to exempt the members of the Japanese study team from taxes, duties and other charges on equipment, machinery and other materials brought into [C] for the conduct of the Study,
- 4 to exempt the members of the Japanese study team from income tax and charges of any kind imposed on or in connection with any emoluments or allowances paid to the members of the Japanese study team for their services in connection with the implementation of the Study,
- 5 to provide necessary facilities to the Japanese study team for remittance as well as utilization of the funds introduced into [C] from Japan in connection with the implementation of the Study,
- 6 to secure permission for entry into private properties or restricted areas for the conduct of the Study,
- 7 to secure permission for the Japanese study team to take all data and documents (including photographs) related to the Study out of [C] to Japan,
- 8 to provide medical services as needed. Its expenses will be chargeable to members of the Japanese study team.

2. The Government of [C] shall bear claims, if any arises against members of the Japanese study team resulting from, occurring in the course of, or otherwise connected with the discharge of their duties in the implementation of the Study, except when such claims arise from gross negligence or wilful misconduct on the part of the members of the Japanese study team.

3. [B] (hereinafter referred to as " ") shall act as counterpart agency to the Japanese study team and also as coordinating body in relation with other governmental and non-governmental organization concerned for the smooth implementation of the Study.

4. [B] shall, at its own expense, provide the Japanese study team with the following, in cooperation with other organization concerned:

- 1 available data and information related to the Study,
- 2 counterpart personnel,
- 3 suitable office space with necessary equipment in (Name of Place),
- 4 credentials or identification cards.

### VII . UNDERTAKING OF JICA

For the implementation of the Study, JICA shall take the following measures:

- 1 to dispatch, at its own expense, study teams to [C],
- 2 to pursue technology transfer to the [C] counterpart personnel in the course of the Study,
- 3 to provide the following equipment and machinery for the implementation of the Study, which will remain the property of the Government of Japan unless otherwise agreed upon:

### VIII . OTHERS

JICA and [B] shall consult with each other in respect of any matter that may arise from or in connection with the Study.

A = The Study Title

B = Name of The Recipient  
Country's Executing Agency

C = Name of The Recipient Country

# **DEVELOPMENT SURVEY**

**Japan International Cooperation Agency**

## Development Survey

The Japan International Cooperation Agency (JICA) conducts, among others, surveys and studies on various public development projects of developing countries.

JICA will dispatch for the purpose appropriate experts to the developing country concerned, prepare and submit a report to the government of that country.

Types of development survey.

1. Master Plan (M/P) Study;      Formulation of a long-term, integrated development plan, in which development potentialities of a specific sector or region are studied.
2. Feasibility Study (F/S);      Study on technical, economic and financial feasibilities of a specific project.
3. Resources Survey;      Preparation of basic data and information (e.g. distribution and development potentialities) on forestry, fishery or mineral resources.
4. Ground Water Survey;      Preparation of basic data on the availability of ground water and potentialities for its utilization.
5. Topographical and Nautical Mapping Survey;      Preparation of topographical or nautical maps.
6. Others

(2)

## 1. Objectives of Development Survey

- (1) To provide basic reference material for policy decisions on social and economic development

The result of a development survey is expected to provide necessary data and information for development policy decision by developing countries:

e.g. M/P ; on a development strategy in regard to a specific sector or region

F/S ; on the priority and feasibility of a specific project

- (2) To transfer overall know-how for development planning

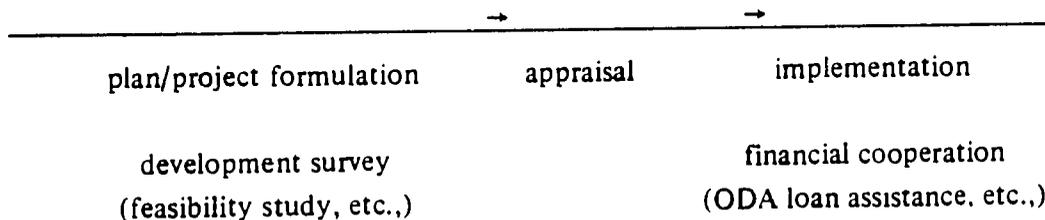
Development survey aims at the transfer of technology, not only relevant to individual fields but also to project formulation, through collaboration with local counterpart engineers in the field, or through training of such counterparts in Japan in the analysis of the data and information collected during the field survey as well as in the subsequent preparation of the study report.

- (3) Linkage between technical cooperation and financial cooperation

A study report, F/S-report in particular, is expected to be utilized by the recipient government in deciding how to implement the project either by means of domestic resources, and/or through financing from international financial institutions (such as the World Bank (IBRD), the Asian Development Bank (ADB), etc.) and/or from Japan or any other foreign country. (Usually an F/S-report is called for by these financial institutions and/or donor countries, when a request for financial assistance is made.)

In effect, the development survey constitutes the first step towards the realization of development plans and projects.

### < Development Project Process and Development Survey >



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## 2. Development Survey and Japan's Financial Cooperation

### (1) Feasibility study and ODA loan assistance

- (i) When the Government of Japan receives an official request from a developing country for an ODA loan, it examines various points before it decides on whether to meet the request or not. Especially in the case of a request for a specific project, a feasibility report is normally required, to confirm its technical, economic and financial feasibilities.
- (ii) It should be stressed, however, that the decision to conduct a feasibility study does not promise the extension of an ODA loan.

### (2) Master Plan Study

In the course of a master plan study, priority projects are normally identified and formulated. After a feasibility study, Japanese financial cooperation is often extended.

## 3. Procedures of the Development Survey

### (1) Request

- (i) The recipient government submits its request through the Embassy of Japan, to the Government of Japan. It is most desirable that the request be supported by detailed information such as proposed terms of reference (T/R).
- (ii) In some cases, a request may be presented verbally on the occasion of a visit of high-ranking officials to Japan or when a project identification team is sent from Japan. Even in such cases the request should be confirmed by documentation.

### (2) Dispatch of preliminary survey team

- (i) The Government of Japan examines the request and decides its attitude to it, taking into consideration the urgency and priority attached to the project as well as JICA's budget constraint and availability of required experts.

The decision by the Government of Japan will be conveyed through the diplomatic channel or at the annual consultation on technical cooperation.

- (ii) When the Government of Japan decides to take up the request, JICA sends a preliminary survey team which normally consists of governmental officials and engineers, with a view to reaching an agreement with the recipient government on the content of the study.

The purposes of the preliminary survey are as follows:

- \* collection of additional data and information
- \* field reconnaissance survey
- \* discussions with the authorities concerned

(4)

(iii) If it is found difficult to obtain sufficient information on the project through diplomatic channel, a contact mission may be dispatched to clarify the contents and nature of the request so that the scope of study may be agreed upon at the next mission.

**(3) Agreement on contents of survey (Scope of Work (S/W))**

When the details and procedures for the study are agreed upon, including the undertakings on both sides, a Scope of Work (S/W) is signed by the representatives of JICA (who is usually the leader of the preliminary survey team) and the counterpart implementing agency.

**(4) Selection of experts**

When the details of the study are agreed upon with the counterpart agency, JICA normally recruits qualified Japanese experts for conducting the study. (The term "expert" refers to either qualified individual engineers or consulting firms.)

**(5) Dispatch of full-scale survey team**

(i) In accordance with the agreed Scope of Work, a full-scale survey team, normally consisting of experts, are dispatched to carry out a field survey in cooperation with the counterpart authorities of the developing country.

(ii) If necessary, an advisory committee is set up in JICA, comprised of specialists of the relevant fields, to monitor the progress of the survey and give necessary advice.

**(6) Office work in Japan**

The data and information collected in the course of the field survey are analyzed and a draft final report is prepared.

**(7) Dispatch of a team on draft report**

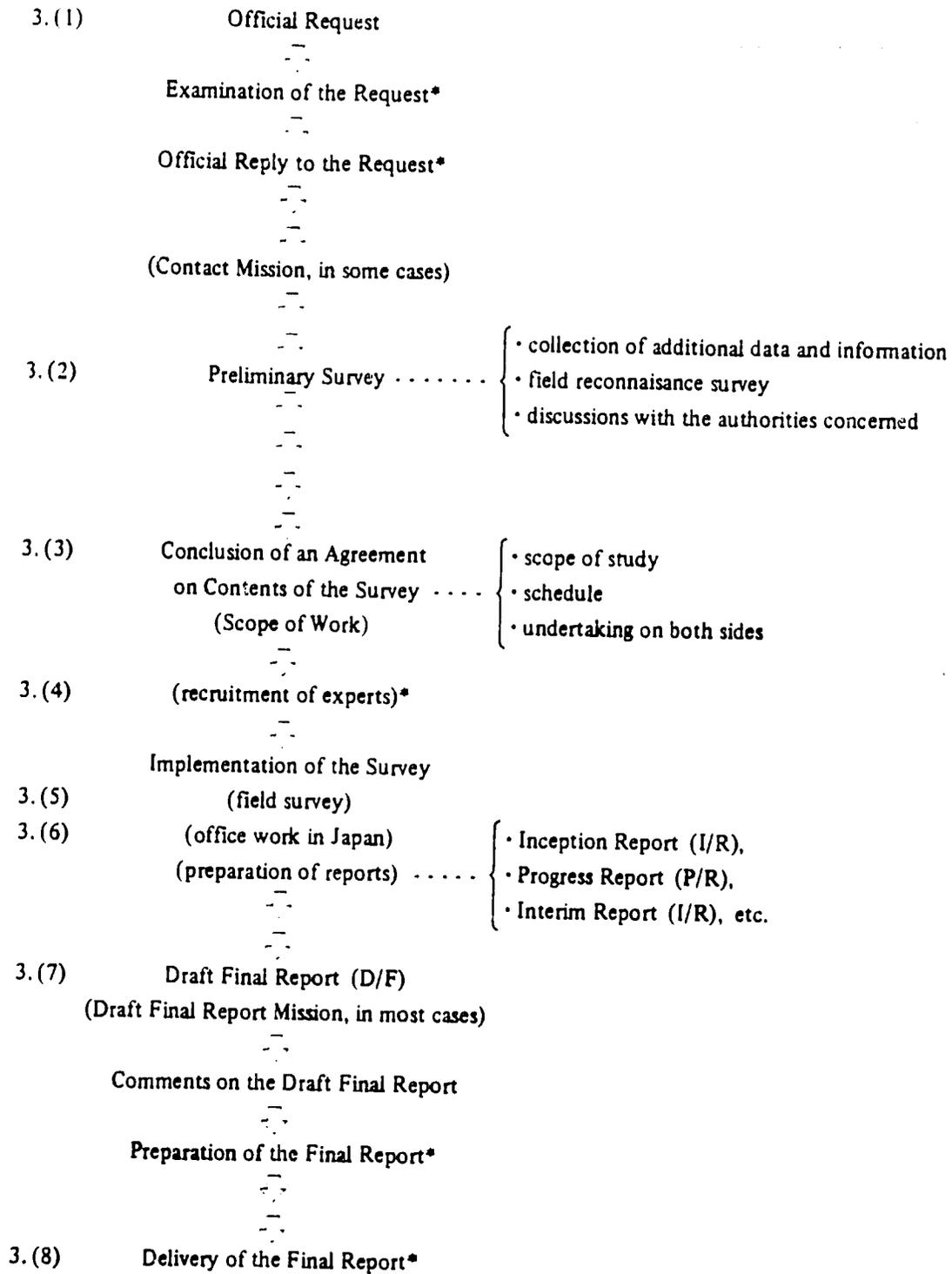
The recipient government is invited to submit its comments on the draft final report, which will be given due consideration in the preparation of the final report.

In most cases, JICA dispatches a team to the recipient country to present and explain in detail the draft final report as well as to have discussions with the relevant authorities.

**(8) Delivery of final report**

When a final report is completed, incorporating the comments of the recipient government on the draft final report, a prescribed number of copies are delivered to the recipient government.

#### 4. Flow Chart of Development Survey



\* actions by the Japanese side

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OVERSEAS ECONOMIC COOPERATIVE FUND

PLEASE REFER TO  
"GUIDELINES FOR PROCUREMENT UNDER OECF LOANS"  
AND  
"GUIDELINES FOR THE EMPLOYMENT OF CONSULTANTS BY OECF BORROWERS"  
IN THE BACK OF YOUR NOTEBOOK

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EXPORT-IMPORT BANK OF JAPAN

**Guidelines  
for  
Procurement  
under  
Untied Loans  
by  
The Export-Import Bank of Japan**

The Export-Import Bank of Japan

4-1, Ohtemachi 1-chome,  
Chiyoda-ku, Tokyo 100, Japan  
Tel.: (03) 287-1221  
Telex.: 222-3728 (AAB:2223728 YUGINJ)  
Fax.: (03) 287-1831

March 1988

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## I. General Considerations

### 1.1 Introduction

- a. The proceeds of untied loans for projects extended by the Export-Import Bank of Japan (such loans subsequently referred to as "loans" and the Export-Import Bank of Japan as "Eximbank") shall be used with due attention to economy, efficiency, fairness in international competition in accordance, in principle, with the procurement procedures set out in these Guidelines. The procedures to use loans will be stipulated in other documents such as a loan agreement and its attachment between the Eximbank and the borrower.
- b. As these Guidelines indicate only general concept of procurement, the procedures including actual rights and obligations of the borrower and bidders in individual procurement shall be stipulated in its bidding documents prepared by the borrower. The borrower shall be responsible for its procurement procedure as well as its results.
- c. Wherever possible the borrower shall obtain goods or services through International Competitive Bidding (ICB). Article II of these Guidelines provides such procurement procedures.
- d. Where the borrower does not effect the procurement directly, the borrower shall make such arrangements as are necessary to ensure that the purchaser complies with these Guidelines.
- e. Retroactive financing, which covers a portion of signed contracts prior to conclusion of loan agreement between the Eximbank and the borrower, may be available as far as the procurement procedures of that portion were not in conflict with these Guidelines.
- f. Where a contract contains expenditures for goods or services which have not been procured in accordance with the agreed procedures, this may be followed by rebidding or cancellation of loan to such a contract.

### 1.2 Eligibility

OECD member countries, and those countries and territories covered by the Statistical Reporting Directives of the DAC are eligible sources for

the supply of goods and services financed out of the proceeds of the loan. (eligible source countries).

### 1.3 Procurement in "Two-Step Loan" (Credit Line Type)

Where the loan provides funds to a financial intermediary (borrower), to be re-lent to sub-borrowers for the financing of sub-projects, the procurement is usually undertaken by the respective sub-borrowers in accordance with established commercial practices. However, even in these situations, international competitive bidding may be recommended for the purchase of large single items or in cases where large quantities of like goods can be grouped together for bulk purchasing. In any cases, such a financial intermediary has a responsibility for supervising appropriate methods of procurement.

### 1.4 References to the Eximbank

References to the Eximbank in bidding documents shall be made in the following manner:

"(name of borrower) has received a loan from the Export-Import Bank of Japan (Note: in case of cofinancing with Japanese commercial banks, "and a number of Japanese commercial banks" to be added) equivalent to (loan amount) toward the cost of (object of financing), and it is intended that the proceeds of this loan will be applied to payments under the contract (contracts) for which this invitation to bid is issued. Payment by the Export-Import Bank of Japan (see note above) will be made only in accordance with the terms and conditions of the Loan Agreement concluded on (date) between the Export-Import Bank of Japan (see note above) and (name of borrower)."

## II. Procedures for International Competitive Bidding

### 2.1 Size of Contracts

In order to foster widespread competition, individual contracts for which bids are invited shall, whenever feasible, be of a size large enough

to attract bids on an international basis. On the other hand, if it is technically and administratively possible to divide a project into contracts of a specialized character and such division is likely to be advantageous to the borrower and to allow broader international competitive bidding, the project shall be so divided. Single contracts for engineering, equipment and construction (commonly known as "Turn-key contracts") may be used if they offer overall advantages to the borrower country within technical and economic considerations.

### 2.2 General Conditions of Contract

Contracts shall contain general conditions which shall cover, wherever appropriate, definitions, the contractor's general obligations, payment terms, provisions for performance bonds and guarantees, indemnities and insurance, penalties and bonus, force majeure, and so forth. These provisions shall be made in accordance with international custom and practice.

### 2.3 Advertising

Invitations to prequalify or to bid shall be advertised in at least one newspaper of general circulation in the recipient country. Copies of such invitations, or the advertisement thereof, shall also be transmitted to local representatives, such as embassies, of eligible countries that are potential suppliers of the goods and services required. Publication of the invitations in the United Nation's *Development Business* is also encouraged. For large and important contracts, it is recommended that advertisements shall be placed in well-known technical magazines and trade publications of wide international circulation. Copies of those invitations or advertisement shall be sent to the Eximbank as well.

### 2.4 Prequalification of Bidders

If prequalification is used, it shall be based entirely upon ability to perform satisfactorily, taking into account (i) the experience of the firm on similar work, (ii) its capabilities with respect to personnel, equipment and plant, and (iii) its financial position and integrity. Advertisement of the prequalification procedure shall be carried out in accordance with

the procedure described in paragraph 2.3 above. Abbreviated specifications shall be made available to contractors desiring to be considered for qualification. When prequalification is employed, all firms which are found to be qualified shall be permitted to bid.

## 2.5 Languages

Bidding documents and contracts shall be prepared in English or in other languages accepted by the Eximbank and shall provide that the text of the documents in English or in other languages accepted by the Eximbank is authoritative when the documents are also prepared in the language other than the above.

## 2.6 Clarity of Bidding Documents

Bidding documents shall set forth as clearly and precisely as possible the work to be accomplished and the equipment and services to be supplied. Drawings shall be consistent with the text of the specifications; where they are not, the text shall govern. The bidding documents shall identify the basis for evaluations and comparison of bids which will be taken into account in evaluating and comparing bids. The bidding documents shall be so worded as to permit and encourage ICB.

Any additional information, clarification or correction of errors and alterations of specifications and invitations to bid shall be communicated promptly to those who requested the original tender documents.

## 2.7 Standards

National standards to which equipment or materials must comply shall, in principle, not be cited; if, however, they are cited, the specifications shall state that goods meeting internationally accepted standards and complying with the performance requirements of the specifications will also be accepted.

## 2.8 Use of Brand Name and Phrase "or equal"

Equipment specifications shall be based on performance capability. In particular, descriptions contained in specifications shall not prescribe brand names, catalogue numbers, processes, or types of equipment of

a specific manufacturer unless it has been determined that this is necessary to include certain essential features. In the latter case, the reference shall be followed by the words "or equal" and the specifications shall permit offers of alternative equipment, articles or materials which have similar characteristics and provide equal performance and quality to those specified.

## 2.9 Limits on Disbursements

Bidding documents shall state that disbursements from the proceeds of the Eximbank loans will be limited to financing goods and services provided from eligible source countries.

## 2.10 Currency

### a. Currency used for Payments

Cost of goods and services procured under the loans shall be expressed and payable in the national currency of the bidder or a currency widely used in international trade. However, any portion spent in the borrower's country may be stated in such a country's currency.

The tender documents shall accordingly make provision of payment in conformity with above requirement.

### b. Indication of Currencies

Whenever expenditures in both local currency and foreign currency are involved, the tender document shall require that the amounts of these expenditures be shown separately.

### c. Rate of Exchange

Under contracts requiring expenditure in more than one currency or in cases where it is expected that bidders from several countries will submit bid expressed, in part or in whole, in their national currencies, it will be necessary that for the purpose of comparison of bids, all currencies be converted into a single currency at a specified rate (or rates) of exchange. Such rates shall be fixed as of a reasonable date prior to the date fixed for the opening of the bids.

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### 2.11 Bid Bonds or Guarantees

Bidders shall be required to submit bid bonds or bidding guarantees. But those shall not be set so high as to discourage bidders. Such securities shall be released to unsuccessful bidders once it is determined that they will not be awarded a contract.

### 2.12 Settlement of Disputes

The conditions of contract shall include provisions dealing with the applicable law and the forum for the settlement of disputes. International commercial arbitration may have practical advantages over other methods for the settlement of disputes. Borrowers shall, therefore, consider providing for this type of arbitration in contracts for the procurement of goods and works. The Eximbank shall not be named arbitrator or be asked to name an arbitrator.

### 2.13 Time Interval between Invitation and Submission of Bids

The time allowed for the preparation and submission of bids shall be determined with due consideration of the particular circumstances of the project and the magnitude and complexity of the contract. Generally, not less than 45 days from the date of the invitation to bid or the date of availability of bidding documents, whichever is later, shall be allowed for international bidding. Where large works or complex items of equipment are involved, this period shall generally be not less than 90 days to enable prospective bidders to conduct investigations before submitting their bids.

### 2.14 Bid Opening Procedures

The time for the bid opening shall be the same as for the latest delivery of bids or promptly thereafter, and shall be announced, together with the place for bid opening, in the invitation to bid. The borrower shall open all bids at the stipulated time. Bids shall be opened in public; i.e., bidders or their representatives shall be allowed to be present. The name of the bidder and total amount of each bid, and those of any alternative bids if they have been requested or permitted, shall be read aloud

and recorded when opened. Bids received after the time stipulated shall not be considered.

### 2.15 Clarifications or Alterations of Bids

No bidder shall be permitted to alter his bid after the tender closing date. Only clarifications not changing the substance of the bid may be made. The borrower shall not ask any bidder to change the substance of his bid.

### 2.16 Confidentiality of Procedures

Except as may be required by law, information relating to the examination, clarification and evaluation of bids and recommendations concerning awards shall not be communicated after the public opening of bids to any persons other than the Eximbank, the borrower, the purchaser, the consultant or any other persons who are officially concerned with the procedures before the announcement of the award of a contract to the successful bidder.

### 2.17 Examination of Bids

Following the opening, it shall be ascertained whether material errors in computation have been made in the bids, whether the bids are fully responsive to the terms of the specifications, whether the required guarantees and sureties have been provided, whether documents have been properly signed and whether the bids are otherwise generally in order. If a bid does not substantially conform to the specifications or is not otherwise substantially responsive to the invitation, it shall be rejected.

### 2.18 Evaluation of Bids

Bid evaluations shall be consistent with the terms and conditions set forth in the bid invitation and specifications and any modifications thereof prior to the closing dates for tender submission. For the purpose of determining the lowest evaluated bid, factors other than price, such as the time of completion of construction or other work, the efficiency and reliability of the equipment, the time of its delivery and the availability

of service and spare parts, shall also be taken into consideration and shall, to the largest possible extent, be expressed in monetary terms.

### **2.19 Rejection of Bids**

Bidding documents may provide for the rejection by the purchaser of all bids where the bids do not meet the intent of the specifications, where there is evidence of lack of competition, or when the low bids exceed the cost estimates by an amount sufficient to justify such action. In such cases the borrower may enter into negotiations with one or more of the apparent low bidders to ascertain the causes for such events and the reasons for the difference between the low bid and the cost estimates. Negotiated contracts reflecting changes in the specifications, leading to economies in the cost of the project, may be acceptable, provided the changes do not alter substantially the nature of the project. Where changes are substantial, rebidding may be appropriate.

### **2.20 Postqualifications of Bidders**

If bidders have not been prequalified, the borrower shall determine whether the bidder whose bid has been evaluated the lowest has the capability and financial responsibility to carry out the contract concerned.

### **2.21 Award of Contract**

The award of a contract shall be made to the bidder whose bid has been determined to be the lowest evaluated bid (taking into account the factors mentioned in paragraph 2.18).

## **III. Procurement Methods Other than ICB**

There are circumstances where international competitive bidding would not be the most economic and efficient method of procurement, and where other methods are deemed more appropriate. The Eximbank may consider those other methods acceptable such as in the following cases.

### **3.1 Limited International Bidding (LIB)**

Limited international bidding is essentially international competitive bidding by direct invitation without open advertisement, and may be an appropriate method of procurement in cases where (i) the amounts are small, (ii) there are only a limited number of suppliers of the particular goods or services needed, or (iii) other exceptional reasons may justify departure from full ICB procedures. Under LIB, borrowers shall seek bids from a list of potential suppliers broad enough to assure competitive prices. In all respects other than advertisement, ICB procedures shall apply.

### **3.2 Local Competitive Bidding (LCB)**

Competitive bidding advertised locally and in accordance with local procedures may be the most efficient and economical way of procuring goods or works which, by their nature or scope, are unlikely to attract foreign competition. LCB may be the preferred method of procurement where foreign bidders are not expected to be interested because (i) the contract values are small; (ii) works are scattered geographically or spread over time; (iii) works are labor intensive; or (iv) the goods or works are available locally at prices below the international market. LCB procedures may also be used where the advantages of international competitive bidding are clearly outweighed by the administrative or financial burden involved.

### **3.3 International and Local Shopping**

Shopping is a procurement method based on comparing price quotations obtained from several foreign or local suppliers, usually at least three, to ensure competitive prices. It requires no formal bidding documents, and is an appropriate method for procuring readily available off-the-shelf goods or standard specification commodities that are small in value and, in some cases, small simple works.

### **3.4 Direct Contracting**

Direct contracting without competition may be an appropriate

method under the following circumstances:

- a. An existing contract for goods or services, may be extended for the construction or provision of additional works or goods of a similar nature. In such cases it shall be proved that no advantage could be obtained by further competition and that the prices on the extended contract are reasonable. Provisions for such an extension, if considered likely in advance, shall be included in the original contract;
- b. Standardization of equipment or spare parts, to be compatible with existing equipment, may justify additional purchases from the original supplier. For such purchases to be justified, the original equipment shall be suitable, the number of new items shall generally be less than the existing number, the price shall be reasonable, and the advantages of having another make of equipment shall have been denied;
- c. The required equipment is proprietary and obtainable only from one source;
- d. The contractor responsible for a process design requires the purchase of critical items from a particular supplier as a condition of his guarantee of performance;
- e. In certain cases, the need for early delivery of particular goods may justify direct contracting in order to avoid costly delays, although shopping is usually preferable to obtain the best price; and
- f. A negotiated civil works contract may be acceptable in certain circumstances where competitive bidding procedures, including re-bidding have failed to produce a contractor able and willing to carry out the required works at a reasonable price.

### 3.5 Force Account

Force account, i.e., construction by the use of the borrower's own personnel and equipment, may be the only practical method for constructing some kinds of works. The use of force account may be justified where:

- a. quantities of work involved cannot be defined in advance;
- b. works are small and scattered or in remote locations where mobilization costs for contractors would be unreasonably high;

- c. work must be carried out without disrupting ongoing operations;
- d. the risks of unavoidable work interruption are better borne by the borrower than by a contractor; or
- e. no contractor is interested in carrying out the works.

## IV. Guidelines for the Use of Consultants

**4.1** In cases where it is desirable to make use of specialized consultants in view of the nature of the project to be financed, the borrower will, at his own responsibility, enter into a consulting service contract with consultants.

**4.2** Consultants to be employed in relation to a project financed under the loans shall be independent in the sense that their advice and the designs, specifications and tender documents prepared by them shall be free of national, commercial or industrial bias.

Consultants who are associated with contracting or manufacturing firms shall be used only if they disqualify themselves and their associates from future bidding on any part of the project.

**4.3** Invitations to submit proposals shall be sent to at least three firms in at least two eligible source countries. The borrower shall analyze proposals received and choose a firm as most suitable by evaluating the competence and experience of the firm and the personnel to be assigned, the quality of the proposal, the client/consultant relationship, and financial terms in some cases.

## V. Grievances

The borrower shall make provision for the hearing and investigation of complaints arising in connection with the issuance of tenders, the submission of bids and the award of contracts. In the case of purchases conducted under the procedures set out in these guidelines, substantive complaints regarding restrictive commodity specification or other restrictive terms of the invitation, made prior to the bid closing date, shall be resolved before the opening of bids. If necessary, the bid closing date shall be postponed for an appropriate period.

Breakdown of \$20 billion recycling program

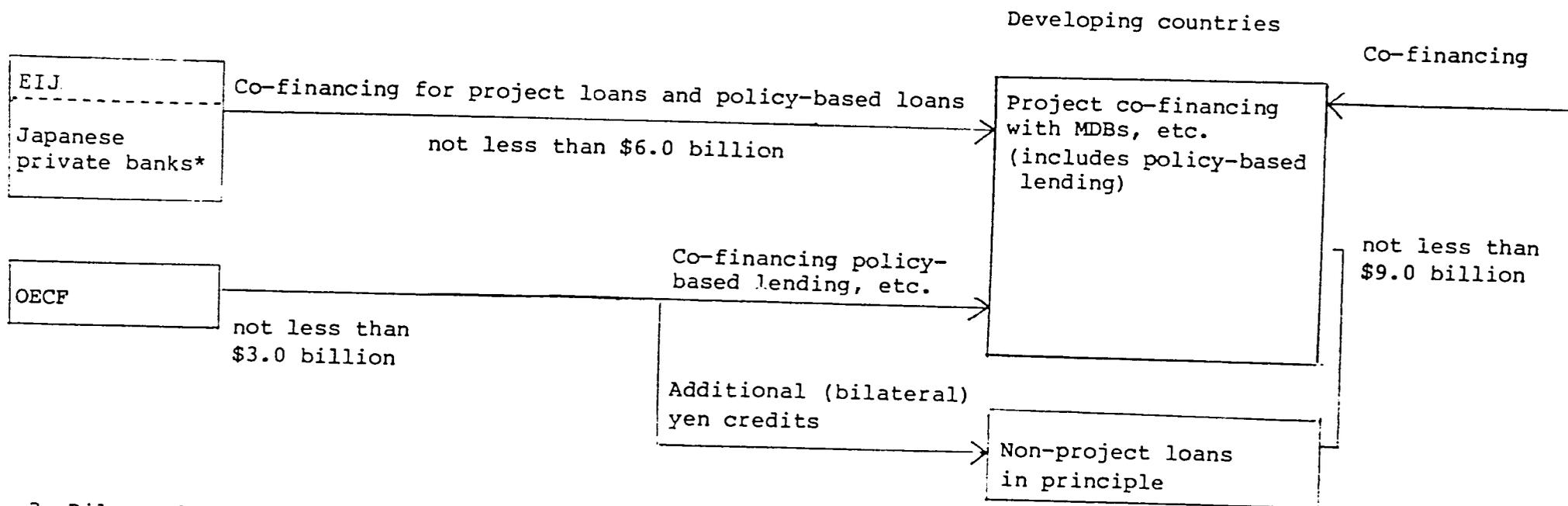
|   |               |
|---|---------------|
| 1. Government contributions and additional subscriptions to World Bank, ADB & IDB, etc. and private capital cooperation   | ≐ \$8 billion |
| 2. Expanded co-financing by OECF, the EIJ, and private banks with World Bank, etc., as well as supplemental OECF policy support loans to the developing countries | ≐ \$9 billion |
| 3. Expanded direct untied financing from the EIJ  | ≐ \$3 billion |
| 3 year total ≐ \$20 billion   |               |

(Added to the previously announced \$10 billion as outlined below, the three-year total comes to not less than \$30 billion.)

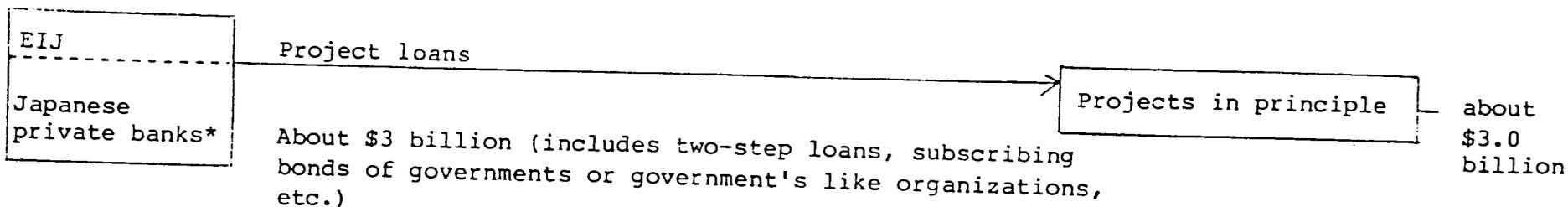
|   |                 |
|---|-----------------|
| a. Establishment of World Bank Japan Special Fund | ≐ \$2.0 billion |
| b. Lending to IMF                                 | ≐ \$3.6 billion |
| c. Subscriptions to MDBs (IDB and ADF)            | ≐ \$3.9 billion |

Flow of Direct Loans to Developing Countries: Categories 2 and 3 of the \$20 billion Recycling Measure

2 Untied loans co-financed with MDBs, etc.



3 Bilateral supply of untied loans through the EIBJ



\* Included in the total when there is simultaneous (co- or parallel) financing by Japanese private banks to the borrower.

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Results of the Recycling Plan  
(as of April 9, 1989)

(Allocation by Region)

|                                    | Commitment (US\$ Mil.) | %        |
|------------------------------------|------------------------|----------|
| 1. Asia                            | 3, 5 4 3               | 5 0. 7   |
| 2. Europe, Africa, and Middle East | 1, 8 7 5               | 2 6. 8   |
| 3. Latin America                   | 1, 5 7 4               | 2 2. 5   |
| <hr/>                              |                        |          |
| T o t a l                          | 6, 9 9 2               | 1 0 0. 0 |

(Allocation by Co-financing Org.)

|                               | Commiment(US\$ Mil.) | %        |
|-------------------------------|----------------------|----------|
| 1. IBRD                       | 4, 7 0 4             | 6 7. 3   |
| 2. IDB                        | 2 3 0                | 3. 3     |
| 3. ADB                        | 2 1 0                | 3. 0     |
| 4. Independent EXIM financing | 1, 8 4 8             | 2 6. 4   |
| <hr/>                         |                      |          |
| T o t a l                     | 6, 9 9 2             | 1 0 0. 0 |

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April 7, 1989

Exim Japan's Commitments on \$ 20 billion Recycling Plan

(1) Ordinary operation of extending untied loans to developing countries

| COUNTRY           | BORROWER / ISSUER                         | AMOUNT (US\$ Mil.) | LOAN OBJECTIVE   | COMMITMENT   | COFINANCING ORG. |
|-------------------|---|--------------------|--|--|------------------|
| INDONESIA         | GOVERNMENT                                | 1,200<br>(300)     | 21 projects including energy, non-oil product export promotion, cash crop export promotion | March 11, 1987<br>L/A concluded  | IBRD             |
| PAKISTAN          | NATIONAL DEVELOPMENT FINANCE CORP. (NDFC) | 20<br>(17)         | acquisition of public bond for economic development issued by NDFC                         | April 20, 1987<br>acquisition  | -                |
| PHILIPPINES *     | GOVERNMENT                                | 300                | 28 projects in the public investment program   | October 1, 1987<br>L/A concluded   | IBRD             |
| ARGENTINA *       | GOVERNMENT                                | 370<br>(37)        | oil refinery projects and gas development projects   | February 22, 1988<br>L/A concluded   | IBRD             |
| TURKEY            | GOVERNMENT                                | 500<br>(200)       | energy sector rationalization  | September 30, 1987<br>L/A concluded  | IBRD             |
| KOREA             | KOREA LONG-TERM CREDIT BANK               | 30                 | two-step-loan for economic development   | September 30, 1987<br>protocol concluded<br>December 31, 1987<br>L/A concluded | -                |
| ALGERIA           | CREDIT POPULAIRE D'ALGERIE (CPA)          | 50<br>(40)         | acquisition of public bond for economic development issued by CPA                          | October 23, 1987<br>acquisition  | -                |
| TRINIDAD & TOBAGO | GOVERNMENT                                | 60<br>(48)         | acquisition of public bond for economic development issued by government                   | December 10, 1987<br>acquisition   | -                |
| VENEZUELA *       | Bauxita Venezolana (Bauxiven)             | 110<br>(32)        | bauxite project  | April 7, 1988<br>L/A Concluded   | IDB              |

\* Recipient Countries under Baker Initiative  
( ) Private Banks' Portions

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| COUNTRY   | BORROWER / ISSUER                      | AMOUNT (US\$ Mil.) | LOAN OBJECTIVE   | COMMITMENT   | COFINANCING ORG. |
|-----------|--|--------------------|--|--|------------------|
| INDIA     | NATIONAL THERMAL POWER CO.Ltd. (NTPC)  | 610 (160)          | projects of thermal power stations   | March 18, 1988<br>L/A concluded  | I B R D          |
| INDIA     | INDIAN RAILWAYS FINANCE CO.Ltd. (IRFC) | 110                | the railway modernization projects   | February 8, 1988<br>Protocol concluded<br>August 10, 1988<br>L/A concluded | A D B            |
| TURKEY    | T.C.Turizm Bankasi A.S.                | 80 (64)            | acquisition of public bond for tourism development issued by T.C. Turizm bankasi A.S.      | February 22, 1988<br>acquisition   | -                |
| COLOMBIA  | * Financiera Electrica Nacional (FEN)  | 300 (90)           | electricity sector adjustment program  | March 4, 1988<br>Protocol concluded  | I I R D          |
| INDONESIA | GOVERNMENT                             | 80 (21)            | two-step-loan for economic development   | March 14, 1988<br>L/A concluded  | -                |
| PORTUGAL  | Electricidade de Portugal (EDP)        | 120 (60)           | acquisition of public bond for facility construction issued by Electricidade de Portugal   | March 28, 1988<br>acquisition  | -                |
| CHINA     | Bank of China                          | 240                | two-step-loan for export development   | May 5, 1988 Pledged<br>July 26, 1988<br>L/A concluded                      | -                |
| BARBADOS  | GOVERNMENT                             | 40 (20)            | acquisition of public bond for economic development  | May 25, 1988<br>acquisition  | -                |
| CHILE     | * Empresa Electric Pehuenche S.A.      | 120 (36)           | construction of a hydroelectric power station executed by Empresa Electrica Pehuenche S.A. | June 10, 1988<br>L/A concluded   | I D B            |
| ALGERIA   | Banque Algerienne de Developpement     | 200 (60)           | development plan(1985-89)<br>two-step-loan for economic development                        | June 20, 1988<br>Protocol concluded  | -                |

| COUNTRY                       | BORROWER / ISSUER                               | AMOUNT (US\$ Mil.) | LOAN OBJECTIVE  | COMMITMENT  | COFINANCING ORG. |
|-------------------------------|---|--------------------|---|---|------------------|
| INDIA                         | The Industrial Development Bank of India        | 240 (75)           | two-step loan for industrial projects                     | June 30, 1988<br>L/A concluded  | —                |
| INDONESIA                     | GOVERNMENT                                      | 580                | on-going economic infrastructure projects                 | July 29, 1988<br>Protocol concluded<br>August 9, 1988<br>L/A concluded      | IBRD<br>ADB      |
| TURKEY                        | GOVERNMENT                                      | 670 (270)          | financial sector adjustment                               | August 10, 1988<br>Protocol concluded<br>September 5, 1988<br>L/A concluded | IBRD             |
| East African Development Bank | East African Development Bank                   | 5                  | two-step-loan for execution of the export sector projects | September 28, 1988<br>Protocol concluded                                    | —                |
| MEXICO *                      | Telefonos de Mexico, S.A. (TELMEX)              | 300 (90)           | telephone network digitalization project                  | November 17, 1988<br>Protocol concluded                                     | —                |
| CHILE *                       | GOVERNMENT                                      | 200                | structural adjustment program                             | December 14, 1988<br>L/A concluded  | IBRD.            |
| PAPUA NEW GUINEA              | Mineral Resources Development Company Pty. Ltd. | 50 (15)            | two-step-loan for mineral resources development projects  | December 15, 1988<br>L/A concluded  | —                |
| MALAYSIA                      | Bank Industri Malaysia Berhad                   | 50                 | two-step-loan under Asean-Japan Development Fund (AJDF)   | January 6, 1989<br>L/A concluded  | —                |
| MALAYSIA                      | Malaysian Industrial Development Finance Berhad | 33                 | two-step-loan under Asean-Japan Development Fund (AJDF)   | January 6, 1989<br>L/A concluded  | —                |

| COUNTRY | BORROWER / ISSUER                                    | AMOUNT (US\$ Mil.) | LOAN OBJECTIVE  | COMMITMENT                     | COFINANCING ORG. |
|---------|--|--------------------|---|--------------------------------|------------------|
| OMAN    | GOVERNMENT   | 200                | the projects related to the development of agriculture and/or infrastructure of the Sultanate of Oman | March 3, 1989<br>L/A concluded | -                |
| TUNISIA | Banque de Developpement Economique de Tunisie (BDET) | 50<br>(15)         | two-step-loan for economic development projects   | March 9, 1989<br>L/A concluded | -                |
| URUGUAY | GOVERNMENT   | 74                 | transportation sector project   | April 7, 1989<br>L/A concluded | IBRD             |

Sub-Total: \$ 6,992 (1,650) million

(2) Special contribution operation to support the Enhanced Structural Adjustment Facility (ESAF) of IMF : \$ 3,040 million (equivalent of SDR 2,200 million)

Grand Total: \$ 10,032 million

Examples of Procurement under Eximbank Untied Loan

1. FSAL to Turkey (as of March 1, 1989)

|    | Country<br>(10 major supplier countries) | Procurement under Disbursed<br>Amount (US\$ million) |
|----|--|--|
| 1  | Iraq                                     | 34.7   |
| 2  | Switzerland                              | 27.3   |
| 3  | U. S. A.                                 | 17.2   |
| 4  | Netherland                               | 11.6   |
| 5  | France                                   | 5.2  |
| 6  | U. K.                                    | 4.1  |
| 7  | Japan                                    | 3.5  |
| 8  | Belgium                                  | 3.0  |
| 9  | Australia                                | 2.7  |
| 10 | Canada                                   | 1.9  |

2. SAL to Chile (fully disbursed)

|    | Country<br>(10 major supplier countries) | Procurement under Disbursed<br>Amount (US\$ million) |
|----|--|--|
| 1  | U. S. A.                                 | 102.1  |
| 2  | Brazil                                   | 40.2   |
| 3  | Japan                                    | 25.5   |
| 4  | Colombia                                 | 23.4   |
| 5  | Switzerland                              | 22.8   |
| 6  | West Germany                             | 20.2   |
| 7  | Venezuela                                | 18.0   |
| 8  | Nigeria                                  | 14.2   |
| 9  | France                                   | 14.1   |
| 10 | U. K.                                    | 13.9   |

Disbursement and Procurement under Eximbank Untied Loans  
(as of Jan.31, 1989)

The Export Import Bank of Japan

| COFINANCING ORG. | COUNTRY           | BORROWER                                  | LOAN OBJECTIVE   | COMMITMENT<br>(US\$ Mil.)<br>(**) | of which<br>disbursed<br>(US\$ Mil.) | Procurement under EXIM<br>disbursement amount  |
|------------------|-------------------|---|--|-----------------------------------|--------------------------------------|--|
| IBRD             | INDONESIA         | GOVERNMENT                                | 21 Projects including energy, non-oil product export promotion, cash crop export promotion | 1,200<br>( 300)                   | 1,200<br>( 300)                      | All for local costs  |
| -                | PAKISTAN          | NATIONAL DEVELOPMENT FINANCE CORP. (NDFC) | acquisition of public bond for economic development issued by NDFC                         | 20<br>( 17)                       | 20<br>( 17)                          | n. a.  |
| IBRD             | PHILIPPINES       | GOVERNMENT                                | 28 Projects in the public investment program   | 300                               | 255                                  | All for local costs  |
| IBRD             | ARGENTINA         | GOVERNMENT                                | oil refinery projects and gas development projects   | 370<br>( 37)                      | 157<br>( 16)                         | Mostly for local costs   |
| IBRD             | TURKEY            | GOVERNMENT                                | energy sector rationalization  | 500<br>( 200)                     | 258<br>( 200)                        | All for local costs<br>(***)   |
| -                | KOREA             | KOREA LONG-TERM CREDIT BANK               | two-step-loan for economic development   | 30                                | 13                                   | n. a.  |
| -                | ALGERIA           | CREDIT POPULAIRE D'ALGERIE (CPA)          | acquisition of public bond for economic development issued by CPA                          | 50<br>( 40)                       | 50<br>( 40)                          | n. a.  |
| -                | TRINIDAD & TOBAGO | GOVERNMENT                                | acquisition of public bond for economic development issued by government                   | 60<br>( 48)                       | 60<br>( 48)                          | n. a.  |
| IDB              | VENEZUELA         | BAUXITA VENEZOLANA (BAUXIVEN)             | bauxite project  | 110<br>( 32)                      | -<br>( -)                            | Conveying equipment (DM49 Mil.) will be supplied by a West German company                    |
| IBRD             | INDIA             | NATIONAL THERMAL POWER CO. Ltd. (NTPC)    | projects of thermal power stations   | 610<br>(160)                      | 420<br>(160)                         | Mostly for local costs, except for a boiler(\$30 Mil.) to be supplied by an Italian company. |
| ADB              | INDIA             | INDIAN RAILWAYS FINANCE CO. LTD.          | the railway modernization projects   | 110                               | -                                    | -  |
| -                | TURKEY            | T.C. TURIZM BANKASI A.S.                  | acquisition of public bond for tourism development issued by T.C. Turizm bankasi A.S.      | 80<br>( 64)                       | 80<br>( 64)                          | n. a.  |

| COFINANCING ORG. | COUNTRY                             | BORROWER  | LOAN OBJECTIVE   | COMMITMENT<br>(US\$ Mil.) | of which<br>disbursed<br>(US\$ Mil.) | procurement under EXIM<br>disbursement amount  |
|------------------|-------------------------------------|---|--|---------------------------|--------------------------------------|--|
| IBRD             | COLOMBIA                            | FINANCIERA<br>ELECTRICA<br>NACIONAL (FEN)         | electricity sector adjustment program  | 300<br>( 90)              | —<br>( —)                            | —  |
| —                | INDONESIA                           | GOVERNMENT  | two-step loan for economic development   | 80<br>( 21)               | 64<br>( 19)                          | n. a.  |
| —                | PORTUGAL                            | ELECTRICIDADE DE<br>PORTUGAL (EDP)                | acquisition of public bond for facility<br>construction issued by Electricidade<br>de Portugal   | 120<br>( 60)              | 120<br>( 60)                         | n. a.  |
| —                | CHINA                               | BANK OF CHINA                                     | two-step-loan for export development   | 240                       | —                                    | —  |
| —                | BARBADOS                            | GOVERNMENT  | acquisition of public bond for economic<br>development   | 40<br>( 20)               | 40<br>( 20)                          | n. a.  |
| IDB              | CHILE                               | EMPRESA<br>ELECTRICA<br>PEHUENCHE S.A.            | construction of a hydroelectric power<br>station executed by Empresa Electrica<br>Pehuenche S.A. | 120<br>( 36)              | 28<br>( 8)                           | Mostly for local costs   |
| —                | ALGERIA                             | BANQUE ALGERIENNE<br>DE DEVELOPPEMENT             | development plan (1985-89)<br>two-step-loan for economic development                             | 200<br>( 60)              | —<br>( —)                            | —  |
| —                | INDIA                               | INDUSTRIAL<br>DEVELOPMENT BANK<br>OF INDIA (IDBI) | two-step-loan for industrial projects  | 240<br>( 75)              | 92<br>( 75)                          | n. a.  |
| IBRD/ADB         | INDONESIA                           | GOVERNMENT  | on-going economic infrastructure projects  | 580                       | 200                                  | All for local costs  |
| IBRD             | TURKEY                              | GOVERNMENT  | financial sector adjustment  | 670<br>(270)              | 454<br>(270)                         | Iraq:\$35 Mil., Switzerland:\$27 Mil.,<br>U.S.A:\$17Mil., Netherland:\$12 Mil., etc. |
| —                | EAST AFRICAN<br>DEVELOPMENT<br>BANK | EAST AFRICAN<br>DEVELOPMENT<br>BANK               | two-step-loan for execution of the export<br>sector projects                                     | 5                         | —                                    | —  |
| —                | MEXICO                              | Telefonos de<br>Mexico, S.A.<br>(TELENEX)         | telephone network digitalization project   | 300<br>( 90)              | —<br>( —)                            | —  |

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| COFINANCING ORG. | COUNTRY          | BORROWER  | LOAN OBJECTIVE   | COMMITMENT (US\$ Mil.) | of which disbursed (US\$ Mil.) | procurement under EXIM disbursement amount                   |
|------------------|------------------|---|--|------------------------|--------------------------------|--|
| IBRD             | CHILE            | GOVERNMENT                                      | structural adjustment program                            | 200                    | 200                            | U.S.A.:\$63 Mil., Brazil:\$40 Mil., Colombia:\$23 Mil., etc. |
| -                | PAPUA NEW GUINEA | Mineral Resources development Company Pty. Ltd. | two-step-loan for mineral resources development projects | 50<br>( 15)            | -<br>( -)                      | -  |
| -                | MALAYSIA         | Bank Industri Malaysia Berhad                   | two-step-loan under Asean-Japan Development Fund (AJDF)  | 50                     | -                              | -  |
| -                | MALAYSIA         | Malaysian Industrial Development Finance Berhad | two-step-loan under Asean-Japan Development Fund (AJDF)  | 33                     | -                              | -  |
|                  |                  |   | (Sub-Total)  | 6,668<br>(1,635)       | 3,711<br>(1,297)               |  |

\* Special contribution operation to support the Enhanced Structural Adjustment Facility (ESAF) of IMF : \$ 3,040 million (equivalent of SDR 2,200 million)

Grand Total: \$ 9,708 million

\*\* ( ): Commercial Banks' co-financing portion

\* Energy Sector Rationalization : \$ 9.0 million was awarded (undisbursed), of which:

|              |     |                             |
|--------------|-----|-----------------------------|
| U.S.         | 5.0 | parts for drilling machines |
| West Germany | 2.6 | parts for drilling machines |
| U.K.         | 1.3 | trolley locomotives         |
| others       | 0.1 |                             |

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CONTACT POINTS FOR FOLLOW-UP

GOVERNMENT OF JAPAN

Detailed contact points are given in the back of the booklets provided to you on JICA, OECF, and EX-IM Japan.

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# Foreign Aid Facts

## U.S. Agency for International Development

Since 1961, the U.S. Agency for International Development (USAID) has provided financial assistance to help developing countries achieve sustainable economic growth and human progress.

USAID programs mean teaching a farmer in Africa to grow sorghum, giving a family in Asia the chance to start its own small business or showing a mother in Latin America how to use a simple formula to keep her child from dying from dehydration caused by diarrhea.

Since foreign aid programs were established in 1947 as part of the Marshall Plan to help rebuild war-torn Europe, more than \$210 billion has been made available through a variety of economic and disaster relief programs.

In 1989, U.S. foreign aid will provide approximately \$7 billion in economic assistance, which is about one-half of one percent of the federal budget.

It is important for Americans to understand that much of the money spent on foreign aid actually is spent here in the United States. In

fact, 70 cents of every foreign aid dollar goes to American businesses, creating thousands of jobs in the United States while providing needed assistance to developing countries.

Although the focus of foreign aid was shifted through President Truman's Point Four Program from Europe to developing countries, the reasons the foreign aid program was established remain valid today:

- In terms of **national security interest**, we want developing countries to emerge as stable democracies with strong ties to the United States and other Western countries.
- For **humanitarian** reasons, the people of the United States place a premium on seeing poverty and misery reduced in developing countries.
- For **commercial** purposes, our foreign policy helps establish strong and credit-worthy trading and investment partners. The nations of the developing world supply many strategic minerals vital to our national defense.

History has shown repeatedly

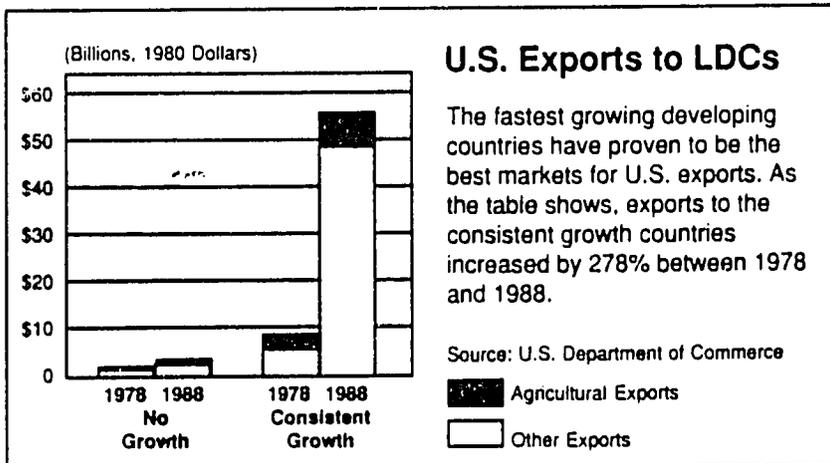


U.S. foreign aid programs are designed to stimulate economic growth in developing countries, thus making it possible for those countries to overcome long-term problems.

that countries we aid become healthy trading partners and strong allies once they can stand on their own. It is no accident that Japan, West Germany and other European nations we aided are among our strongest allies today.

Dramatic progress also has been made by early recipients of U.S. foreign aid. South Korea, Taiwan, Brazil and Greece are a few examples. Many countries that were underdeveloped are now newly industrialized. Today, they are able to help other less developed countries, and we benefit from their trade.

Developing and newly industrialized countries purchase more than 35% of all U.S. exports. In the first nine months of 1988, exports to these nations were worth more than \$76 billion, a 36% increase over 1987.



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Of the 50 largest buyers of farm goods, 21 are countries that used to receive food aid from the United States. Korea, for example, now buys as much from U.S. farmers in one year as it received in its 25 years as a food aid recipient.

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## USAID MAKES A DIFFERENCE

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In addition to helping countries like South Korea and Taiwan become valuable allies and trading partners, the foreign assistance program has brought about substantial improvements in the quality of life in less developed countries.

Our assistance is one of the most important means of promoting the humanitarian ideals and democratic values of the American people.

Without the food aid contributed by America in 1985, 20 million people would have died in sub-Saharan Africa in one of the worst droughts in history. Together with other international donors, USAID continues to supply food and economic support to famine-plagued areas in Africa such as the Sudan.

On the other hand, the U.S. foreign assistance program has worked with international donor organizations to help bring about breakthroughs in agriculture that have enabled many nations to become self-reliant in food.

One such country, India, has benefited from research sponsored by USAID that led to the development of hybrid crops capable of adapting to adverse weather conditions.

Foreign aid programs can make a difference. In health care, the Agency's efforts have led to the development and promotion of life-saving technologies, combating infectious diseases that kill millions of children in developing countries.

In the past 27 years, life expectancy in developing nations has



Access to schools has increased in developing countries. In the 1950s less than 40% of all school-age children were enrolled in primary school; the enrollment rate is now about 70%.

increased by 20%. Infant mortality rates declined by 4% annually in 1980-85 in USAID-assisted countries.

The results of U.S. foreign assistance programs are evident in many countries. Agency programs helped increase literacy rates in USAID-assisted developing countries by 33%. Primary school enrollment has tripled, and secondary school enrollment has expanded by an even larger amount.

In Egypt, USAID has built more than 500 schools since 1975, and total school enrollment there has increased more than 13%.

In Bangladesh, Agency programs have funded the electrification of 17 rural areas and the development of 17 privately owned electrical cooperatives. In Costa Rica, more than 3,000 loans for building or improving homes for low-income families were made available through a USAID program.

Agency-sponsored programs have worked to bring about democratic reforms by showing some countries how to revise their judicial systems and criminal codes to encourage due process and justice.

Nonetheless, it is not enough to vaccinate children against disease or give them food for a day. America's goal is to help developing countries learn how to maintain their own health care systems and provide food, clothing and jobs for their people.

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## FOREIGN AID: HOW IT WORKS

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U.S. foreign aid programs are designed to stimulate economic growth in developing countries, thus making it possible for these countries to make permanent inroads against long-term problems such as hunger, health deficiencies, illiteracy and unmanageable population pressures.

With sustained economic growth as the goal, USAID programs are intended to assist foreign governments make the changes needed to create a climate in which their economies can expand.

When a nation requests economic assistance from the United States, help is provided to devise economic policies that enable long-term development to succeed.

USAID, therefore, works with governments to eliminate inappropriate subsidies, price and wage controls, trade restrictions, overvalued exchange rates and interest rate ceilings that curtail economic performance.

U.S. economic assistance also promotes open and competitive markets in developing countries and advocates policies in those countries that permit the expansion of the indigenous private sector.

The foreign aid program supports privately controlled cooperatives, credit unions and other insti-

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tutions that give people the means to participate in choosing their leaders and working for needed changes.

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## TYPES OF PROGRAMS

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The assistance provided by the U.S. Agency for International Development is divided into four major categories: Development Assistance, the Economic Support Fund, Food for Peace and Disaster Assistance.

An overview of each area follows:

### DEVELOPMENT ASSISTANCE

Development assistance projects are designed to help recipient countries achieve economic progress on their own.

Aid is given in the form of grants and loans in areas such as agriculture, rural development, nutrition, voluntary family planning, health, education, human resource development, energy, science, technology and private sector training.

Programs are concentrated in countries where U.S. assistance is needed most and where there is a clear commitment to broadly based economic growth.

USAID supports more than 1,500 development assistance projects in more than 70 countries in the following areas:

**Education and Human Resource Development:** A nation's human resources are a key to sustained economic and social development. In the developing world, about 600 million adults are illiterate. Professional and technical personnel are in short supply.

A major objective of U.S. foreign aid is to raise basic education levels, establish and maintain a skilled work force and ensure that people

have social and economic opportunities to use their talents and skills productively. Because women are an important part of the work force in developing countries, USAID programs emphasize the participation of women at all levels.

USAID's Office of International Training has provided opportunities for more than 260,000 people from developing countries to receive academic and technical training in the United States. The U.S.-based training also establishes important cultural links between developing countries and the United States.

**Agriculture, Rural Development and Nutrition:** Another objective of the foreign assistance program is to increase the availability of food and improve nutrition to aid the more than 500 million malnourished people in the world today.

This is best accomplished by having countries change policies that limit agricultural production by improving agricultural technology and by providing training opportunities.

Research is a key factor in



**Enabling developing countries to achieve self-reliance in food and helping them increase their citizens' income can expand U.S. export markets.**

improving agricultural production. Development assistance for research support is furnished to a network of international agricultural research centers and U.S. land- and sea-grant colleges to enhance and expand food production.

Food aid can be an important contributor to income and human capital growth, especially among countries in the early stages of development. It also can relieve pressure on fragile natural resources while technology, institutions and policies are developed to increase agricultural production without destroying the land and the surrounding environment.

Enabling developing countries to achieve self-reliance in food and helping individuals increase their income also opens the door for expansion of U.S. export markets.

USAID support to agricultural research worldwide preserves genetic material and develops technology that can be helpful to U.S. farmers.

**Health:** Development assistance also goes to help expand basic health care through projects in areas with proven effectiveness in reducing morbidity and mortality from illnesses prevalent in the developing world.

Financial and technical support is given for the improvement of vaccines for measles, whooping cough, leprosy and rotavirus, the most common cause of infant diarrhea.

USAID was a sponsor of the research that developed oral rehydration therapy—a simple, inexpensive solution of salts, water and sugar that helps prevent death caused by dehydration from diarrhea—that can be administered by a mother. USAID works along with the United Nations Children's Fund (UNICEF) and the World Health Organization (WHO) as partners in the global effort to promote use of the solution.

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Child survival projects are a major emphasis of USAID's health program. Half of all deaths in developing countries occur among children under the age of five.

**Voluntary Family Planning:** The goal of population assistance is to enhance the well-being of families by expanding the availability and use of voluntary family planning services such as allowing more time between the births of children to improve their chances of surviving.

Unrestrained population growth compounds serious development problems and increases the cost of national and international efforts to reduce disease, poverty and malnutrition.

USAID trains workers to take voluntary family planning services and information into rural areas and to coordinate voluntary family planning with education, health and nutrition programs.

**Energy, Environment and Natural Resources:** Incorporating environmental considerations into the development process only began in the last decade when USAID focused international attention on the relationship between sustained economic growth and natural resource management.

Environmental analysis has since become a requirement for all overseas development projects. Careful procedures for pesticide use in development activities also have been adopted.

Effective forest and land management is crucial to economic development. U.S. foreign aid supports more than 70 forestry projects in 37 countries to improve management and related soil, water, forest and range-vegetation conservation efforts.

USAID also provides technical training and research to help developing countries make the most efficient use of their energy resources and manage their natural resources.

## THE ECONOMIC SUPPORT FUND

Other U.S. assistance is provided through the Economic Support Fund (ESF). It is part of the U.S. security assistance program and addresses economic, structural and developmental problems in countries of particular security and political interest to the United States. The economic support is sometimes linked to an agreement in which the developing country allows the United States to operate a military base or to have access rights to that country's bases.

These resources support development assistance goals and meet a variety of needs, including helping countries pay off their debts and finance capital projects such as roads, markets and schools.

## FOOD FOR PEACE

Food aid is provided in close cooperation with the U.S. Department of Agriculture through the Food for Peace Program or Public Law 480.

Food used in the program comes from surplus American crops such as corn and wheat, thus providing a way for U.S. farmers to sell more of their products.

Since 1954, the Food for Peace program has delivered some 320 million metric tons of food to nearly 2 billion people in more than 100 countries.

## DISASTER ASSISTANCE

USAID's Office of U.S. Foreign Disaster Assistance (OFDA) coordinates American government relief work to alleviate the effects of natural and man-made disasters as quickly as possible and to reduce human suffering.

During the last 27 years, relief was provided to victims of 998 foreign disasters in 135 countries in which 2.8 million people have died and 945 million others have been adversely affected.

In 1988, for example, USAID responded to 60 disasters, including providing aid to combat a severe locust outbreak in 11 African countries, delivering emergency supplies to Bangladesh and assisting relief efforts in hurricane-ravaged Jamaica.

OFDA also has established specialized disaster response teams, provided technical assistance and training to develop early warning systems and worked to improve preparedness in disaster-prone areas.

## ECONOMIC GROWTH AND HUMAN PROGRESS

USAID works with other international donors and developing nations to stimulate broad-based economic growth and to ensure that important services reach the people who need them the most.

The Agency is convinced there is a dynamic relationship between economic democracy and political democracy. The more nations do to involve their citizens in the economic growth process, the greater the stake in freedom those citizens acquire.

The more the United States can do to help developing countries help themselves, the better off they will be. And the better off America will be.

### Want to Know More?

For more information or additional copies, contact:

Office of Public Inquiries  
Bureau for External Affairs  
U.S. Agency for International  
Development  
Washington, D.C. 20523  
(202) 647-1850

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OFFICE OF INTERNATIONAL TRADE AND INVESTMENT PROMOTION

The Office of International Trade and Investment Promotion (ITIP) is responsible for establishing a fully coordinated effort within the U.S. Agency for International Development to work with U.S. businesses to increase U.S. exports and direct investments in developing countries.

The Agency for International Development is in a unique position to help U.S. firms take advantage of investment opportunities in developing countries. A.I.D.'s knowledge of the economic situation and prospects of each of the countries in which we work is a significant resource. In addition, A.I.D. is uniquely qualified to help U.S. businesses strengthen their understanding of the importance of economic growth in the developing nations to America's future. For further information please call Nancy Ellis or Jeanne Guttman at 647-3805.

## THE U.S. TRADE AND DEVELOPMENT PROGRAM

The Trade and Development Program (TDP), established in 1980, is an independent agency under the International Development Cooperation Agency (IDCA). TDP has two objectives: (1) to assist in the economic development of friendly developing and middle-income countries and (2) to promote the export of U.S. goods and services to those countries. TDP accomplishes these objectives by providing grants for feasibility studies and planning services for public sector development projects. TDP acts as a catalyst to open markets to U.S. firms and to encourage U.S. private sector involvement in infrastructure development. TDP grants are untied to follow-on procurement yet TDP-funded feasibility studies have led to over \$2 billion in direct exports for the United States.

TDP's principal method/tool in carrying out its mandate is to offer grants to developing countries to fund U.S. feasibility studies for major projects. Through the judicious selection of potential projects, TDP increases the likelihood that American goods and services will be procured for use in these projects and exported to the host nation. TDP's funding of untied U.S. planning services offsets the impact of foreign government's subsidies and improves the competitive position of United States firms in overseas markets. Other activities such as sponsorship of international conferences and funding of reverse trade missions, compliment our feasibility study support. Essentially, TDP activities serve as a catalyst to encourage U.S. private sector involvement in LDC infrastructure development and to open up markets to U.S. firms that would otherwise go to our primary foreign competitors.

TDP works with the private sector through its Investor Assistance Program (IAP). This program is designed to encourage U.S. private sector investment in overseas projects which involve U.S. equity and exports. IAP offers cost-sharing of feasibility studies with U.S. investors on a reimbursable basis. TDP requires that financing for the project be lined up prior to TDP's commitment to provide assistance. The U.S. investor must plan to maintain a significant equity position in the project, and the project must have a substantial U.S. export potential. At the outset, the investor must finance the entire study. Once the study is complete, TDP will reimburse the investor for up to 50% of the cost of the study. This financing is provided on the basis of a four-year, no interest

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loan, which the investor repays to the U.S. Government. IAP has been available to U.S. businesses since July 1, 1983. TDP works closely with its sister agency, OPIC, in the administration of this program.

For further information please contact any of the following people at (703) 875-4357:

Regional Director South and Central America  
Dan Stein

Regional Director Middle East/Caribbean  
Van McCutcheon

Regional Director Africa  
Fred Eberhart

Regional Director Thailand, Taiwan, Malaysia, Singapore & Brunei  
Jack Willimason

Regional Director Philippines, Indonesia, Korea, Sri Lanka,  
India, Pakistan, and Nepal  
Richard Williams

Regional Director China  
Betsey Horsman

Private Investment Projects  
Barbara Bradford

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**UNITED STATES DEPARTMENT OF COMMERCE**  
**International Trade Administration**  
Washington D C 20230

Office of International Major Projects  
Capital Goods and International Construction  
International Trade Administration  
U.S. Department of Commerce

The Office of International Major Projects (OIMP) helps qualified U.S. firms to develop exports through major project contracts by developing information on upcoming engineering and construction projects, counseling business persons, and acting as liaison with the multilateral development banks and U.S. Government agencies, including the Trade and Development Program and the Export-Import Bank. The office also makes available information on major projects that have been awarded to foreign firms for which U.S. firms could subcontract, or on major projects where joint ventures between U.S. and foreign firms are possible.

OIMP project officers cover the following sectors:

Hydro and alternative power, fossil fuel power, transmission lines, shipbuilding, airports, ports, harbors, railroads, mass transit, highway, bridges and tunnels, water and sewerage, mining and metals, agribusiness, irrigation, oil and gas, LNG, oil shale, refineries, pipelines, pulp and paper, cement, health, education, urban development, chemicals, petrochemicals, and fertilizer.

Contact: Robert Lurensky  
Phone: (202) 377-4002  
FAX : (202) 277-3954



**UNITED  
STATES  
AND  
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COMMERCIAL  
SERVICE  
ORGANIZATION**

## I. US&FCS Overview

The U.S. and Foreign Commercial Service (US&FCS) is a service corps of international trade specialists ready to help the U.S. business community expand sales to markets all over the globe.

With 1,300 employees in over 200 cities worldwide, the US&FCS is strategically located to assist small- and medium-sized companies in every phase of the exporting process. Overseas, the US&FCS is present in 65 countries -- more than 95 percent of the world market for U.S. exports. Domestically, the US&FCS operates 47 district offices and 21 branch offices in industrial and commercial centers nationwide.

The US&FCS was created with the transfer, on April 1, 1980, of the Foreign Commercial Service from the Department of State. The Secretary of Commerce was authorized to recruit a cadre of business professionals experienced in international trade and promotion of U.S. exports abroad. This group was merged with the Department of Commerce's domestic field operations in 1982, creating the United States and Foreign Commercial Service. This merger gave U.S. business a network of trade specialists worldwide to represent their interests.

Since the merger of the two corps, the US&FCS has grown and matured into a respected foreign affairs agency responsible for aggressively supporting U.S. commercial interests abroad. It is a service oriented agency, rather than administrative or regulatory, with its constituency being the U.S. business community.

Mandated by Congress to protect and promote U.S. business interests abroad, the US&FCS is committed to increasing the number of U.S. firms, particularly small- and medium-sized firms, involved in international trade. To meet this

commitment, the US&FCS provides

- counseling through its district offices in major cities in the United States,
- export assistance in beginning or expanding exporting through numerous programs and services that make trade opportunities available, and
- on-the-spot trade facilitation and market information provided by overseas commercial officers located in major markets throughout the world.

Through its district offices, highly trained trade specialists work with small and medium-sized companies providing them with export marketing and counseling assistance. During FY 1988 alone, US&FCS conducted over 125,000 counseling sessions which assisted almost 600 companies to make their first export sale. Over 2,000 companies reported sales to a new market.

US&FCS district offices also develop and maintain close working relationships with other national, state and local trade organizations in order to expand U.S. public awareness of the importance of exporting to local economies. Currently, 18 states participate in an expanded pilot program to strengthen federal-state partnerships. This approach minimizes duplication of efforts and encourages a greater state role in export promotion.

The US&FCS has a strong corps of commercial officers who are specialists in international trade and have extensive private sector experience. In fact, our overseas officers have over 860 cumulative years of private sector experience, for an average of eight years experience in the private sector. Seven officers were previously company presidents; 13 were previously vice presidents of banks or international operations for major organizations; 45

**UNITED  
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(continued)

have general or marketing management backgrounds; 10 others were project managers or engineers, and 19 have previous finance, business consultancy, or legal experience.

Ninety-one percent of our overseas officers have bachelor's degrees; 61% have advanced degrees, mostly in business, international relations or law. To be effective working in foreign markets, an overseas officer must be able to communicate in the language of the country where he is posted. The US&FCS officer corps is proficient in 20 different languages reflecting US&FCS language-designated positions worldwide. In a demographic survey recently conducted by the Department of State, the US&FCS had the highest percentage of language-qualified officers of all U.S. foreign affairs agencies. Thirty percent (54 US&FCS officers) speak two or more foreign languages. Ninety-six percent speak at least one foreign language, with 18 officers proficient in Chinese and 11 in Japanese.

As outlined above, US&FCS recruitment efforts at every level have placed a premium on identifying candidates with appropriate academic qualifications, significant private sector experience, foreign language skills, and an abiding interest in international trade. These efforts have resulted in the selection of a corps of highly qualified, highly motivated, language-proficient officers ready and willing to assist U.S. business worldwide.

The experienced international trade specialists overseas at U.S. embassies and consulates and in the district offices function as catalysts in the export process for the U.S. business community especially for smaller firms that cannot afford to maintain agents and representatives in every potential market. Overseas, US&FCS staff is charged with representing the commercial interests of the United States, with all the inherent activities involved. US&FCS district offices communicate directly with overseas

posts to obtain specialized information, clarify foreign regulations, obtain competitive assessments, or facilitate visits by U.S. business representatives.

The Export Promotion Services (EPS) unit, located in Washington, DC., directs the scheduling of trade promotion events, provides exhibit design support, contracts for development of market research, and promotes exporting through a variety of marketing techniques.

EPS also manages most of US&FCS' trade information and contact services, with the district offices and overseas posts providing the critical link between U.S. firms and overseas markets. The programs and services offered by the US&FCS are varied and flexible, so much so that, in many cases, U.S. firms new to exporting can make export sales without resorting to expensive travel abroad. All of these programs are described in the Programs and Services section that follows. (Section III.)

In addition, EPS produces *A Basic Guide To Exporting*, a "how-to" manual on the mechanics of exporting. This *Guide* contains information on developing an export strategy, finding economical market research, pricing for profits, shipping overseas, obtaining export licenses, and more. *A Basic Guide to Exporting* is available at Government Printing Office bookstores across the country for \$8.50.

Through Export Promotion Services, the US&FCS is developing the Commercial Information Management System (CIMS). CIMS will improve exchange of export information and other trade communications among all US&FCS offices and will allow district offices to process, retrieve, and print export contact information and market research more quickly and efficiently.



U.S. DEPARTMENT OF COMMERCE  
INTERNATIONAL TRADE ADMINISTRATION  
U.S. AND FOREIGN COMMERCIAL SERVICE  
DISTRICT OFFICE DIRECTORY  
DECEMBER 1988



**Lew W. Cramer**  
Director General  
U.S. and Foreign Commercial Service  
Room 3802, HCH Building  
14th & Constitution Avenue, N.W.  
Washington, D.C. 20230  
Area Code 202 Tel. 377-5777  
FTS 377-5777

**Genevieve McSweeney Ryan**  
Deputy Assistant Secretary  
U.S. and Foreign Commercial Service  
Room 3804, HCH Building  
14th & Constitution Avenue, N.W.  
Washington, D.C. 20230  
Area Code 202 Tel. 377-0725  
FTS 377-0725

**T. Fleetwood Mefford**  
Deputy Assistant Secretary for  
Domestic Operations  
Room 3810, HCH Building  
14th & Constitution Avenue, N.W.  
Washington, D.C. 20230  
Area Code 202 Tel. 377-4767  
FTS 377-4767

#### ALABAMA

\***Birmingham**—Gayle C. Shelton, Jr., Director, Berry Bldg., Rm. 302, 2015 2nd Avenue North, 35203, Area Code 205 Tel. 731-1331, FTS 229-1331

#### ALASKA

**Anchorage**—(Vacant), 701 C Street, P O Box 32, 99513, Area Code 907 Tel. 271-5041, FTS 8 907 271-5041

#### ARIZONA

**Phoenix**—Donald W. Fry, Director, Federal Bldg., Rm. 3412, 230 North 1st Avenue, 85025, Area Code 602 Tel. 261-3285, FTS 261-3285

#### ARKANSAS

**Little Rock**—Lon J. Hardin, Director, Suite 811, Savers Federal Bldg., 320 West Capitol Avenue, 72201, Area Code 501 Tel. 378-5794, FTS 740-5794

#### CALIFORNIA

**Los Angeles**—Daniel J. Young, Director, 11777 San Vicente Blvd., Room 800, 90049, Area Code 213 Tel. 209-6707, FTS 793-6707

• **Santa Ana**—116 West 4th Street, Suite #1, 92701, Area Code 714 Tel. 836-2461, FTS 799-2461

**San Diego**—Richard Powell, Director, 6363 Greenwich Drive, Suite 260, 92122, Area Code 619 Tel. 557-5395, FTS 895-5395

\* **San Francisco**—Betty D. Neunart, Director, 450 Golden Gate Avenue, Box 36013, 94102, Area Code 415 Tel. 556-5860, FTS 556-5860

#### COLORADO

\* **Denver**—Jim Manis, Deputy Director, 1625 Broadway, Suite 600, 80202, Area Code 303 Tel. 844-3246, FTS 564-3246

#### CONNECTICUT

\* **Hartford**—Eric B. Outwater, Director, Federal Office Bldg., 450 Main Street, Room 610B, 06103, Area Code 203 Tel. 240-3530, FTS 244-3530

#### DELAWARE

Serviced by Philadelphia District Office

#### DISTRICT OF COLUMBIA

• **Washington, D.C. (Baltimore, Md. District)**—Department of Commerce, 14th & Constitution Avenue NW, Rm. 1066 HCHB, 20230, Area Code 202 Tel. 377-3181, FTS 377-3181

#### FLORIDA

**Miami**—Ivan A. Cosimi, Director, Suite 224, Federal Bldg., 51 S.W. First Avenue, 33130, Area Code 305 Tel. 536-5267, FTS 350-5267

• **Clearwater**—128 North Osceola Avenue, 34615, Area Code 813 Tel. 461-0011, FTS 826-3738

• **Jacksonville**—3100 University Blvd. South, Suite 200A, 32216, Area Code 904 Tel. 791-2796, FTS 946-2796

• **Orlando**—111 North Orange Avenue, Suite 1439, 32802, Area Code 407 Tel. 648-1608, FTS 820-6235

• **Tallahassee**—Collins Bldg., Rm. 401, 107 West Gaines Street, 32304, Area Code 904 Tel. 488-6469, FTS 965-7194

#### GEORGIA

**Atlanta**—George T. Norton, Director, Suite 504, 1365 Peachtree Street NE, 30309, Area Code 404 Tel. 347-7000, FTS 257-4872

**Savannah**—James W. McIntire, Director, 120 Barnard Street, A-107, 31401, Area Code 912 Tel. 944-4204, FTS 248-4204

#### HAWAII

**Honolulu**—George B. Dolan, Director, 300 Ala Moana Blvd., P.O. Box 50026, 96850, Area Code 808 Tel. 541-1782, FTS 551-1782

#### IDAHO

• **Boise (Portland, Oregon District)**—2nd Floor, Hall of Mirrors, 700 West State Street, 83720, Area Code 208 Tel. 334-3857, FTS 554-9254

#### ILLINOIS

**Chicago**—Michael V. Simon, Acting Director, 55 East Monroe Street, Rm. 1406, 60603, Area Code 312 Tel. 353-4450, FTS 353-4450

• **Palatine**—W.R. Harper College, Roselle & Algonquin Rd., 60067, Area Code 312 Tel. 397-3000, ext. 2532

• **Rockford**—515 North Court Street, P.O. Box 1747, 61110-0247, Area Code 815 Tel. 987-8123 FTS 363-4347

#### INDIANA

• **Indianapolis**—Mel R. Sherar, Director, One North Capitol, Suite 520, 46205, Area Code 317 Tel. 226-6214, FTS 331-6214

#### IOWA

**Des Moines**—John H. Steuber, Jr., Acting Director, 817 Federal Bldg., 210 Walnut Street, 50309, Area Code 515 Tel. 284-4222, FTS 862-4222

#### KANSAS

• **Wichita (Kansas City, Missouri District)**—River Park Place, Suite 580, 727 North Waco, 67203, Area Code 316 Tel. 269-6160, FTS 752-6160

#### KENTUCKY

**Louisville**—Donald R. Henderson, Director, Room 636B, Gene Snyder Courthouse and Customhouse Bldg., 601 West Broadway, 40202, Area Code 502 Tel. 582-5066, FTS 352-5066

#### LOUISIANA

**New Orleans**—Paul L. Guidry, Director, 432 World Trade Center, No. 2 Canal Street, 70130, Area Code 504 Tel. 589-6546, FTS 682-6546

#### MAINE

• **Augusta (Boston, Massachusetts District)**—77 Sewall Street, 04330, Area Code 207 Tel. 622-8249, FTS 833-6249

#### MARYLAND

**Baltimore**—LoRee P. Silloway, Director, 413 U.S. Customhouse, 40 South Gay Street, 21202, Area Code 301 Tel. 962-3560, FTS 922-3560

#### MASSACHUSETTS

**Boston**—Francis J. O'Connor, Director, World Trade Center, Suite 307, Commonwealth Pier Area, 02210, Area Code 617 Tel. 565-8563, FTS 835-8563

#### MICHIGAN

**Detroit**—Donald L. Schilke, Director, 1140 McNamara Bldg., 477 Michigan Avenue, 48226, Area Code 313 Tel. 226-3650, FTS 226-3650

• **Grand Rapids**—300 Monroe NW, 49503, Area Code 616 Tel. 456-2411, FTS 372-2411

#### MINNESOTA

**Minneapolis**—Ronald E. Kramer, Director, 108 Fed. Bldg., 110 South 4th Street, 55401, Area Code 612 Tel. 348-1638, FTS 777-1638

**MISSISSIPPI**

**Jackson**—Mark E. Spinney, Director, 328 Jackson Mall Office Center, 300 Woodrow Wilson Blvd., 39213, Area Code 601 Tel. 965-4388, FTS 490-4388

**MISSOURI**

\* **St. Louis**—Donald R. Loso, Director, 7911 Forsyth Blvd., Suite 610, 63105, Area Code 314 Tel. 425-3302, FTS 279-3302

**Kansas City**—John R. Kupfer, Director, 601 East 12th Street, Room 635, 64106, Area Code 816 Tel. 426-3141, FTS 867-3141

**MONTANA**

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**NEBRASKA**

**Omaha**—George H. Payne, Director, 11133 "O" Street, 68137, Area Code 402 Tel. 221-3664, FTS 864-3664

**NEVADA**

+ **Reno**—Joseph J. Jeremy, Director, 1755 East Plumb Lane, #152, 89502, Area Code 702 Tel. 784-5203, FTS 470-5203

**NEW HAMPSHIRE**

Serviced by Boston District Office

**NEW JERSEY**

\* **Trenton**—Thomas J. Murray, Director, 3131 Princeton Pike Bldg. #6, Suite 100, 08648, Area Code 609 Tel. 989-2100, FTS 483-2100

**NEW MEXICO**

\* **Santa Fe (Dallas, Texas District)**—c/o Economic Develop. and Tourism Dept., 1100 St. Francis Drive, 87503, Area Code 505 Tel. 827-0264

\* **Albuquerque (Dallas, Texas District)**—517 Gold S.W., Suite 4303, 87102, Area Code 505 Tel. 766-2386, FTS 474-2386

**NEW YORK**

**Buffalo**—Robert F. Magee, Director, 1312 Federal Bldg., 111 West Huron Street, 14202, Area Code 716 Tel. 846-4191, FTS 437-4191

\* **Rochester**—121 East Avenue, 14604, Area Code 716 Tel. 263-6480, FTS 963-6480

**New York**—Joel W. Barkan, Director, 26 Federal Plaza, Rm. 3718, 10278, Area Code 212 Tel. 264-0634, FTS 264-0634

**NORTH CAROLINA**

\* **Greensboro**—Samuel P. Troy, Director, 324 West Market Street, P.O. Box 1950, 27402, Area Code 919 Tel. 333-5345, FTS 699-5345

**NORTH DAKOTA**

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**OHIO**

\* **Cincinnati**—Gordon B. Thomas, Director, 9504 Federal Bldg., 550 Main Street, 45202, Area Code 513 Tel. 684-2944, FTS 684-2944

**Cleveland**—Toby T. Zettler, Director, 668 Euclid Avenue, Room 600, 44114, Area Code 216 Tel. 522-4750, FTS 942-4750

**OKLAHOMA**

**Oklahoma City**—Ronald L. Wilson, Director, 6601 Broadway Extension, 73116, Area Code 405 Tel. 231-5302, FTS 736-5302

\* **Tulsa**—440 South Houston Street, 74127, Area Code 918 Tel. 581-7650, FTS 745-7650

**OREGON**

**Portland**—Richard Lenahan, Director, Room 618, 1220 S.W. Third Avenue, 97204, Area Code 503 Tel. 221-3001, FTS 423-3001

**PENNSYLVANIA**

**Philadelphia**—Robert E. Kistler, Director, 475 Alleendale Road, Suite 202, King of Prussia, 19406, Area Code 215 Tel. 962-4980, FTS 486-7954

**Pittsburgh**—John A. McCartney, Director, 2002 Federal Bldg., 1000 Liberty Avenue, 15222, Area Code 412 Tel. 644-2850, FTS 722-2850

**PUERTO RICO**

**San Juan (Hato Rey)**—J. Enrique Vilella, Director, Room G-55, Federal Bldg., 00918, Area Code 809 Tel. 766-5555, FTS 498-5555

**RHODE ISLAND**

\* **Providence (Boston, Massachusetts District)**—7 Jackson Walkway, 02903, Area Code 401 Tel. 528-5104, FTS 838-5104

**SOUTH CAROLINA**

**Columbia**—Edgar L. Rojas, Director, Strom Thurmond Federal Bldg., Suite 172, 1835 Assembly Street, 29201, Area Code 803 Tel. 765-5345, FTS 677-5345

\* **Charleston**—JC Long Bldg., Room 128, 9 Liberty Street, 29424, Area Code 803 Tel. 724-4361, FTS 677-4361

**SOUTH DAKOTA**

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**TENNESSEE**

**Nashville**—Jim Charlet, Director, Suite 1114, Parkway Towers, 404 James Robertson Parkway, 37219-1505, Area Code 615 Tel. 736-5161, FTS 952-5161

\* **Memphis**—22 North Front Street, Falls Bldg., Suite 200, 38103, Area Code 901 Tel. 521-4137, FTS 222-4137

**TEXAS**

\* **Dallas**—C. Carmon Stiles, Director, 1100 Commerce Street, Rm. 7A5, 75242-0787, Area Code 214 Tel. 767-0542, FTS 729-0542

\* **Austin**—816 Congress Avenue, Suite 1200, P.O. Box 12728, 78711, Area Code 512 Tel. 482-5939, FTS 770-5939

**Houston**—James D. Cook, Director, Rm. 2625, 515 Rusk Street, 77002, Area Code 713 Tel. 229-2578, FTS 526-4578

**UTAH**

+ **Salt Lake City**—Stephen P. Smoot, Director, Room 340 U.S. Courthouse, 350 South Main Street, 84101, Area Code 801 Tel. 524-5116, FTS 588-5116

**VERMONT**

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**VIRGINIA**

**Richmond**—Philip A. Ouzts, Director, 8010 Federal Bldg., 400 North 8th Street, 23240, Area Code 804 Tel. 771-2246, FTS 925-2246

**WASHINGTON**

**Seattle**—C. Franklin Foster, Director, 3131 Elliott Avenue, Suite 290, 98121, Area Code 206 Tel. 442-5616, FTS 399-5615

\* **Spokane**—West 808 Spokane Falls Blvd., Room 623, 99201, Area Code 509 Tel. 456-4557, FTS 439-4557

**WEST VIRGINIA**

**Charleston**—Roger L. Fortner, Director, 3402 Federal Bldg., 500 Quarrier Street, 25301, Area Code 304 Tel. 347-5123, FTS 930-5123

**WISCONSIN**

**Milwaukee**—Patrick A. Willis, Director, 517 East Wisconsin Avenue, Room 606, 53202, Area Code 414 Tel. 291-3473, FTS 362-3473

**WYOMING**

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\* DENOTES REGIONAL OFFICE WITH SUPERVISORY REGIONAL RESPONSIBILITIES

• DENOTES TRADE SPECIALIST AT A BRANCH OFFICE

+ DENOTES OFFICE WHICH MAY BE RELOCATING, CONTACT DOMESTIC OPERATIONS FOR CURRENT ADDRESS INFORMATION, (202) 377-2683

NOTE: FOR DISTRICT OFFICE FACSIMILE CAPABILITY CONTACT THE DISTRICT OFFICE

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# U.S. AND FOREIGN COMMERCIAL SERVICE OVERSEAS COMMERCIAL SECTIONS

## 1. ALGERIA

Post: American Embassy  
**Algiers**  
Robert Connan  
Telephone: 011-213-2-603973  
Telex: 66047  
Workweek: Saturday-Wednesday  
Street Address: 4 Chemin Cheich Bachir Brahimi  
Mailing Address: U.S. Dept. of State (Algiers)  
Washington, DC 20520-6030

## 2. ARGENTINA

Post: American Embassy  
**Buenos Aires**  
David Yonkers  
Telephone: 011-54-1-774-7511  
Telex: 18156 USICA AR  
Street Address: 4300 Colombia 1425  
Mailing Address: APO Miami 34034

## 3. AUSTRALIA

Post: American Consulate General  
**Sydney**  
Robert Taft  
Telephone: 011-61-2-261-9200  
Telex: 74223 FCSSYD  
Fax: 011-61-2-264-1719  
Street Address: Hyde Park Tower—36th Floor  
Park and Elizabeth Streets  
Mailing Address: APO San Francisco 96209

Post: American Consulate  
**Brisbane**  
Keith Sloggett  
Telephone: 011-61-7-839-8955  
Fax: 011-61-7-832-6247  
Street Address: 383 Wickham Terrace  
Mailing Address: APO San Francisco 96209

Post: American Consulate General  
**Melbourne**  
Donald Schilke  
Telephone: 011-61-3-697-7900  
Telex: 30982 AMERCON  
Fax: 011-61-3-690-2585  
Street Address: 24 Albert Road  
Mailing Address: APO San Francisco 96405

Post: American Consulate General  
**Perth**  
William Yarmy  
Telephone: 011-61-9-221-1177  
Telex: 93848 AMCON  
Fax: 011-61-9-325-3589  
Street Address: 18 St. George's Terrace  
Mailing Address: APO San Francisco 96211-0098

## 4. AUSTRIA

Post: American Embassy  
**Vienna**  
Senior Commercial Officer: Arthur Reichenbach  
Telephone: 011-43-222-31-55-11  
Telex: 114634  
Fax: 011-43-222-341261  
Street Address: Boltzmanngasse 16, A-1091  
Mailing Address: APO New York 09108

## 5. BARBADOS

Post: American Embassy  
**Bridgetown**  
Senior Commercial Officer: Stephen Helgesen  
(Resident in Port-of-Spain)  
Telephone: 809-436-4950  
Telex: 2259 USEMB BG1 WB  
Street Address: Canadian Imperial Bank of  
Commerce Bldg., Broad Street  
Mailing Address: Box B, FPO Miami 34054

## 6. BELGIUM

Post: American Embassy  
**Brussels**  
Senior Commercial Officer: James Winkelman  
Telephone: 011-32-2-513-3830  
Telex: 846-21336  
Fax: 011-32-2-511-2725  
Street Address: 27 Boulevard du Regent  
Mailing Address: APO New York 09667

Post: American Consulate General  
**Antwerp**  
Commercial Specialist: Siegfried Verstappen  
Telephone: 011-32-3-232-1800  
Telex: 31966  
Fax: 011-32-3-234-3698  
Street address: Rubens Center  
Nationalestraat 5  
Mailing Address: APO New York 09667-1040

## 7. BRAZIL

Post: American Embassy  
**Brasilia**  
Senior Commercial Officer: Kevin Brennan  
Telephone: 011-55-61-223-0120  
Telex: 061-1091  
Street Address: Avenida das Nacoes  
Lote 3  
Mailing Address: APO Miami 34030

Post: American Consulate  
**Porto Alegre**  
Commercial Specialist: Odi da Silva Melo  
Telephone: 011-55-512-26-4288  
Telex: 051-2292 CGEU BR  
Street Address: Rua Coronel Genuino, 421  
(9th Floor)  
Mailing Address: APO Miami 34030

Post: American Consulate General

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# U.S. AND FOREIGN COMMERCIAL SERVICE OVERSEAS COMMERCIAL SECTIONS

**Commercial Officer:**  
**Telephone:**  
**Telex:**  
**Street Address:**  
**Mailing Address:**  
**Post:**

**Rio de Janeiro**  
 William K. Joyce  
 011-55-21-292-7117  
 021-22831 AMCONSUL  
 Avenida Presidente Wilson, 147  
 APO Miami 34030

**Fax:**  
**Street Address:**  
**Mailing Address:**

1-902-423-6861  
 Suite 910, Cogswell Tower  
 Scotia Square  
 Halifax Nova Scotia B3J 3K1  
 c/o AmEmbassy Ottawa  
 P.O. Box 5000  
 Ogdensburg, NY 13669

**Commercial Officer:**  
**Telephone:**  
**Telex:**  
**Street Address:**  
**Mailing Address:**

**American Consulate General**  
**Sao Paulo**  
 (U.S. Trade Center)  
 Arthur Trezise  
 011-55-11-881 6511  
 011-25274  
 Av. Paulista 2439,  
 APO Miami 34040-0002

**Post:**  
**Commercial Officer:**  
**Telephone:**  
**Telex:**  
**Fax:**  
**Street Address:**  
**Mailing Address:**

**American Consulate General**  
**Montreal**  
 Gregory Stoloff  
 1-514-281-1886  
 05-268751  
 1-514-281-1072  
 Suite 1122, South Tower  
 Place Desjardins  
 P.O. Box 847  
 Champlain, NY 12919-0847

## 8. CAMEROON

**Post:**  
**Senior Commercial Officer:**  
**Telephone:**  
**Telex:**  
**Street Address:**  
**Mailing Address:**

**American Consulate General**  
**Douala**  
 (Vacant)  
 011-237-425331  
 5233KN  
 21 Avenue du General de Gaulle  
 U.S. Dept. of State (Douala)  
 Washington, DC 20520-2530

**Post:**  
**Commercial Officer:**  
**Telephone:**  
**Telex:**  
**Fax:**  
**Street Address:**  
**Mailing Address:**

**American Consulate General**  
**Toronto**  
 Dale Slaght  
 1-416-595-1700  
 065-24132  
 1-416-595-0051  
 360 University Avenue  
 P.O. Box 135  
 Lewiston, NY 14092

**Commercial Assistant:**  
**Telephone:**  
**Telex:**  
**Street Address:**  
**Mailing Address:**

**American Embassy**  
**Yaounde**  
 Adele Ngontjabag  
 011-237-234014, 230512  
 8223KN  
 Rue Nachtigal  
 U.S. Dept. of State (Yaounde)  
 Washington, DC 20520-2520

**Post:**  
**Commercial Officer:**  
**Telephone:**  
**Telex:**  
**Fax:**  
**Street Address:**  
**Mailing Address:**

**American Consulate General**  
**Vancouver**  
 Raymond Eveland  
 1-604-685-4311  
 04-55673  
 1-604-685-5285  
 1075 West Georgia Street  
 21st Floor  
 P.O. Box 5002  
 Point Roberts, Washington 98281

## 9. CANADA

**Post:**  
**Senior Commercial Officer:**  
**Telephone:**  
**Telex:**  
**Fax:**  
**Street Address:**  
**Mailing Address:**

**American Embassy**  
**Ottawa**  
 James Blow  
 1-613-238-5335  
 0533582  
 1-613-233-8511  
 100 Wellington Street  
 P.O. Box 5000  
 Ogdensburg, NY 13669

## 10. CHILF

**Post:**  
**Senior Commercial Officer:**  
**Telephone:**  
**Telex:**  
**Street Address:**  
**Mailing Address:**

**American Embassy**  
**Santiago**  
 Richard Ades  
 011-56-2-712-166  
 240062-ICA-CL  
 Codina Building  
 1343 Agustinas  
 APO Miami 34033

**Post:**  
**Commercial Officer:**  
**Telephone:**  
**Telex:**  
**Fax:**  
**Street Address:**  
**Mailing Address:**

**American Consulate General**  
**Calgary**  
 Thomas Roesch  
 1-403-266-8962  
 038-21332  
 1-403-264-6630  
 Room 1000, 615 MacLeod Trail  
 S.E.  
 c/o AmEmbassy Ottawa  
 P.O. Box 5000  
 Ogdensburg, NY 13669

## 11. CHINA

**Post:**  
**Commercial Representative:**  
**Telephone:**  
**Telex:**

**American Consulate General**  
**Halifax**  
 Richard Vinson  
 1-902-429-2480  
 019-23566

**Post:**  
**Senior Commercial Officer:**  
**Telephone:**  
**Telex:**  
**Street Address:**  
**Mailing Address:**  
**Post:**  
**Commercial Officer:**  
**Telephone:**

**American Embassy**  
**Beijing**  
 Richard Johnston  
 011-86-1-532-3831  
 22701 AMEMB CN  
 Xiu Shui Bei Jie 3  
 FPO San Francisco 96655

**American Consulate General**  
**Guangzhou**  
 Nora Sun  
 C\*: 86-20-67-7842

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# U.S. AND FOREIGN COMMERCIAL SERVICE OVERSEAS COMMERCIAL SECTIONS

**Telex:** 44888 CHLGZ  
**Fax:** 011-86-20-677014  
**Street Address:** Dong Fang Hotel  
**Mailing Address:** Box 100, FPO San Francisco 96655  
**Post:** American Consulate General  
**Shanghai**  
**Commercial Officer:** Barbara Slawacki  
**Telephone:** 011-86-21-332-492  
**Street Address:** 1469 Huai Hai Middle Road  
**Mailing Address:** Box 200, FPO San Francisco 96655  
**Post:** American Consulate General  
**Shenyang**  
**Commercial Officer:** Will Center  
**Telephone:** 011-86-24-290-000  
**Telex:** 80011 AMCS CN  
**Street Address:** 40 Lane 4, Section 5  
 Sanjing Street, Heping District  
**Mailing Address:** Box 45, FPO San Francisco  
 96555-0002

## 12. COLOMBIA

**Post:** American Embassy  
**Bogota**  
**Senior Commercial Officer:** Peter Noble  
**Telephone:** 011-57-232-6550  
**Telex:** 44843  
**Street Address:** Calle 38, No. 8-61  
**Mailing Address:** APO Miami 34038

## 13. COSTA RICA

**Post:** American Embassy  
**San Jose**  
**Senior Commercial Officer:** Judith Henderson  
**Telephone:** 011-506-331155  
**Street Address:** Avenida 3 and Calle 1  
**Mailing Address:** APO Miami 34070

## 14. DENMARK

**Post:** American Embassy  
**Copenhagen**  
**Senior Commercial Officer:** Max Miles  
**Telephone:** 011-45-1-423144  
**Telex:** 22216  
**Fax:** 011-45-01-42-72-73  
**Street Address:** Dag Hammarskjolds Alle 24  
**Mailing Address:** APO New York 09170

## 15. DOMINICAN REPUBLIC

**Post:** American Embassy  
**Santo Domingo**  
**Senior Commercial Officer:** Lawrence Eisenberg  
**Telephone:** 809-688-5814  
**Telex:** 3460013  
**Street Address:** Corner of Calle Cesar Nicolas Pen-  
 son  
 & Calle Leopoldo Navarro  
**Mailing Address:** APO Miami 34041-0008

## 16. ECUADOR

**Post:** American Embassy  
**Quito**  
**Senior Commercial Officer:** Peter B. Alois  
**Telephone:** 011-593-2-562-890  
**Telex:** 02-2329 USICAQ ED  
**Street Address:** Avenida 12 de Octubre y Avenida  
 Patria  
**Mailing Address:** APO Miami 34039  
**Post:** American Consulate General  
**Guayaquil**  
**Commercial Asst.:** Francisco Von Buchwald  
**Telephone:** 011-593-4-323-570  
**Telex:** 04-3452 USICAG ED  
**Street Address:** 9 de Octubre y Garcia Moreno  
**Mailing Address:** APO Miami 34039

## 17. EGYPT

**Post:** American Embassy  
**Cairo**  
**Senior Commercial Officer:** Frederick Gaynor  
**Telephone:** 011-20-2-355-7371  
**Telex:** 93773 AMEMB  
**Fax:** 011-20-2-355-4353  
**Workweek:** Sunday-Thursdays  
**Street Address:** 5 Sharia Latin America  
 Garden City, Cairo  
**Mailing Address:** Box 11, FPO New York 09527  
**Post:** American Consulate General  
**Alexandria**  
**Commercial Specialist:** Victor I. Massad  
**Telephone:** 011-20-4911911, 4925607,  
 110 Avenue Horreya  
**Mailing Address:** Box 27, FPO New York 09527

## 18. FINLAND

**Post:** American Embassy  
**Helsinki**  
**Senior Commercial Officer:** Kenneth Norton  
**Telephone:** 011-358-0-171-931  
**Telex:** 125541 USEMB SF  
**Fax:** 011-358-0-174-681  
**Street Address:** Itainen Puistotie 14ASF  
**Mailing Address:** APO New York 09664

## 19. FRANCE

**Post:** American Embassy  
**Paris**  
**Senior Commercial Officer:** James Moorhouse  
**Telephone:** 011-33-1-42-96-12-02  
**Telex:** 650-221  
**Fax:** 011-33-1-4286-4827  
**Street Address:** 2 Avenue Gabriel  
**Mailing Address:** APO New York 09777  
**Post:** American Consulate General  
**Bordeaux**  
**Commercial Assistant:** Henri Katzaros  
**Telephone:** 011-33-56-526595  
**Telex:** 540918F

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# U.S. AND FOREIGN COMMERCIAL SERVICE OVERSEAS COMMERCIAL SECTIONS

|   |  |   |  |
|---|--|---|--|
| Street Address:<br>Mailing Address  | 22 Cours du Marechal Foch<br>c/o American Embassy Paris<br>APO New York 09777  | Telex:<br>Fax:<br>Street Address:   | 412589 USCON-D<br>011-49-69-7530-5451<br>Siesmayerstrasse 21<br>6000 Frankfurt<br>APO New York 09213                     |
| Post:   | American Consulate General<br><b>Lyon</b>  | Mailing Address:  | American Consulate General<br><b>Hamburg</b>   |
| Commercial Assistant:<br>Telephone:<br>Telex:<br>Street Address:<br>Mailing Address:              | Alan Beullard<br>011-33-7-824 68-49<br>USCSUL 380597F<br>7 Quai General Sarraill<br>c/o American Embassy Paris<br>APO New York 09777 | Post:   | Stephen G. Kaminski<br>011-49-40-441061<br>213777<br>011-49-40-410-6598<br>Alsterufer 27/28<br>APO New York 09215-0002   |
| Post:   | American Consulate General<br><b>Marseille</b>   | Commercial Officer:<br>Telephone:<br>Telex:<br>Fax:<br>Street Address:<br>Mailing Address:        | American Consulate General<br><b>Munich</b>  |
| Commercial Assistant:<br>Telephone:<br>Telex:<br>Street Address:<br>Mailing Address:              | Igor Lepine<br>011 33 91 549200<br>430597<br>12 Boulevard Paul Peytral<br>c/o American Embassy Paris<br>APO New York 09777           | Post:   | Dale V. Slaght<br>011-49-89-23011<br>5-22697 ACGM D<br>011-49-89-285-261<br>Koeniginstrasse 5<br>APO New York 09108      |
| Post:   | American Consulate General<br><b>Nice</b>  | Commercial Officer:<br>Telephone:<br>Telex:<br>Fax:<br>Street Address:<br>Mailing Address:        | American Consulate General<br><b>Stuttgart</b>   |
| Commercial Assistant:<br>Telephone:<br>Telex:<br>Street Address:<br>Mailing Address:              | Rene Joquet<br>011 33 93 888955<br>USCSUL 461941 F<br>31 Rue du Marechal Joffre<br>c/o American Embassy Paris<br>APO New York 09777  | Post:   | Catherine Houghton<br>011-49-711-210221<br>07-22945<br>011-49-711-234-350<br>Urbanstrasse 7<br>APO New York 09154        |
| Post:   | American Consulate General<br><b>Strasbourg</b>  | Commercial Officer:<br>Telephone:<br>Telex:<br>Fax:<br>Street Address:<br>Mailing Address:        | American Embassy<br><b>Athens</b>  |
| Commercial Assistant:<br>Telephone:<br>Telex:<br>Street Address:<br>Mailing Address:              | Jacqueline Munzinger<br>011 88 353104<br>870907<br>15 Avenue d'Alsace<br>c/o American Embassy Paris<br>APO New York 09777            | 21. GREECE<br>Post:   | Jerry Mitchell<br>011-30-1-723-9705<br>21-5548<br>011-30-1-722-6724<br>91 Vasilissia Sophias Blvd.<br>APO New York 09253 |
| 20. GERMANY<br>Post:  | American Embassy<br><b>Bonn</b>  | Senior Commercial Officer:<br>Telephone:<br>Telex:<br>Fax:<br>Street Address:<br>Mailing Address: | American Embassy<br><b>Guatemala</b>   |
| Senior Commercial Officer:<br>Telephone:<br>Telex:<br>Fax:<br>Street Address:<br>Mailing Address: | John W. Bligh, Jr<br>011 49 228 339 2063<br>885 452<br>011 49 228 334 649<br>Deichmannsaue<br>Box 370, APO New York 09080            | 22. GUATEMALA<br>Post:  | Carlos A. Poza<br>011-502-2-311541<br>7-01 Avenida de la Reforma<br>APO Miami 34024                                      |
| Post:   | U.S. Commercial Office<br><b>Dusseldorf</b>  | Senior Commercial Officer:<br>Telephone:<br>Street Address:<br>Mailing Address:                   | American Embassy<br><b>Honduras</b>  |
| Commercial Officer:<br>Telephone:<br>Telex:   | (Vacant)<br>011 49 211 596 790<br>8584246  | 23. HONDURAS<br>Post:   | American Embassy<br><b>Tegucigalpa</b>   |
| Fax:<br>Street Address:<br>Mailing Address:   | 011 49 211 594 897<br>Emmanuel Lutz Str 1B<br>APO New York 09711   | Senior Commercial Officer:<br>Telephone:<br>Fax:<br>Street Address:<br>Mailing Address:           | Danny Devito<br>011-504-32-3120<br>011-504-32-0027<br>Avenida La Paz<br>APO Miami 34022                                  |
| Post:   | American Consulate General<br><b>Frankfurt</b>   | 24. HONG KONG<br>Post:  | American Consulate General   |
| Commercial Officer:<br>Telephone:   | Thomas L Boam<br>011 49 69-75305   |   |  |

# U.S. AND FOREIGN COMMERCIAL SERVICE OVERSEAS COMMERCIAL SECTIONS

Senior Commercial Officer:  
 Lyn W. Edinger  
 Telephone: 011-852-5-211-467  
 Telex: 63141USDOC HX  
 Fax: 011-852-5-845-0943  
 Street Address: 26 Garden Road  
 Mailing Address: Box 30, FPO San Francisco  
 96659 0002

## 25. HUNGARY

Post: American Embassy  
**Budapest**  
 Senior Commercial Officer:  
 Stephen Wasylko  
 Telephone: 011-36-1-126-450  
 Telex: 18048 224 222  
 Street Address: V Szabadsag Ter 12  
 Mailing Address: APO New York 09213

## 26. INDIA

Post: American Embassy  
**New Delhi**  
 Senior Commercial Officer:  
 Edward Stumpf  
 Telephone: 011-91 11 600651  
 Telex: 031-65269 USEM IN  
 Street Address: Shanti Path, Chanakyapuri 110021  
 Mailing Address: U.S. Dept. of State (New Delhi)  
 Washington, DC 20520 9000

Post: American Consulate General  
**Bombay**  
 Commercial Officer:  
 David Hughes  
 Telephone: 011-91 22-822 3611  
 Telex: 011-75425 ACON IN  
 Street Address: Lincoln House  
 78 Bhulabhai Desai Road  
 Mailing Address: U.S. Dept. of State (Bombay)  
 Washington, DC 20520 6240

Post: American Consulate General  
**Calcutta**  
 Commercial Specialist:  
 Sanjit Gupta  
 Telephone: 011-91 33 44 3611  
 Telex: 021-2483  
 Street Address: 5/1 Ho Chi Minh Sarani  
 Mailing Address: U.S. Dept. of State (Calcutta)  
 Washington, DC 20520 6250

Post: American Consulate General  
**Madras**  
 Commercial Specialist:  
 A. V. Subramanian  
 Telephone: 011-91-44-473-040  
 Street Address: Mount Road  
 Mailing Address: U.S. Dept. of State (Madras)  
 Washington, DC 20520

## 27. INDONESIA

Post: American Embassy  
**Jakarta**  
 Senior Commercial Officer:  
 Paul Walters  
 Telephone: 011-62-21-360-360  
 Telex: 44218 AMEMB JKT

Fax: 011 62 21-360-644  
 Street Address: Medan Merdeka Selatan 5  
 Mailing Address: APO San Francisco 96356

## 28. IRAQ

Post: American Embassy  
**Baghdad**  
 (Vacant)  
 Telephone: 011-964-1-719-6138  
 Telex: 213966 USFCS IK  
 Workweek: Sunday-Thursday  
 Street Address: Opp. For Ministry Club  
 (Masbah Quarter)  
 Mailing Address: U.S. Dept. of State (Baghdad)  
 Washington DC 20520-6060

## 29. IRELAND

Post: American Embassy  
**Dublin**  
 Senior Commercial Officer:  
 John Avar  
 Telephone: 011-353 1 688-777  
 Telex: 93684  
 Fax: 011-353 1 688-056  
 Street Address: 42 Elgin Rd., Ballsbridge  
 Mailing Address: U.S. Dept. of State (Dublin)  
 Washington, DC 20520-5290

## 30. ISRAEL

Post: American Embassy  
**Tel Aviv**  
 Senior Commercial Officer:  
 Mike Mercurio  
 Telephone: 011-972 3-654338  
 Telex: 33376  
 Fax: 011-972 3-660-508  
 Street Address: 71 Hayarkon Street  
 Mailing Address: APO New York 09672

## 31. ITALY

Post: American Embassy  
**Rome**  
 Senior Commercial Officer:  
 Emilio Iodice  
 Telephone: 011-39 6-4674-2202  
 Telex: 610450 AMBRMA  
 Fax: 011 39 6 4674-2356  
 Street Address: Via Veneto 119/A  
 Mailing Address: APO New York 09794

Post: American Consulate General  
**Florence**  
 Commercial Specialist:  
 Graziella Lucarrelli  
 Telephone: 011-39-55-298-276  
 Telex: 570577 AMCOFI I  
 Street Address: Lungarno Amerigo Vespucci 38  
 Mailing Address: APO New York 09019

Post: American Consulate General  
**Genoa**  
 Commercial Specialist:  
 Erminia Lezzi  
 Telephone: 011-39-10-282-741  
 Telex: 270324 AMCOGE I  
 Street Address: Banca d'Americae d'Italia Building

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# U.S. AND FOREIGN COMMERCIAL SERVICE OVERSEAS COMMERCIAL SECTIONS

**Mailing Address.** Piazza Portello  
Box G APO New York 09794

**Post** American Consulate General  
**Milan**  
Thomas Moore  
011-39-2-498 2241  
011-39-2-481 4161

**Commercial Officer**  
**Telephone:**  
**Fax.**  
**Street Address:** Centro Cooperazione  
20149 Milano

**Mailing Address** Box M, APO New York  
09794 0007

**Post** American Consulate General  
**Naples**  
Christiano Sartano  
011 39 81 660966  
720442 ICANA

**Commercial Assistant**  
**Telephone**  
**Telex**  
**Street Address:** Piazza della Repubblica  
**Mailing Address** Box 18 FPO New York 09521

**Post** American Consulate General  
**Palermo**  
Franca Maria Cuffaro  
011 39 91 291532  
910313 USACON I

**Commercial Assistant**  
**Telephone.**  
**Telex**  
**Street Address:** Via Vaccarini 1  
**Mailing Address** APO New York 09794

## 32. COTE D'IVOIRE

**Post** American Embassy  
**Abidjan**  
Andy Grossman  
011-225-320979  
23660

**Senior Commercial Officer:**  
**Telephone**  
**Telex**  
**Street Address:** 5 Rue Jesse Owens  
**Mailing Address:** U S Dept of State (Abidjan)  
Washington DC 20520-2010

## 33. JAMAICA

**Post** American Embassy  
**Kingston**  
Frank Gilland  
809-929-4850

**Senior Commercial Officer:**  
**Telephone**  
**Street Address:** Jamaica Mutual Life Center  
2 Oxford Road 3rd Floor

**Mailing Address:** U S Dept of State (Kingston)  
Washington DC 20520-3210

## 34. JAPAN

**Post** American Embassy  
**Tokyo**  
Keith Bovetti  
011-81-3-583 7141  
2422118

**Senior Commercial Officer**  
**Telephone**  
**Telex**  
**Fax**  
**Street Address:** 10-1 Akasaka 1-chome  
Minato-ku (107)

**Mailing Address:** APO San Francisco 96503

**Post:** American Consulate

**Commercial Assistant:**  
**Telephone.**  
**Telex.**  
**Street Address:** 5-26 Ohori 2-chome  
Chuo-ku Fukuoka-810

**Mailing Address:** Box 10 FPO Seattle 98766

**Post:** American Consulate General  
**Osaka- Kobe**  
Vladimir Sambaien  
011-81-6-361-9600

**Commercial Officer:**  
**Telephone:**  
**Telex.**  
**Fax.**  
**Street Address:** 5623023 AMCON J  
011-81-6-361-5978  
9th Fl. Sankei Bldg.  
4-9 Umeda 2-chome  
Kita-ku Osaka (530)

**Mailing Address:** APO San Francisco 96503

**Post:** American Consulate  
**Sapporo**  
Kenji Itaya  
011-81-11-641-1115

**Commercial Specialist:**  
**Telephone**  
**Telex**  
**Fax**  
**Street Address:** 935338 AMCONS J  
011-81-11-641-0911  
Kita 1-Jo Nishi 28-chome  
Chuoku Sapporo 064

**Mailing Address:** APO San Francisco 96503

## 35. KENYA

**Post** American Embassy  
**Nairobi**  
James Wilson  
011-254-2-334141  
22964

**Senior Commercial Officer:**  
**Telephone**  
**Telex**  
**Street Address:** Moi/Haile Selassie Ave.  
**Mailing Address:** APO New York 09675

## 36. KOREA

**Post** American Embassy  
**Seoul**  
George N J  
011-82-2-732-2601

**Senior Commercial Officer:**  
**Telephone:**  
**Telex**  
**Fax:**  
**Street Address:** 23108 AMEMB  
011-82-2-739-1628  
82 Sejong-Ro Chongro-Ku

**Mailing Address:** APO San Francisco 96301

**Post** American Consulate  
**Pusan**  
Vacant  
011-82-51-23-7791

**Commercial Officer:**  
**Telephone:**  
**Street Address:** 24 2-ka, Dacchung Dong, Chung-Ku  
**Mailing Address:** c/o American Embassy

## 37. KUWAIT

**Post:** American Embassy  
**Kuwait**  
Paul Scogna  
011-965-2424-151

**Senior Commercial Officer:**  
**Telephone:**  
**Workweek:** Saturday- Wednesday

# U.S. AND FOREIGN COMMERCIAL SERVICE OVERSEAS COMMERCIAL SECTIONS

Street Address: Safat, Kuwait  
Mailing Address: U.S. Dept. of State (Kuwait)  
Washington DC 20520-6200

## 38. MALAYSIA

Post: American Embassy  
**Kuala Lumpur**  
Jonathan Bensky  
Telephone: 011-60-3-248-9011  
Telex: 32956 FCSKL MA  
Fax: 011-60-3-243-2450  
Street Address: 376 Jalan Tun Razak  
Mailing Address: U.S. Dept. of State (Kuala Lumpur)  
Washington DC 20520-4210

## 39. MEXICO

Post: American Embassy  
**Mexico**  
John Perkins  
Telephone: 905-211-0042  
Telex: 017-73-091  
Fax: 011-5-25-211 0042x3512  
Street Address: Paseo de la Reforma 305  
Mailing Address: P.O. Box 3087  
Laredo, TX 78044

Post: American Consulate General  
**Guadalajara**  
James Clement  
Telephone: 011-52-36-252700  
Telex: 068-2-860  
Fax: 011-5-25-36 17 6843  
Street Address: Jal. Progreso 175  
Mailing Address: U.S. Dept. of State (Guadalajara)  
Washington DC 20520-3280

Post: American Consulate General  
**Monterrey**  
Robert M. Shipley  
Telephone: 011-52-83-409 705  
Telex: 0382853  
Fax: 011-5-25-83-42-3690  
Street Address: N.L. Avenida Constitucion  
411 Poniente  
Mailing Address: U.S. Dept. of State (Monterrey)  
Washington DC 20520-3330

## 40. MOROCCO

Post: American Consulate General  
**Casablanca**  
Charles W. Buck  
Telephone: 011-212-224149  
Street Address: 8 Blvd. Moulay Youssef  
Mailing Address: APO New York 09284 (CAS)

Post: American Embassy  
**Rabat**  
Asma Benghalem  
Telephone: 011-212-7-622-65  
Telex: 31005  
Street Address: 2 Ave de Marrakech  
Mailing Address: APO New York 09284

## 41. NETHERLANDS

Post: American Embassy  
**The Hague**  
Harrison Sherwood  
Telephone: 011-70-624-911  
Telex: 044-31016  
Fax: 011-31-70-63-29-85  
Street Address: Lange Voorhout 102  
Mailing Address: APO New York 09159

Post: American Consulate General  
**Amsterdam**  
George Ruffner  
Telephone: 011-31-20-64-81-11  
Telex: 044-16176 CGUSA NL  
Fax: 011-31-20-75-28-56  
Street Address: Museumplein 19  
Mailing Address: APO New York 09159

## 42. NEW ZEALAND

Post: American Consulate General  
**Auckland**  
Bohette Orr  
Telephone: 011-64-9-32038  
Telex: NZ 3305  
Street Address: 4th Floor Yorkshire General Bldg.  
Shortland and O'Connell Streets  
Mailing Address: FPO San Francisco 96690

Post: American Consulate General  
**Wellington**  
(Vacant)  
Telephone: 011-64-4-722-068  
Telex: NZ 3305  
Street Address: 29 Fitzherbert Ter. Thorndon  
Shortland and O'Connell Streets  
Mailing Address: FPO San Francisco 96690

## 43. NIGERIA

Post: American Embassy  
**Lagos**  
Norman Glick  
Telephone: 011-234-1-616-477  
Telex: 23616 USEMLA NG  
Fax: 011-234-1-611-303  
Street Address: 2 Eleke Crescent  
Mailing Address: U.S. Dept. of State (Lagos)  
Washington DC 20520-8300

Post: American Consulate General  
**Kaduna**  
(Vacant)  
Telephone: 011-234-201070  
Street Address: 2 Maska Road  
Mailing Address: U.S. Dept. of State (Kaduna)  
Washington DC 20520-2260

## 44. NORWAY

Post: American Embassy  
**Oslo**  
Robert C. Fraser  
Telephone: 011-47-2-448550

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# U.S. AND FOREIGN COMMERCIAL SERVICE OVERSEAS COMMERCIAL SECTIONS

**Telex:** 78470  
**Fax:** 011-47-2 55 88 03  
**Street Address:** Drammensveien 18  
**Mailing Address:** APO New York 09085

**Fax:** 011-48-2-21-63-27  
**Street Address:** Aleje Ujazdowskie 29/31  
**Mailing Address:** c/o AmConGen (WAW)  
 APO New York 09213

## 45. PAKISTAN

**Post:** American Consulate General  
**Karachi**  
**Senior Commercial Officer:** George Kachman  
**Telephone:** 011-92-21 515081  
**Telex:** 82-2-611  
**Workweek:** Sunday-Thursday  
**Street Address:** 8 Abdullah Haroon Road  
**Mailing Address:** U.S. Dept of State (Karachi)  
 Washington DC 20520 6150

**Post:** American Consulate General  
**Lahore**  
**Commercial Specialist:** Salah-Uddin Mirza  
**Telephone:** 011-92-42-870221  
**Workweek:** Sunday-Thursday  
**Street Address:** 50 Zafar Ali Road, Gulberg 5  
**Mailing Address:** U.S. Dept of State (Lahore)  
 Washington DC 20520 6160

## 46. PANAMA

**Post:** American Embassy  
**Panama**  
**Senior Commercial Officer:** Samuel D Starrett  
**Telephone:** 011-507-27 1777  
**Fax:** 011-507-27 2117  
**Street Address:** Avenida Balboa Y Calle 38  
 Apartado 6959  
**Mailing Address:** Box E APO Miami 34002

## 47. PERU

**Post:** American Embassy  
**Lima**  
**Senior Commercial Officer:** Arthur Alexander  
**Telephone:** 011-51-14-44 3200  
**Telex:** 25028 PE USCOMATT  
**Street Address:** Grimaldo del Solar 18/358  
 Miraflores Lima 18  
**Mailing Address:** APO Miami 34031

## 48. PHILIPPINES

**Post:** American Embassy  
**Manila**  
**Senior Commercial Officer:** Theodore Vilinski  
**Telephone:** 011-63-2-818-5482  
**Telex:** 22708 COSEC PH via RCA  
**Fax:** 011-63-2-818-2684  
**Street Address:** 395 Buendia Ave. Extension Makati  
**Mailing Address:** APO San Francisco 96528

## 49. POLAND

**Post:** American Embassy  
**Warsaw**  
**Senior Commercial Officer:** Edgar Fulton  
**Telephone:** 011-48-2-21-45-15  
**Telex:** 813304 AMEMB PL

## 50. PORTUGAL

**Post:** American Embassy  
**Lisbon**  
**Senior Commercial Officer:** Ralph D. Griffin II  
**Telephone:** 011-351-1-726-6600  
**Telex:** 12528 AMEMB  
**Fax:** 011-351-1-726-8814  
**Street Address:** Avenida das Forcas Armadas  
**Mailing Address:** APO New York 09678

**Post:** American Consulate  
**Oporto**  
**Commercial Assistant:** Adolfo Coutinho  
**Telephone:** 011-351-29-63094  
**Street Address:** Apartado No. 88  
 Rua Julio Dimis 826, 3rd Floor  
**Mailing Address:** c/o AmEmbassy Lisbon  
 APO New York 09678-0002

## 51. ROMANIA

**Post:** American Embassy  
**Bucharest**  
**Senior Commercial Officer:** Milton Rose  
**Telephone:** 011-40-0-104040  
**Telex:** 11416  
**Street Address:** Strada Tudor Arghezi 7-9  
**Mailing Address:** AmConGen (Buch)  
 APO New York 09213 (BUH)

## 52. SAUDI ARABIA

**Post:** American Embassy  
**Riyadh**  
**Senior Commercial Officer:** Dirck Teller  
**Telephone:** 011-966-1-488-3800  
**Fax:** 401363 USFCS SJ  
**Telex:** 011-966-1-488-3237  
**Fax:** Saturday-Wednesday  
**Workweek:** Collector Road M  
**Street Address:** APO New York 09038  
**Mailing Address:**

**Post:** American Consulate  
**Dhahran**  
**Commercial Officer:** Geoffrey Walser  
**Telephone:** 011-966-3-891-3200  
**Telex:** 201363 USFCS SJ  
**Fax:** 011-966-3-891-8332  
**Workweek:** Saturday-Wednesday  
**Street Address:** Between Aramco Headquarters and  
 Dhahran International Airport  
**Mailing Address:** APO New York 09616

**Post:** American Consulate General  
**Jeddah**  
**Commercial Officer:** James Joy  
**Telephone:** 011-966-2-667-0040  
**Telex:** 601459 AMEMB SJ  
**Workweek:** Saturday-Wednesday

*Handwritten mark*

# U.S. AND FOREIGN COMMERCIAL SERVICE OVERSEAS COMMERCIAL SECTIONS

**Fax:** 011-966-2 665 8106  
**Street Address:** Palestine Road, Rowas  
**Mailing Address:** APO New York 09697

**Fax:** 011-46-8-660-9181  
**Street Address:** Strandvagen 101  
**Mailing Address:** U S Dept of State (Stockholm)  
Washington DC 20520-5750

## 53. SINGAPORE

**Post:** American Embassy  
**Singapore**  
Beaumont Lower  
**Telephone:** 011-65-338 9722  
**Fax:** 011-65-338 5010  
**Street Address:** 11 N. Bridge Road # 15-05,  
Peninsula Plaza  
**Mailing Address:** APO San Francisco 96699 55

## 57. SWITZERLAND

**Post:** American Embassy  
**Bern**  
Daniel Taher  
**Telephone:** 011-41-31-43-73-05  
(845)912603  
**Fax:** 011-41-31-43-73-36  
**Street Address:** Jubilaumstrasse 93  
**Mailing Address:** U S Dept of State (Bern)  
Washington DC 20520-5110

## 54. SOUTH AFRICA

**Post:** American Consulate General  
**Johannesburg**  
Benjamin Brown  
**Telephone:** 011-27-11 331 3937  
**Telex:** 483780 SA  
**Fax:** 011 27-11 331 1681x105  
**Street Address:** 11th Floor Kne Center  
Commissioner and Krus Streets  
**Mailing Address (Pouch):** U S Dept. of State (Johannesburg)  
Washington DC 20520 2500  
**Airmail:** P O Box 2155  
Johannesburg 2000, South Africa

**Post:** American Consulate General  
**Zurich**  
Paul Frei  
**Telephone:** 011-41-1-552566  
**Telex:** 0045-53893  
**Street Address:** Zollikerstrasse 141  
**Mailing Address:** U S Dept of State (Zurich)  
Washington DC 20520-5130

**Post:** American Consulate General  
**Cape Town**  
Sylvia Frowde  
**Telephone:** 011-27 21-214280  
**Telex:** 522387  
**Street Address:** Broadway Industries Center  
Herengracht, Foreshore  
**Mailing Address:** U S Dept. of State (Cape Town)  
Washington DC 20520 2480

## 58. THAILAND

**Post:** American Embassy  
**Bangkok**  
Robert C Bodden  
**Telephone:** 011-66-2-253-4920  
**Telex:** 20966 FCSBKK  
**Fax:** 011 66-2-253-4448  
**Street Address:** "R" Floor Shell Building  
140 Wireless Road  
**Mailing Address:** APO San Francisco 96346

## 55. SPAIN

**Post:** American Embassy  
**Madrid**  
Robert Kohn  
**Telephone:** 011 34-1-275 8655  
**Telex:** 27763  
**Fax:** 011 34 1-431 8999  
**Street Address:** Serrano 75  
**Mailing Address:** APO New York 09285

## 59. TRINIDAD & TOBAGO

**Post:** American Embassy  
**Port of Spain**  
Stephen Helgesen  
**Telephone:** 809-622-6371  
**Street Address:** 15 Queen's Park West  
**Mailing Address:** U S Dept of State (Port of Spain)  
Washington DC 20520-3410

**Post:** American Consulate General  
**Barcelona**  
Charles Ford  
**Telephone:** 011-34-3 319-9550  
**Telex:** 52672  
**Street Address:** Via Layetana 33  
**Mailing Address:** Box 5 APO New York 09286

## 60. TURKEY

**Post:** American Embassy  
**Ankara**  
Dan Wilson  
**Telephone:** 011-90-4-126-5470  
**Telex:** 43144 USIA TR  
**Street Address:** 110 Ataturk Blvd  
**Mailing Address:** APO New York 09254-0001

**Post:** American Consulate General  
**Istanbul**  
Scott Bozek  
**Telephone:** 011-90-1-151-1651  
**Telex:** 24306 USIC TR  
**Street Address:** 104-108 Mesrutiyet Caddesi,  
Tepebası  
**Mailing Address:** APO New York 09380

## 56. SWEDEN

**Post:** American Embassy  
**Stockholm**  
James N. May  
**Telephone:** 011-46-8-783-5346  
**Telex:** 12060 AMEMB S

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# U.S. AND FOREIGN COMMERCIAL SERVICE OVERSEAS COMMERCIAL SECTIONS

## 61. UNITED ARAB EMIRATES

Post: American Embassy  
**Abu Dhabi**  
John Priamou  
Telephone: 011-971-2-345545  
Telex: 22229 AMEMBY EM  
Workweek: Saturday-Wednesday  
Fax: 011-971-2-331-374  
Street Address: 8th Floor, Blue Tower Building,  
Shaikh Khalifa Bin Zayed St.  
Mailing Address: U.S. Dept. of State (Abu Dhabi)  
Washington DC 20520-6010

Post: American Embassy  
**Branch Office Dubai**  
(Vacant)  
Telephone: 011-971-4-371 115  
Telex: 98346031 BACCUS EM  
Fax: 011-971-4-375-121  
Workweek: Saturday-Wednesday  
Street Address: Dubai International Trade Center  
Mailing Address: U.S. Dept. of State (Dubai)  
Washington DC 20520-6020

## 62. UNITED KINGDOM

Post: American Embassy  
**London**  
David Diebold  
Telephone: 011-44-1-499-9000  
Telex: 266777  
Fax: 011-44-1-491 4022  
Street Address: 24-31 Grosvenor Square  
Mailing Address: Box 40, FPO New York 09509

## 63. U.S.S.R.

Post: American Embassy  
**Moscow**  
Michael Mears  
Telephone: 011 7-96-252 2451  
Telex: 413160 USGSD SU  
Street Address: Ulitsa Chaykovskogo 15  
Mailing Address: APO New York 09862

## 64. VENEZUELA

Post: American Embassy  
**Caracas**  
Kenneth Moorefield  
Telephone: 011-58-2-284-7111  
Telex: 25501 AMEMB VE  
Street Address: Avenida Francisco de Miranda y  
Avenida Principal de la Floresta  
Mailing Address: APO Miami 34037

## 65. YUGOSLAVIA

Post: American Embassy  
**Belgrade**  
David Katz  
Telephone: 011-38-11-645-655  
Telex: 11529 AMEMBA YU  
Street Address: Kneza Milosa 50  
Mailing Address: AMCONGEN (BEG)  
APO New York 09213

Post: American Consulate General  
**Zagreb**  
Djuro Njers  
Telephone: 011-38-41-444800  
Telex: 21180 YU AMCDN  
Street Address: Brace Kavurica 2  
Mailing Address: AMCONGEN (ZGB)  
APO New York 09213

## The American Institute in Taiwan

An important non-US&FCS  
commercial office:  
Head, Commercial Unit: Steve Craven  
Telephone: 011-886-2-713-2571  
Telex: 23890 USTRAD  
Fax: 011-886-2-718-1377  
Street Address: 600 Min Chuan East Road  
Mailing Address (letters): American Institute in Taiwan  
Commercial Unit  
P.O. Box 1612  
Washington DC 20013  
Mailing Address (packages): American Institute in Taiwan  
Commercial Unit  
Dept. of State (Taipei)  
Washington DC 20520

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A.I.D. AFRICA BUREAU

PRIVATE SECTOR OFFICE CONTACTS

A. In Africa Bureau, Washington, D.C.

Warren Weinstein, Associate Assistant Administrator  
Raymond C. Malley, Senior Business Consultant  
Telephones: (202) 647-7615, 647-7622

B. In African Field Missions

|   |                                  | Telephone<br>Operator &<br>Code Number | Office<br>Number        |
|---|----------------------------------|--|-------------------------|
| <u>Benin</u><br>Cotonou                         | Mark G. Wentling                 | 9+011+228                              | 215835<br>215855        |
| <u>Botswana</u><br>Gaborone                     | John P. Hummon                   | 0-011-267                              | 353382/3/4              |
| <u>Burkina Faso</u><br>Ouagadougou              | Herbert N. Miller                | 9+160-226                              | 30-67-26<br>33-36-87    |
| <u>Burundi</u><br>Bujumbura                     | Donald F. Miller                 | 9+160-257                              | 25951,26583<br>26903    |
| <u>Cameroon</u><br>Yaounde                      | Jay P. Johnson                   | 9+011+237                              | 230581                  |
| <u>Cape Verde</u><br>Praia                      | Thomas C. Luche                  | 9+011+238                              | 614253<br>614363        |
| <u>Chad</u><br>N'Djamena                        | Bernard D. Wilder                | 9+160+235                              | 515013                  |
| <u>Cote D' Ivoire</u><br>Abidjan<br>(REDSO/WCA) | Arthur M. Fell<br>Arnold Lessard | 9+011+225                              | 414055<br>415338        |
| <u>Gambia The</u><br>Banjul                     | Jimmie M. Stone                  | 9+011+220                              | 28533<br>28573<br>28768 |
| <u>Ghana</u><br>Accra                           | Furman G. Towery                 |  | 774315                  |

|  |  |                          |                                      |
|--|--|--------------------------|--------------------------------------|
| <u>Guinea</u><br>Conakry               | Bryon H. Bahl                                  | 9+011+224                | 441520/1/2, 3                        |
| <u>Guinea-Bissau</u><br>Bissau         | Anne E.M. Williams                             |                          | 212400<br>213238                     |
| <u>Kenya</u><br>Nairobi                | Steven W. Sinding                              | 9+011+254+2              | 331160                               |
| <u>Kenya</u><br>Nairobi<br>(REDSO/ESA) | Satishchandra P. Shah<br>Donald Greenberg      | 9+011+254+2              | 330948                               |
| <u>Lesotho</u><br>Maseru               | Jesse L. Snyder<br>Barbara P. Sandoval         | 9+011+266+               | 315941<br>313954                     |
| <u>Liberia</u><br>Monrovia             | John F. Hicks<br>Edward J. Ploch               | 9+011+231                | 262023<br>262043                     |
| <u>Madagascar</u><br>Antananarivo      | Baudouin F. de Marcken                         |                          | 20089<br>20718                       |
| <u>Malawi</u><br>Lilongwe              | Carol A. Peasley<br>Richard L. Shortlidge, Jr. | 9+011+265<br>731093      | 731632<br>731706                     |
| <u>Mali</u><br>Baumako                 | Dennis J. Brennan                              | 9+011+265                | 224542                               |
| <u>Mauritania</u><br>Nouakchott        | Glenn G. Slocum                                | 9+160+222                | 252768                               |
| <u>Mozambique</u><br>Maputo            | Julius P. Schlotthauer                         |                          | 744482/4                             |
| <u>Niger</u><br>Niamey                 | George T. Eaton                                | 9+160+227                | 735001                               |
| <u>Nigeria</u><br>Lagos                | Henry D. Merrill                               | 9+011+234+1              | 613825                               |
| <u>Rwanda</u><br>Kigali                | James A. Graham                                | 9+160+250                | 75746<br>73950                       |
| <u>Senegal</u><br>Dakar                | Sarah Jane Littlefield                         | 9+011+221<br>Direct Line | 235880<br>236489<br>236680<br>233483 |
| <u>Sierra Leone</u><br>Freetown        | James W. Habron                                | 9+160+232                | 26481                                |

|   |  |              |                            |
|---|--|--------------|----------------------------|
| <u>Somalia</u><br>Mogadishu               | Lois C. Richards<br>Kenneth R. Rikard          |              | 81657<br>81541             |
| <u>South Africa</u><br>Rep of<br>Pretoria | Dennis P. Barrett<br>Wendy A. Stickel          | 9+011+27+12  | 217212/3/4                 |
| <u>Sudan</u><br>Khartoum                  | Frederick E. Gilbert                           | 9+160+016    | 71977<br>71131             |
| <u>Swaziland</u><br>Mbabane               | Roger D. Carlson<br>Harry R. Johnson           | 9+011+268    | 46430<br>42072             |
| <u>Tanzania</u><br>Dar es Salaam          | Joseph F. Stepanek                             | 9+011+255+51 | 22532                      |
| <u>Togo</u><br>Lome                       | Mark G. Wentling                               | 9+011+228    | 215835<br>215855           |
| <u>Uganda</u><br>Kampala                  | Richard L. Podol<br>Fred E. Winch<br>Ken Smith | 9+011+256+41 | 233417<br>242896<br>241521 |
| <u>Zaire</u><br>Kinshasa                  | Dennis M. Chandler                             | 9+011+243+12 | 25525<br>15398             |
| <u>Zambia</u><br>Lusaka                   | Leslie A. Dean<br>Bruno A. Kosheleff           | 9+011+260+1  | 218668<br>211314           |
| <u>Zimbabwe</u><br>Harare                 | Allison B. Herrick                             | 9+011+263+4  | 720757/39<br>720630        |

0315M

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A.I.D. ASIA/NEAR EAST BUREAU

Private Sector Office Contacts

| <u>COUNTRY</u>   | <u>NAME</u>          | <u>PHONE NO.</u>                            |
|--|----------------------|---|
| Bangladesh<br>USAID/Dhaka<br>Agency for International<br>Development<br>Washington, D.C. 20520-6120                            | Gary Vanderhoof      | 235181-85 (o)                               |
| EGYPT<br>USAID/Cairo<br>Agency for International<br>Development<br>Washington, D.C. 20520-7700                                 | Greg Huger           | 354-8211                                    |
| FIJI<br>Regional Development<br>Office/South Pacific<br>Agency for International<br>Development<br>Washington, D.C. 20520-4290 | John Howard          | (679)311399 (o)<br>Telex 2647USAID/<br>Fiji |
| INDIA<br>USAID/New Delhi<br>Agency for International<br>Development<br>Washington, D.C. 20520-5700                             | Robert Beckman       | 600-651                                     |
| INDONESIA<br>USAID/Jakarta<br>Agency for International<br>Development<br>Washington, D.C. 20520-8200                           | Jim Watson (June 89) |   |
| JORDAN<br>USAID/Amman<br>Agency for International<br>Development<br>Washington, D.C. 20520-6050                                | James Dempsey        | 604-171                                     |
| MOROCCO<br>USAID/RABAT<br>Agency for International<br>Development<br>Washington, D.C. 20520-9400                               | Robert Dodson        | 62265                                       |
| NEPAL<br>USAID/Kathmandu<br>Agency for International<br>Development<br>Washington, D.C. 20520-6190                             | Timm Harris          | 211171                                      |

| <u>COUNTRY</u>  | <u>NAME</u>           | <u>PHONE NO.</u>  |
|---|-----------------------|---|
| OMAN<br>USAID/Muscat<br>Agency for International<br>Development<br>Washington, D.C. /20520-6220       | Duncan Miller         |   |
| PAKISTAN<br>USAID/Islamabad<br>Agency for International<br>Development<br>Washington, D.C. 20520-8100 | Gordon West (7/89)    | 824071  |
| PHILIPPINES<br>USAID/Manila<br>Agency for International<br>Development<br>Washington, D.C. 20520-8600 | Bruno Corneleo (7/89) | 521-7116  |
| SRI LANKA<br>USAID/Colombo<br>Agency for International<br>Development<br>Washington, D.C. 20520-6100  | Steve Hadley          | 21271   |
| THAILAND<br>USAID/Bangkok<br>Agency for International<br>Development<br>Washington, D.C. 20520-7200   | Larry Brown           | 252-6502/8191<br>fax 011-662-255<br>3730 or 662-253<br>6318 |
| TUNISIA<br>USAID/Tunis<br>Agency for International<br>Development<br>Washington, D.C. 20520-6360      | Mark Karns            | 784-300   |
| YEMEN<br>USAID/Sanaa<br>Agency for International<br>Development<br>Washington, D.C. 20520-6330        | Bob Mitchell          |   |

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# MISSION DIRECTORS AND PRIVATE SECTOR OFFICERS

A.I.D. LATIN AMERICAN/CARIBBEAN BUREAU

Columbia Project Manager James F. Smith

Phone: (57-1) 2851300 or 2831415

Pouch Address:  
USAID/Bogota  
Washington, D.C. 20523

or

APO Address:  
USAID/Bogota  
APO Miami 34038

---

Costa Rica Director Carl Leonard  
Private Sector Officer Richard Rosenberg

Phone: (506) 331155

Pouch Address:  
USAID/San Jose  
Washington, D.C. 20523

or

APO Address:  
USAID/San Jose  
APO Miami 34020

---

Dominican Republic Director Thomas W. Stuckel  
Private Sector Officer Ken Lanza, Acting

Phone: (809) 541-2171

Pouch Address:  
USAID/Santo Domingo  
Washington, D.C. 20523

or

USAID/Dominican Republic  
P.O. Box 22201  
Sto. Domingo, Dominican Rep.

APO Address:  
USAID/Santo Domingo  
APO Miami 34041

---

Ecuador Mission Director Frank Almaguer  
Private Sector Officer

Phone: (593-2)521100

Pouch Address:  
USAID/Quito  
Washington, D.C. 20523

or

APO Address:  
USAID/Quito  
APO Miami 34039

281

# MISSION DIRECTORS AND PRIVATE SECTOR OFFICERS

## A.I.D. LATIN AMERICAN/CARIBBEAN BUREAU

El Salvador                      Director                      Henri Bassford  
   Private Sector Officer                      Spike Stevenson

Phone: (503)23-3385 or 267465  
239336 (Dir.Off.x201)

Pouch Address:                      or                      APO Address:  
USAID/San Salvador                      USAID/San Salvador  
Washington, D.C. 20523                      APO Miami 34023

---

Grenada                      Associate Director                      Heriadene Johnson

Phone: (809)444-4168

Pouch Address:                      or  
USAID/Grenada                      USAID/Grenada  
Washington, D.C. 20523                      c/o American Embassy  
   St. George's, Grenada

---

Guatemala                      Director                      Anthony Cauterucci  
   Private Sector Officer                      Felipe Manteiga

Phone: (502) 2311541 or  
66378 66373 66352

Pouch Address:                      or                      APO Address:  
USAID/Guatemala                      USAID/Guatemala  
Washington, D.C. 20523                      APO Miami 34024

---

Haiti                      Director                      Gerald Zarr  
   Private Sector Officer                      James Vermillion

Phone: (509-1)24951 or 25500

Pouch Address:                      or                      APO Address:  
USAID/Port-au-Prince                      USAID/Port-au-Prince (ID)  
Washington, D.C. 20523                      Dept. of State  
   Washington, D.C. 20520

---

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A.I.D. AFRICA BUREAU

PRIVATE SECTOR OFFICE CONTACTS

A. In Africa Bureau, Washington, D.C.

Warren Weinstein, Associate Assistant Administrator  
Raymond C. Malley, Senior Business Consultant  
Telephones: (202) 647-7615, 647-7622

B. In African Field Missions

|   |                                  | Telephone<br>Operator &<br>Code Number | Office<br>Number        |
|---|----------------------------------|--|-------------------------|
| <u>Benin</u><br>Cotonou                         | Mark G. Wentling                 | 9+011+228                              | 215835<br>215855        |
| <u>Botswana</u><br>Gaborone                     | John P. Hummon                   | 0-011-267                              | 353382/3/4              |
| <u>Burkina Faso</u><br>Ouagadougou              | Herbert N. Miller                | 9+160-226                              | 30-67-26<br>33-36-87    |
| <u>Burundi</u><br>Bujumbura                     | Donald F. Miller                 | 9+160-257                              | 25951,265<br>26903      |
| <u>Cameroon</u><br>Yaounde                      | Jay P. Johnson                   | 9+011+237                              | 230581                  |
| <u>Cape Verde</u><br>Praia                      | Thomas C. Luche                  | 9+011+238                              | 614253<br>614363        |
| <u>Chad</u><br>N'Djamena                        | Bernard D. Wilder                | 9+160+235                              | 515013                  |
| <u>Cote D' Ivoire</u><br>Abidjan<br>(REDSO/WCA) | Arthur M. Fell<br>Arnold Lessard | 9+011+225                              | 414055<br>415338        |
| <u>Gambia The</u><br>Banjul                     | Jimmie M. Stone                  | 9+011+220                              | 28533<br>28573<br>28768 |
| <u>Ghana</u><br>Accra                           | Furman G. Towery                 |  | 774315                  |

758

|  |  |                          |                                      |
|--|--|--------------------------|--------------------------------------|
| <u>Guinea</u><br>Conakry               | Bryon H. Bahl                                  | 9+011+224                | 441520/1/2/3                         |
| <u>Guinea-Bissau</u><br>Bissau         | Anne E.M. Williams                             |                          | 212400<br>213238                     |
| <u>Kenya</u><br>Nairobi                | Steven W. Sinding                              | 9+011+254+2              | 331160                               |
| <u>Kenya</u><br>Nairobi<br>(REDSO/ESA) | Satishchandra P. Shah<br>Donald Greenberg      | 9+011+254+2              | 330948                               |
| <u>Lesotho</u><br>Maseru               | Jesse L. Snyder<br>Barbara P. Sandoval         | 9+011+266+               | 315941<br>313954                     |
| <u>Liberia</u><br>Monrovia             | John F. Hicks<br>Edward J. Ploch               | 9+011+231                | 262023<br>262043                     |
| <u>Madagascar</u><br>Antananarivo      | Baudouin F. de Marcken                         |                          | 20089<br>20718                       |
| <u>Malawi</u><br>Lilongwe              | Carol A. Peasley<br>Richard L. Shortlidge, Jr. | 9+011+265<br>731093      | 731632<br>731706                     |
| <u>Mali</u><br>Baumako                 | Dennis J. Brennan                              | 9+011+265                | 224542                               |
| <u>Mauritania</u><br>Nouakchott        | Glenn G. Slocum                                | 9+160+222                | 252768                               |
| <u>Mozambique</u><br>Maputo            | Julius P. Schlotthauer                         |                          | 744482/4                             |
| <u>Niger</u><br>Niamey                 | George T. Eaton                                | 9+160+227                | 735001                               |
| <u>Nigeria</u><br>Lagos                | Henry D. Merrill                               | 9+011+234+1              | 613825                               |
| <u>Rwanda</u><br>Kigali                | James A. Graham                                | 9+160+250                | 75746<br>73950                       |
| <u>Senegal</u><br>Dakar                | Sarah Jane Littlefield                         | 9+011+221<br>Direct Line | 235880<br>236489<br>236680<br>233483 |
| <u>Sierra Leone</u><br>Freetown        | James W. Habron                                | 9+160+232                | 26481                                |

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|   |  |              |                            |
|---|--|--------------|----------------------------|
| <u>Somalia</u><br>Mogadishu               | Lois C. Richards<br>Kenneth R. Rikard          |              | 81657<br>81541             |
| <u>South Africa</u><br>Rep of<br>Pretoria | Dennis P. Barrett<br>Wendy A. Stickel          | 9+011+27+12  | 217212/3/4                 |
| <u>Sudan</u><br>Khartoum                  | Frederick E. Gilbert                           | 9+160+016    | 71977<br>71131             |
| <u>Swaziland</u><br>Mbabane               | Roger D. Carlson<br>Harry R. Johnson           | 9+011+268    | 46430<br>42072             |
| <u>Tanzania</u><br>Dar es Salaam          | Joseph F. Stepanek                             | 9+011+255+51 | 22532                      |
| <u>Togo</u><br>Lome                       | Mark G. Wentling                               | 9+011+228    | 215835<br>215855           |
| <u>Uganda</u><br>Kampala                  | Richard L. Podol<br>Fred E. Winch<br>Ken Smith | 9+011+256+41 | 233417<br>242896<br>241521 |
| <u>Zaire</u><br>Kinshasa                  | Dennis M. Chandler                             | 9+011+243+12 | 25525<br>15398             |
| <u>Zambia</u><br>Lusaka                   | Leslie A. Dean<br>Bruno A. Kosheleff           | 9+011+260+1  | 218668<br>211314           |
| <u>Zimbabwe</u><br>Harare                 | Allison B. Herrick                             | 9+011+263+4  | 720757/39<br>720630        |

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***Guidelines for Procurement  
under OECF Loans***

Nov. 1987.

THE OVERSEAS ECONOMIC COOPERATION FUND

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**Part I**

**GENERAL**

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**Section 1.01. Introduction**

(a) These Guidelines set forth the general rules to be followed by Borrowers of THE OVERSEAS ECONOMIC COOPERATION FUND (hereinafter referred to as "the Fund" in carrying out the procurement of goods and services for a development project which the Fund finances, in whole or in part, by a loan. The term "the Borrower" as used in these Guidelines also refers to the Executing Agency of the project and the term "services" as used in these Guidelines excludes consulting services.)

(b) The proceeds of the Fund's loans are required to be used with due attention to considerations of economy, efficiency and non-discrimination among those eligible to bid for procurement contracts.

(c) How these Guidelines are to apply to a particular project financed by the Fund will be stipulated in the Loan Agreement between the Fund and the Borrower.

(d) These Guidelines are concerned only with the relationship between the Fund and the Borrower, who has responsibility for the procurement of goods and services. The rights and obligations of the Borrower vis-à-vis bidders for goods and services to be furnished for the project will be governed by the bidding documents issued by the Borrower and not by these Guidelines.

**Section 1.02. International Competitive Bidding (ICB)**

The Fund considers that in most cases International Competitive Bidding (ICB) is the best method for achieving the economical and efficient procurement of the goods and services required for projects. The Fund, therefore, normally requires Borrowers to obtain goods and services through ICB in accordance with the procedures described in Part II of these Guidelines.

### Section 1.03. Procedures Other than International Competitive Bidding (ICB)

(a) There may be special circumstances in which ICB may not be appropriate, and the Fund may consider alternative procedures acceptable in cases of the following:

- (i) Where the Borrower has adequate reasons for wishing to maintain reasonable standardization of its equipment or spare parts in the interests of compatibility with existing equipment.
- (ii) Where the Borrower has adequate reasons for wishing to maintain continuity of services provided under an existing contract awarded in accordance with procedures acceptable to the Fund.
- (iii) Where the number of qualified suppliers or contractors is limited.
- (iv) Where the amount involved in the procurement is so small that foreign firms clearly would not be interested, or that the advantages of ICB would be outweighed by the administrative burden involved.
- (v) Where, in addition to cases (i), (ii), (iii) and (iv) above, the Fund deems it inappropriate to follow ICB procedures, e.g. in the case of emergency procurement.

(b) In the above-mentioned cases the following procurement formulae, may, as appropriate, be applied in such a manner as to comply with the ICB procedures to the fullest possible extent:

- (i) Limited International Bidding (LIB), which is essentially international competitive bidding by direct invitation without open advertisement.

- (ii) International Shopping, which is a procurement method based on comparing price quotations obtained from several (usually at least three) foreign and/or local suppliers to ensure competitive prices.
- (iii) Direct Contracting.

(c) These Procurement Guidelines will not apply in the case of procurement of goods and services which are to be financed out of the proceeds of the Loan allocated to the local currency portion.

Procurement of such goods and services should, however, be effected with due attention to economy and efficiency. The Fund deems it appropriate that such procurement be effected through Local Competitive Bidding among suppliers of the country of the Borrower.

### Section 1.04. Eligibility

Goods eligible for financing under the Loan are those produced in the eligible source countries. However, even if goods contain materials imported from a country (countries) other than the eligible source countries, such goods may be eligible for financing, if the imported portion is less than 50 percent of the price per unit of such products in accordance with the following formulae:

- (i) When a supplier of the Borrower's country is awarded the contract concerned,

$$\frac{\text{Imported CIF Price} + \text{Import Duty}}{\text{Supplier's Ex-Factory Price}} \times 100;$$

- (ii) When a supplier of the eligible source countries other than the Borrower's country is awarded the contract concerned,

$$\frac{\text{Imported CIF Price} + \text{Import Duty}}{\text{Supplier's FOB Price}} \times 100.$$

## B. Advertising and Prequalification

### Section 3.01. Advertising

On all contract to ICB, invitations to prequalify or to bid should be advertised in at least one newspaper of general circulation in the Borrower's country. The Borrower should also promptly send copies of such invitations (or the advertisement therefor) to the local representatives of the eligible source countries.

### Section 3.02. Prequalification of Bidders

Prequalification is advisable for large or complex works and, exceptionally, for custom-designed equipment and specialized services to ensure, in advance of bidding, that invitations to bid are extended only to those who are capable. Prequalification should be based entirely upon the capability of prospective bidders to perform the particular contract satisfactorily, taking into account, inter alia, their: (i) experience of and past performance on similar contracts, (ii) capabilities with respect to personnel, equipment and plant, and (iii) financial position. A clear statement of the scope of the contract and the requirements for qualification should be sent to all those wishing to be considered for prequalification. All bidders meeting the criteria specified should be allowed to bid.

## C. Bidding Documents

### Section 4.01. General

The bidding documents should provide all information necessary to enable a prospective bidder to prepare his bid for the goods and services to be provided. While the detail and complexity of these documents will vary with the size and nature of the proposed bid package and contract, they should generally include: invitation to bid; instructions to bidders; form of bid; form of contract; conditions of contract (both general and special); technical specifications; list of goods or bill of quantities and drawings, as well as necessary appendices, detailing, for example, the type(s) of security required or acceptable. If a fee is charged for the bidding documents, it should be reasonable and reflect the cost of their production and should

## Part II

## INTERNATIONAL COMPETITIVE BIDDING (ICB)

### A. Type and Size of Contracts

#### Section 2.01. Type of Contracts

Contracts may be let on the basis of unit prices for work performed or items supplied or of a lump sum price or of cost plus fees, or a combination thereof for different portions of the contract, depending on the nature of the goods or services to be provided, and the bidding documents should clearly state the type of contract selected. Cost-reimbursable contracts are not acceptable to the Fund except in exceptional circumstances, such as conditions of high risk or where costs cannot be determined in advance with sufficient accuracy. Single contracts for engineering, equipment and construction to be provided by the same party ("turnkey contracts") are acceptable if they offer technical and economic advantages for the Borrower, e.g. where a special process or considerable integration of the various stages is desirable.

#### Section 2.02. Size of Contracts

In the interests of the broadest possible competition, individual contracts for which bids are invited should, whenever feasible, be of a size large enough to attract bids on an international basis. On the other hand, if it is technically and administratively possible to divide a project into contracts of a specialized character and such division is likely to be advantageous and to mean the broadest possible ICB, the project should be so divided.

not be so high as to discourage qualified bidders. Guidelines on the principal components of the bidding documents are given in the following paragraphs.

#### Section 4.02. References to the Fund

Bidding documents should normally refer to the Fund using the following language:

"..... (name of borrower) ..... has received (or where appropriate 'has applied for') a loan from THE OVERSEAS ECONOMIC CO-OPERATION FUND in the amount of ¥ \_\_\_\_\_ toward the cost of (name of project)".

#### Section 4.03. Bid Bonds or Guarantees

Bid bonds or bidding guarantees will usually be required, but they should not be set so high as to discourage suitable bidders. Bid bonds or guarantees should be released to unsuccessful bidders as soon as possible after the bids have been opened.

#### Section 4.04. Conditions of Contract

The conditions of contract should clearly define the rights and obligations of the Borrower and the supplier, and the powers and authority of the engineer, if one is employed by the Borrower, in the administration of the contract and any amendments thereto. In addition to customary general conditions of contract, some of which are referred to in these Guidelines, special conditions appropriate to the nature and location of the project should be included.

#### Section 4.05. Clarity of Specifications

Specifications should set forth as clearly and precisely as possible the work to be accomplished, the goods and services to be supplied and the place of delivery or installation. Drawings should be consistent with the text of the specifications. Where they are not, the text shall govern. The specifications should identify the main factors or criteria to be taken into account in evaluating and comparing bids. Any additional information, clarification, correction of errors or alteration of specifications should be sent promptly to all those who requested the original bidding documents. Invita-

tions to bid should specify the eligible source countries and provisions governing permissible import content from non-eligible source countries (as stated in Section 1.04.). The specifications should be so worded as to permit and encourage the widest possible competition.

#### Section 4.06. Standards

If particular national or other standards with which equipment or materials must comply are cited, the bidding documents should state that equipment or materials meeting the Japan Industrial Standards or other internationally accepted standards which ensure quality equivalent to or higher than the standards specified will also be accepted.

#### Section 4.07. Use of Brand Names

Specifications should be based on performance capability and should only specify brand names, catalogue numbers, or products of a specific manufacturer if specific spare parts are required or it has been determined that a degree of standardization is necessary in order to maintain certain essential features. In the latter case, the specifications should permit offers of alternative goods which have similar characteristics and provide performance and quality at least equal to those specified.

#### Section 4.08. Expenditures under Contracts

As the use of the Fund's loan is limited to financing expenditure for goods and services from eligible source countries (including permissible import content from non-eligible source countries), the bidding documents should require the supplier to limit his expenditures under the contract accordingly and to identify expenditures related to non-eligible source countries in his statements or invoices.

#### Section 4.09. Currency of Bids

The Fund's loan is denominated in Japanese Yen and the bid price should normally be stated in Japanese Yen, provided, however, that any portion of the bid price which the bidder expects to spend in the Borrower's country should be stated in the Borrower's currency.

#### **Section 4.10. Currency Conversion for Bid Comparison**

The bid price is the sum of all payments to be made to the bidder, in whichever currency. For the purpose of comparing prices, all bid prices should be converted to a single currency selected by the Borrower and stated in the bidding documents. The Borrower should effect this conversion by using the exchange (selling) rates for those currencies quoted by an official source (such as the Central Bank) for similar transactions:

- a. on a date selected in advance and specified in the bidding documents, provided that such date should not be earlier than thirty days prior to the date specified for the opening of bids nor later than the original date prescribed in the bidding documents for the expiry of the period of bid validity; or
- b. on the date of the decision to award the contract or on the original date prescribed in the bidding documents for the expiry of the period of bid validity, whichever is the earlier.

One of the above options should be selected by the Borrower and clearly stated in the bidding documents.

#### **Section 4.11. Contract Price**

The contract price should normally be stated in Japanese Yen, provided, however, that any portion of the contract price which the contractor will spend in the Borrower's country should be stated in the Borrower's currency.

#### **Section 4.12. Price Adjustment Clauses**

Bidding documents should state clearly whether firm prices are required or escalation of bid prices is acceptable. In appropriate cases, provision should be made for adjustment (upwards or downwards) of the contract price, should changes occur in the prices of major cost components of the contract, such as labor or important materials. Specific formulae for price adjustment should be clearly stated in the bidding documents in order that the same provisions may apply to all bids. A

ceiling on price adjustment should be included in contracts for the supply of goods, but it is not usual to include such a ceiling in contracts for civil works. There should normally be no provision for goods to be delivered within one year.

#### **Section 4.13. Advance Payment**

The percentage of the total payment to be made in advance upon effectuation of the contract for mobilization and similar expenses should be reasonable and specified in the bidding documents. Other advances, for example, for materials delivered to the site for use in works, should also be clearly defined in the bidding documents. The bidding documents should specify the arrangements for any security required for advance payments.

#### **Section 4.14. Guarantees, Performance Bonds and Retention Money**

Bidding documents for civil works should require some form of security to guarantee that the work will be continued until it is completed. This security can be provided either by a bank guarantee or by a performance bond, the amount of which will vary with the type and size of the work, but should be sufficient to protect the Borrower in the case of default by the contractor. Its life should extend sufficiently beyond completion of the contract to cover a reasonable warranty period. The amount of the guarantee or bond required should be stated in the bidding documents. In contracts for the supply of goods it is usually preferable to have a percentage of the total payment held as retention money to guarantee performance than to have a bank guarantee or bond. The percentage of the total payment to be held as retention money and the conditions for its ultimate payment should be stipulated in the bidding documents. If, however, a bank guarantee or bond is preferred it should be reasonable in amount.

#### **Section 4.15. Insurance**

The bidding documents should state precisely the types of insurance to be obtained by the successful bidder.

#### **Section 4.16. Liquidated Damage and Bonus Clauses**

Liquidated damage clauses should be included in the bidding documents when delays in completion or delivery will result in extra cost, loss of revenues or loss of other benefits to the Borrower. Provision may also be made for a bonus to be paid to contractors for completion of civil works contracts by or in advance of times specified in the contract, when such earlier completion will be of benefit to the Borrower.

#### Section 4.17. Force Majeure

The conditions of contract included in the bidding documents should, when appropriate, contain clauses stipulating that failure on the part of the parties to perform their obligations under the contract should not be considered a default under the contract if such failure is the result of force majeure as defined in the conditions of contract.

#### Section 4.18. Language

Bidding documents should be prepared in English. If another language is used in the bidding documents, a full English text should be incorporated in those documents and it shall be specified which is governing.

#### Section 4.19. Settlement of Disputes

Provisions dealing with the settlement of disputes should be included in the conditions of contract. It is advisable that the provision be based on the "Rules of Conciliation and Arbitration" prepared by the International Chamber of Commerce.

### D. Opening of Bids, Evaluation and Award of Contract

#### Section 5.01. Time Interval between Invitation and Submission of Bids

The time allowed for preparation and submission of bids should be determined with due consideration of the particular circumstances of the project and the size and complexity of the contract. Generally, not less than 45 days should be allowed for international bidding. Where large civil works or complex items of equipment are involved, generally not less than 90 days should be allowed

to enable prospective bidders to conduct investigations at the site before submitting their bids.

#### Section 5.02. Procedures relating to Opening of Bids

The date, hour and place for latest receipt of bids and for the opening of bids should be announced in the invitations to bid and all bids should be opened publicly at the stipulated time. Bids received after this time should be returned unopened. The name of the bidder and total amount of each bid and of any alternative bids if they have been requested or permitted should be read aloud and recorded.

#### Section 5.03. Clarification or Alteration of Bids

Except as otherwise provided in Section 5.10 of these Guidelines, no bidder should be requested or permitted to alter his bid after the bids have been opened. Only clarifications not changing the substance of the bid may be accepted. The Borrower may ask any bidder for a clarification of his bid, but should not ask any bidder to change the substance or price of his bid.

#### Section 5.04. Process to be Confidential

Except as may be required by law, no information relating to the examination, clarification and evaluation of bids and recommendations concerning awards should be communicated after the public opening of bids to any persons not officially concerned with this process until a contract has been awarded to a bidder.

#### Section 5.05. Examination of Bids

Following the opening of bids, it should be ascertained whether material errors in computation have been made in the bids, whether the bids are substantially responsive to the bidding documents, whether the required securities have been provided, whether documents have been properly signed and whether the bids are otherwise generally in order. If a bid does not substantially conform to the specifications, or contains inadmissible reservations or is otherwise not substantially responsive to the bidding documents, it should be rejected. A technical analysis should then be made

to evaluate each responsive bid and to enable bids to be compared.

#### **Section 5.06. Evaluation and Comparison of Bids**

(a) Bid evaluation must be consistent with the terms and conditions set forth in the bidding documents.

The bidding documents should specify, in addition to provisions for adjustment of a bid price to correct any errors in computation, the relevant factors to be considered in bid evaluation and the manner in which they will be applied for the purpose of determining the lowest evaluated bid. Factors which may be taken into consideration include, inter alia, the cost of inland transport to the project site, the payment schedule, the time of completion of construction or delivery, the operating costs, the efficiency and compatibility of the equipment, the availability of service and spare parts, the reliability of the construction methods proposed, and minor deviations, if any. To the extent practicable, these factors should be expressed in monetary terms according to criteria specified in the bidding documents. Provision for price escalation adjustment included in a bid should not be taken into consideration.

(b) For the purposes of evaluation and comparison of bids for the supply of goods to be procured on the basis of international bidding:

- (i) Bidders will be required to state in their bids the c.i.f. port of entry price for imported goods or the ex-factory price of other goods offered in the bid;
- (ii) Customs duties and other import taxes levied in connection with the importation or sales and similar taxes levied in connection with the sale or delivery of goods pursuant to a bid should not be taken into account in the evaluation of that bid; and
- (iii) The cost of inland freight and other expenditures incidental to the transportation and delivery of the goods to the place of their use or installation for the purposes of the project should be included, if this is specified in the bidding documents.

(c) Where contractors are responsible for all duties, taxes and other levies under civil works contracts, bidders should take these factors into account in preparing their bids. The evaluation and comparison of bids should be on this basis.

(d) Any procedure under which bids above or below a predetermined bid value assessment are automatically disqualified is not permitted.

#### **Section 5.07. Postqualification of Bidders**

If there has been no prequalification of bidders, the Borrower should determine whether the bidder whose bid has been evaluated the lowest has the capability and resources to carry out the contract concerned effectively.

The criteria to be met should be set out in the bidding documents and if the bidder does not meet them, his bid should be rejected. In such an event, the Borrower should then make a similar decision regarding the next-lowest evaluated bidder.

#### **Section 5.08. Evaluation Report**

A detailed report on the evaluation and comparison of bids setting forth the specific reasons on which determination of the lowest evaluated bid was based should be prepared by the Borrower or its consultants.

#### **Section 5.09. Award of Contract**

The award of a contract should be made to the bidder whose bid has been determined to be the lowest evaluated bid and who meets the appropriate standards of capability and financial resources. A bidder should not be required as a condition of award to undertake responsibilities or work not stipulated in the specifications or to modify his bid.

#### **Section 5.10. Rejection of Bids**

Bidding documents usually provide that Borrowers may reject all bids. However, all bids should not be rejected and new bids invited on the same specifications solely for the purpose of obtaining lower prices in the new bids, except in cases where the lowest evaluated bid exceeds the cost estimates by a substantial amount. Rejection of all bids may

also be justified when: a) no bid is substantially responsive to the bidding documents or b) there is a lack of competition. If all bids are rejected, the Borrower should review factors that made such rejection necessary and either consider revision of the specifications or modification of the project or the amounts of work or items in the original invitation to bids, or both, before inviting new bids. In special circumstances, the Borrower may, as an alternative to rebidding, negotiate with the lowest evaluated bidder, or, failing a satisfactory result of such negotiation, with the next-lowest evaluated bidder, to try to obtain a satisfactory contract.

## Overseas Representative Offices

### Bangkok Office

17th Floor, Thai Farmers Bank Building,  
400, Phaholyothin Avenue, Bangkok, 10400, THAILAND  
Telephone: Bangkok 270-1001, 1002, 1003  
Cable Address: KIKIN BANGKOK  
Telex: Call Number 8682968

### Seoul Office

22nd Floor, Lotte Building,  
1, Segong-Dong, Chung-ku, Seoul, KOREA  
P.O. Box Number: C.P.O. Box 1291, Seoul, KOREA  
Telephone: Seoul 752-5964, 755-9042  
Cable Address: KYORYOKUKIKIN SEOUL  
Telex: Call Number 80124486

### Jakarta Office

Summitmas Tower 6th Floor, Jl. Jenderal Sudirman  
Kav. 61-62 P.O. Box 26/KBY/Summitmas Tower,  
Jakarta Selatan 12190, INDONESIA  
Telephone: Jakarta 5200226, 5200948  
Telex: Call Number 7346490

### Manila Office

3rd Flr., Corinthian Plaza Condominium Bldg.,  
121 Paseo de Roxas, Makati, Metro Manila, THE PHILIPPINES  
Telephone: Manila 810-4826  
Telex: Call Number 756-3481

### New Delhi Office

Flat 204, Surya Kiran Building,  
19 Kasturba Gandhi Marg, New Delhi, 110001, INDIA  
Telephone: New Delhi 3312557, 3311378  
Telex: Call Number 813163049

### Beijing Office

4-2-32 Jian Guo Men Wai,  
Wai Jiao Gong Yu, Beijing, CHINA  
Telephone: Beijing 52-2297, 52-2307  
Telex: Call Number 8522694

### Kuala Lumpur Office

22nd Floor, Ubn Tower Letter Box No. 59, Jalan P. Ramlee  
50250 Kuala Lumpur, MALAYSIA  
Telephone: Kuala Lumpur 2323255, 2322201, 232202  
Telex: Call Number 8432533

### Paris Office

4-B, Rue Saine-Anne, 75001 Paris, FRANCE  
Telephone: Paris 4261-4147, 4261-9496  
Telex: Call Number 42214622

### Nairobi Office

5th Floor, Continental House,  
Uhuru Highway/Harambee Avenue, Nairobi, KENYA  
P.O. Box Number: P.O. Box 49526, Nairobi, KENYA  
Telephone: Nairobi 331906, 331907, 337561  
Telex: Call Number 98722094

### Cairo Office

Nile Hilton Hotel Commercial Center,  
No. 31 Tahrir Square Cairo, EGYPT  
Telephone: Cairo 741594  
Telex: Call Number 9193148

### Washington Office

1500 L Street, N.W., Suite 312, Washington, D.C. 20036, U.S.A.  
Telephone: Washington (202)463-7492, 7493, 7494, 7495

### Lima Office

Av. Central 643, 5 to Piso, San Isidro, Lima 27, PERU  
P.O. Box Number: Apartado Postal 140400, Lima, PERU  
Telephone: Lima 22-4760, 42-3031  
Cable Address: OECF LIMA  
Telex: Call Number 3621171

*Guidelines for the Employment  
of Consultants  
by OECF Borrowers*

Nov. 1987

*THE OVERSEAS ECONOMIC COOPERATION FUND*

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**Part I**  
**GENERAL**

**Section 1.01. Introduction**

(1) For the efficient and proper preparation and implementation of projects financed in whole or in part by THE OVERSEAS ECONOMIC CO-OPERATION FUND (hereinafter referred to as "the Fund"), most Borrowers of the Fund's loans require the assistance of consultants. In these Guidelines, the term "the Borrower" also refers to the Executing Agency of the project and the term "consultant(s)" means "consulting firm(s)", individual consultants being excluded unless otherwise explicitly stated).

(2) The purpose of these Guidelines is to indicate the Fund's views as to the proper selection and employment of consultants and the full utilization of consultants' expertise, and to ensure their impartiality, and, in addition, to set forth general rules to be followed by Borrowers in their use of consultants. How these Guidelines are to apply to a particular project financed by the Fund is to be stipulated in the Loan Agreement between the Fund and the Borrower.

**Section 1.02. Need for Employment of Consultants**

In most cases, the need to employ consultants will be established jointly by the Borrower and the Fund and the Terms of Reference for their services will be drawn up, either prior to or in the course of the negotiations relating to the Fund's Loan. At the same time, the two parties will agree on the approximate amount of funds required for such services.

**Section 1.03. Responsibilities of the Borrower in Selection of Consultants**

The selection of consultants for a Fund-financed project is the responsibility of the Borrower.

**Section 1.04. The Fund's Files on Consultants**

(1) The Fund maintains files of information supplied by a number of consultants concerning their capability and experience.

(2) Information in the Fund's files on consultants is available to Borrowers who wish to review and assess the experience and qualifications of consultants they are considering for their projects. However, the information available in the Fund's reference files is limited, and it is frequently necessary for the Fund, or Borrowers, to request additional detailed information from a particular consultant in order to form a judgement of its capability to carry out a specific assignment.

(3) The fact that the Fund has been supplied with information about a consultant does not entitle that consultant to any contract to be financed by the Fund. Neither does it indicate that the Fund endorses the consultant's qualifications in general, nor that the Fund will accept the consultant's appointment for any specific project. The Fund has no list of "approved" consultants.

- ii) Technical and administrative services for the implementation and management of the project.
- (d) Other services necessary for the project, including:
  - i) Assistance in the start-up of facilities and their operation for an initial period;
  - ii) Advisory services, in connection, for example, with development and sector planning and institution building;
  - iii) Assistance in implementation of recommendations (made following studies), post-evaluation and impact studies of the project; and
  - iv) Other Borrower support services.

## Part II

### CONSULTING SERVICES

#### Section 2.01. Types of Assignment

1) In general, the services of consultants can be grouped into the following four broad categories:

- a) Preinvestment studies, including:
  - i) determination of the relative priority to be accorded a project;
  - ii) formation and comparison of various alternatives, and recommendations as to which is the best;
  - iii) general engineering layout and preliminary design of major structures;
  - iv) estimates of costs, benefits and construction period;
  - v) evaluation of economic and technical soundness, financial and commercial viability, suitability of organizational and managerial arrangements and social and environmental impact; and
  - vi) recommendations concerning implementation of the project.
- (b) Preparation services, including:
  - i) detailed investigations and review of preinvestment studies;
  - ii) preparation of detailed designs, specifications and contract documents;
  - iii) pre-qualification of contractors, manufacturers, and suppliers; and
  - iv) evaluation of bids and recommendations regarding award of contract.
- (c) Implementation services, including:
  - i) Supervision of construction work; and

(2) Taking into account the advantages of continuity of basic technical approach, it is advisable that functions (b), (c) and (d) be carried out by the same consultant. If a consultant has already satisfactorily carried out function (a), there are usually considerable advantages in appointing that consultant to carry out functions (b), (c) and (d).

#### Section 2.02. Responsibilities of Consultants

(1) Consultants are at all times to exercise all reasonable skill, care and diligence in the discharge of their duties. Consultants are responsible for the accuracy and completeness of their work.

(2) In all professional matters a consultant is to act as a faithful adviser to the Borrower.

The Borrower may, however, delegate to a consultant the authority to act on its behalf and to make final decisions on certain matters, especially as regards design, tests, certification of invoices, acceptance of equipment, and certification of completion of work. The nature of and the limits to such delegation of authority to the consultant should be clearly defined in the Terms of Reference and in the contract between the Borrower and the consultant.

(3) In the case of differences of opinion between the Borrower and the consultant on any important matters involving professional judgement that might affect the proper evaluation or execution of the project, the consultant shall promptly submit to the Borrower a written report, which

the latter shall forward to the Fund with its comments in time to allow the Fund to study it and communicate with the Borrower before any irreversible steps are taken in the matter. In cases of urgency, a consultant will have the right to insist that the matter be raised immediately with the Fund for discussion.

### Section 2.03. Competence of Consultants

In order to ensure the efficient and proper execution of the project as specifically required by the Loan Agreement, it is essential that consultants employed on Fund-financed projects clearly possess the necessary competence.

### Section 2.04. Impartiality of Consultants

In order to ensure that the goods and services used for the Fund-financed project are suitable and their cost reasonable, and in order to ensure also that designs and specifications in no way limit the Fund's requirements regarding competitive bidding, it is also essential that consultants employed on Fund-financed projects shall be demonstrably impartial.

### Section 2.05. Types of Consultant

- (1) In general, consulting firms fall into one or more of the following categories;
- (a) Independent consulting firms.
  - (b) Organizations of a public character, including public corporations and foundations, which also provide consulting services.
  - (c) Firms which combine the functions of consultant with those of contractor, or which are associated with, affiliated to, or owned by contractors.
  - (d) Firms which combine the functions of consultant with those of manufacturer, or which are associated with, affiliated to, or owned by manufacturers.

(2) In line with Section 2.04, firms in categories (c) and (d) of paragraph (1) of this section will normally be acceptable only if they agree to limit their role to that of consultant and to disqualify themselves and their associates/affiliates (inclusive of parent firms) from working in any other capaci-

ty on the same project (including bidding relating to any goods and services for any part of the project). Therefore, only in special cases and only with clear justification and after taking into account all aspects and circumstances, may the Fund and the Borrower agree to permit firms in categories (c) and (d) and/or their associates/affiliates (inclusive of parent firms) to be invited to bid on a Fund-financed project as contractors or suppliers, if they are also employed on the same project as consultants.

(3) The provisions of paragraph (2) of this Section also apply to contractors or manufacturers who lend, or temporarily second, their personnel to firms in category (a) or organizations in category (b) of paragraph (1) of this Section.

### Part III

## SELECTION PROCEDURES

### Section 3.01. General

(1) The Fund normally requires Borrowers to adopt the following procedures in the selection and employment of Consultants.

- (a) Preparation of the Terms of Reference and cost estimates.
- (b) Preparation of a Short List of Consultants.
- (c) Invitation to submit proposals.
- (d) Evaluation of proposals, and
- (e) Negotiation of a contract.

Consultants proposals for services are to be evaluated solely on the basis of the qualifications of the firms and their staff members for the work, and of the quality of their proposals regarding approach and methodology. Discussions concerning costs and other financial matters, therefore, are to be conducted only with consultants who have been selected to be invited to enter on contract negotiations.

(2) The Fund may, however, accept the Borrower's employment of a specific consultant in cases of the following:

- (a) Where the consultant has already satisfactorily carried out services for the project concerned, such as preparation of a preinvestment study.
- (b) Where the consultant has satisfactorily carried out services on a project closely related and/or similar to the project concerned.
- (c) Where the consultant is considered to be the only firm qualified to provide the services required.

(d) Where the consultant is considered to be the best for the services required for other adequate reasons.

(3) Should two or more consultants jointly submit a proposal for consulting services, the same procedures as outlined in this Part are to be followed.

(4) Where the Borrower wishes to employ an individual consultant, the Borrower should consult with the Fund on the selection procedures to be adopted.

(5) All documents relating to the selection and employment of consultants are to be in English. If another language is used in those documents, a full English text is to be incorporated in them and it should be specified which is governing.

### Section 3.02. Preparation of the Terms of Reference

(1) The first step in the engagement of a consultant is for the Fund and the Borrower to agree on the need to use a consultant, on the Terms of Reference for its services, on the type of consultant to be employed and on the approximate amount of funds required for the consulting services.

(2) The Terms of Reference are to describe the scope of the consulting services in as much detail as possible, especially as regards alternative solutions the consultant is expected to explore in the course of its work and as to how much authority will be delegated to it to act on the Borrower's behalf. In addition, the Terms of Reference should provide information on the background of the project, on the availability of the relevant basic data\*, on national standards and specifications to be used in the design of the project, and on the conditions under which the work is to be performed. (See Annex I)

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\* Coverage, scale and accuracy of the available maps and aerial photographs, data on climate, hydrology and subsoil, facilities available (office space, housing, transportation, counterparts), etc.

### Section 3.03. Preparation of the Short List of Consultants

(1) Once the Fund and the Borrower have agreed on the Terms of Reference for the consulting services required, as described in paragraph (2) of Section 3.02, the Borrower will prepare a Short List of Consultants to be invited to submit proposals, taking into account the factors mentioned in PARTS I and II. (See Annex II)

(2) Such a Short List should normally consist of not less than three and not more than five consultants. There is usually little advantage in inviting more than five consultants to submit proposals, because with a larger number some are likely to be less interested and the quality of proposals is likely to suffer.

(3) Should the Borrower find it difficult to compile a satisfactory Short List of qualified consultants from the information available to it from its own past experience and other sources, the Fund will, at the request of the Borrower, make available information on consultants, from which the Borrower may draw up its own Short List.

### Section 3.04. Preparation of Letter of Invitation

(1) The Letter of Invitation (See Annex III) should request consultants to cover at least the points specifically mentioned in the Terms of Reference and should clearly state that the selection of the first consultant to be invited to negotiate a contract will be made solely on the basis of the ranking of the proposals evaluated with respect to the qualifications of the firms and their staff members for the work and to the quality of their proposals regarding approach and methodology and, that consultants should, therefore, not include in their proposals any information on the estimated cost or financial terms of their services.

The Letter of Invitation should also stipulate the details of the selection procedure to be followed, including the technical evaluation categories and an indication of the weight to be given to each.

(2) Since it is advisable that consultants invited to submit proposals be able to visit the country and the project site before submitting their pro-

posals, the invitation should, as a rule, allow 45-60 days from the date of the actual mailing of the Letter of Invitation to the deadline for submission of proposals.

(3) The Letter of Invitation should also request consultants to notify the Borrower by cable within a specified time whether or not they intend to submit proposals.

### Section 3.05. Sending of the Letter of Invitation to Consultants

After preparing the Short List, the Letter of Invitation and the Terms of Reference in accordance with the provisions of the foregoing Sections, the Borrower will invite all the consultants on the Short List to submit proposals by mailing to them the Letter of Invitation and the Terms of Reference to be attached thereto.

### Section 3.06. Evaluation of Proposals

(1) Proposals received by the Borrower in response to the invitation should be evaluated in accordance with the criteria stipulated in the Letter of Invitation. Such criteria should normally include:

- (a) The consultant's general experience and record in the field covered by the Terms of Reference,
- (b) The adequacy of the proposed approach, methodology and work plan, and
- (c) The experience and records of the staff members to be assigned to the work.

(2) The relative importance of the three above-mentioned factors will vary with the type of consulting services to be performed, but in the overall rating of the proposals most weight should normally be given either to the qualifications of the staff members to be assigned to the project or to approach and methodology, rather than to the fame or reputation of a firm.

(3) To assess the qualifications of the staff members to be assigned to the project, their curricula vitae should be evaluated on the basis of the following three criteria:

- (a) General qualifications (education, length of experience, types of position held,

- length of service with the firm, etc.),
- (b) Suitability for the project (experience of performing the duties which will be assigned to them in the project), and
- (c) Familiarity with the language and the conditions of the country in which the work is to be performed or experience in similar environments.

(4) In its evaluation of the proposals, the Borrower should use numerical ratings and prepare an evaluation report including a summary evaluation sheet (a sample is shown in Annex IV) as soon as possible.

Such evaluation report should normally give detailed information on the following items, supplementing the summary evaluation sheet:

- (a) Selection Committee or other similar organization, if any, responsible for the evaluation, and the domestic laws, ordinances or orders which govern the establishment and/or functioning of the Committee or other similar organization;
- (b) Selection criteria and relative weight distribution, with reasons for adopting each criterion and the basis for deciding the weight distribution;
- (c) Rating: reason for arriving at the rating given for each item for each firm.

**Section 3.07. Contract Negotiations**

(1) After evaluation of the proposals has been completed, the Borrower should invite the highest-ranked consultant to enter on negotiations on the conditions (including costs and financial terms) of a contract between them.

(2) If the two parties are unable to reach agreement on a contract within a reasonable time, the Borrower will so terminate the negotiations with the first consultant and invite the consultant who ranked second in the evaluation to enter on negotiations. This procedure will be followed until the Borrower reaches agreement with a consultant.

(3) While there should be some flexibility in work plans, staff assignment and major work inputs which have been previously agreed as appropriate for the assignment should not be materially

modified to meet a budget.

**Section 3.08. Informing Unsuccessful Consultants**

Promptly after completion of negotiations with the selected consultant, the Borrower should notify the other consultants on the Short List that they have been unsuccessful.

**Part IV**  
**CONTRACT**

**Section 4.01. General**

The contract between the Borrower and the consultant should be prepared in such detail as to adequately protect the interests of both parties to the contract. As a rule, the contract should, inter alia, include the clauses outlined below.

**Section 4.02. Scope of the Project and of the Consulting Services**

The contract should describe in detail the scope and duration of the project and of the services to be rendered by the consultant.

**Section 4.03. Duration of Contract**

The contract should specify the dates for the beginning and completion of the consultant's services.

**Section 4.04. Conditions relating to Validity of Contract**

The contract should include a clause specifying on what conditions it will be valid.

**Section 4.05. Responsibilities of the Parties**

(1) The contract should clearly describe the responsibilities of the Borrower and of the consultant and the relationship between them.

(2) Where the consultant is a joint venture or other form of association of firms, the contract should clearly state whether they will both/all be "jointly and severally" responsible for performance under the contract, or whether one firm will be "solely" responsible, and should state which firm

will be acting on behalf of the joint venture (or other type of association of firms) in all its relations and communications with the Borrower.

**Section 4.06. Contract Amount**

The contract should clearly state the total amount, or "ceiling", of fees to be paid to the consultant.

**Section 4.07. Description of Consultant's Costs and Fees**

(1) The personnel costs and fees necessary for fulfillment of the contract should normally be expressed in terms of fixed "man-month rates" for each expert staff member to be provided by the consultant. The "man-month rate" will cover the basic salary of the staff member, the firm's overheads (including financial, social security and other benefits payable to, or for, the staff member, such as vacation pay, sick leave pay, insurance, etc.) and the firm's fee.

(2) For extended periods of field service in the country concerned, the contract may also provide for overseas allowances in addition to the "man-month rate" mentioned in paragraph (1) of this Section.

(3) The contract should stipulate clearly the number of working or calendar days of vacation and sick leave to which each staff member will be entitled.

(4) In addition to the personnel costs described under paragraph (1) of this Section, the contract should normally provide for reimbursement at actual cost or agreed "unit cost" for travel, equipment and other items necessary for the consulting services covered by the contract.

(5) The contract should normally include an amount set aside for contingencies, such as work not foreseen and rising costs, which the consultant may not use, however, without the written approval of the Borrower.

**Section 4.08. Currency in which Costs and Fees are to be Expressed**

Costs and fees shall normally be expressed in Japanese Yen. However, that portion which the

Consultant will spend in the country of the Borrower may be expressed in the currency of the Borrower.

#### **Section 4.09. Conditions and Methods of Payment**

(1) The contract shall specify the conditions and methods of payment, the currency or currencies in which payment is to be made, and the rate of exchange for any currency conversions.

2) Payment to the consultant should be scheduled in such a manner as roughly to keep pace with its expenditures - i.e. the consultant should not receive payments substantially in advance of its actual expenses for its services nor should it have to wait long for payment for services already rendered. In line with this concept, the contract may, when appropriate, provide for the following:

- a) An advance payment to the consultant at the time the contract becomes effective that will approximately cover its initial reimbursable expenses,
- (b) Withholding of the final payment until all services covered by the contract have been completed or certain performance guarantees have been given.

In case (b) above, however, the final payment shall be made within the disbursement period stipulated in the Loan Agreement.

#### **Section 4.10. Ownership and Disposal of Equipment**

The contract should stipulate the ownership of equipment to be procured, and the manner of disposal of any equipment remaining after the services have been completed.

#### **Section 4.11. Services to be provided by the Borrower**

The contract should clearly specify the services and facilities to be provided by the Borrower, such as counterpart staff, maps, aerial photographs, data and statistics, office space, housing, vehicles and equipment.

#### **Section 4.12. Privileges and Immunities of the Consultant**

The contract should clearly state the extent to which the consultant will be accorded privileges and immunities, especially as regards visas and work permits, corporate and personal income taxes and other dues, customs duties, etc.

#### **Section 4.13. Serious Hindrances**

The contract should require the consultant to report\* to the Borrower promptly the occurrence of any event or condition which might delay or prevent completion of any significant part of the project in accordance with the agreed schedules and to indicate what steps should be taken to meet the situation.

#### **Section 4.14. Reports**

The contract should specify the scope, number, type and frequency of the reports to be submitted by the consultant to the Borrower.

#### **Section 4.15. Copyright**

The contract should specify whether the copyright of documents prepared by the consultant under the contract rests with the consultant or the Borrower.

#### **Section 4.16. Modifications**

The contract should provide that it may only be modified by agreement in writing between the two parties.

#### **Section 4.17. Force Majeure**

The contract should clearly establish:

- (1) The force majeure conditions which would release the consultant, temporarily or permanently, from all or part of its obligations under the contract;
- (2) The procedures to be followed by the consultant regarding determination and notification of any such conditions; and

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\* Where the Borrower receives such a report from the consultant, the Borrower shall immediately forward a copy of it to the Fund, together with its comments on the report and an outline of the steps the report proposes should be taken.

(3) The Borrower's and the consultant's rights and obligations (e.g., as to payments following termination, including, if appropriate, reimbursement of movement expenses) in force majeure situations.

#### Section 4.18. Termination

The contract should include a clause specifying in detail on what conditions either party may terminate the contract and a clause stipulating procedures to be followed by the party wishing to terminate the contract. The contract should state clearly the rights and obligations of both parties in the event of termination of the contract.

#### Section 4.19. Settlement of Disputes

(1) The contract should establish the procedures to be followed in case of a dispute arising between the Borrower and the consultant in connection with the contract.

(2) For the settlement of such disputes, the Fund recommends recourse to impartial institutions specializing in such matters, such as the International Chamber of Commerce.

(3) Whenever the laws of the Borrower's country prohibit such recourse to institutions specializing in arbitration, the contract should include alternative provisions for the settlement of disputes between the Borrower and the consultant.

#### Section 4.20. Applicable Laws

The contract should stipulate which laws are to govern its interpretation and performance.

#### Section 4.21. Language

The contract should normally be prepared in English. If another language is used in the contract, a full English text should be incorporated in the contract and it shall be stipulated which is governing.

## Annex I

### TERMS OF REFERENCE

(The Terms of Reference should include the items mentioned below. The relevance of an item will depend on the nature of the project.)

#### 1. Project Information

- (1) Background information – history of the project's evolution and the reason(s) why it is necessary to implement the project.
- (2) Location of the project and information on the surrounding area.
- (3) Stage reached in the project's preparation and summary of the findings of studies to date.
- (4) Implementing organization.
- (5) Details of the major problem areas.

#### 2. Other Relevant Information

- (1) Technical information – availability of relevant basic data, technical standards or specifications to be used, etc.
- (2) Relevant laws and regulations.
- (3) Related projects.

#### 3. General Terms of Reference

- (1) Objectives.
- (2) Scope of consulting services – Categories of consulting services to be provided, nature of consulting work (the latter in detail, including equipment and materials to be supplied by the consultant).

- (3) Scope and nature of authority delegated to the consultant.
  - (4) Estimated time required to complete a) the project, b) the consulting work; number and qualifications of experts; man-months as estimated by the Borrower for budget purposes.
  - (5) Scope, number, type and frequency of the reports to be presented by the consultant.
4. Specific Terms of Reference
- (1) Methodological details relating to the consulting services mentioned above.
  - (2) Provision for the review of previous studies and for possible additional studies.
5. Services and facilities to be provided by the Borrower.

Annex II

SHORT LIST OF CONSULTANTS

|    | Name | Country of Registration | Address | Name of Chairman (or equivalent) | Major Projects undertaken (country) | Client |
|----|------|-------------------------|---------|----------------------------------|-------------------------------------|--------|
| 1. |      |                         |         |                                  |                                     |        |
| 2. |      |                         |         |                                  |                                     |        |
| 3. |      |                         |         |                                  |                                     |        |
| 4. |      |                         |         |                                  |                                     |        |
| 5. |      |                         |         |                                  |                                     |        |

Annex III  
**LETTER OF INVITATION  
(SAMPLE)**

Date: \_\_\_\_\_

Ref: No. \_\_\_\_\_

To: \_\_\_\_\_

(Name and Address of Consultant)

\_\_\_\_\_ Project

Gentlemen:

1. (name of Borrower/Executing Agency)  
(hereinafter referred to as "the Government")  
is planning to (brief description of project)  
in (name of project area)

The Government intends to employ a consultant to provide services for (categories of consulting services) for the project.

2. (A substantial part of) the cost of the consulting services will be financed out of the proceeds of a loan extended for the project by THE OVERSEAS ECONOMIC COOPERATION FUND (hereinafter referred to as "the Fund"), and the consultant to be employed will be selected in accord-

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In most cases equivalent to the Borrower referred to in these Guidelines. When an organization other than a Government is the Borrower, the phraseology will differ accordingly.

ance with the Guidelines for the Employment of Consultants by OECF Borrowers.

3. You are one of \_\_\_\_\_ number of consultants being invited) consultants being invited to present a proposal for consulting services. For detailed information concerning the services, please refer to the Terms of Reference attached hereto.

4. You may undertake the work in association with other consultants (not necessarily selected from among the other consultants invited to present proposals). In such a case, the proposal should state clearly whether the partners in the association will be "jointly and severally" responsible for performance under the consulting services contract, or whether one of the partners will be "solely" responsible, and it should state which partner will be acting on behalf of the association in all its relations and communications with the Government.

5. Your proposal should cover in detail the following:

(1) The background and experience of your firm (and, if any, associated firms), including a list of past and present work of a nature similar to this project in the last five years.

(2) The general approach and methodology which you propose for carrying out the services covered in the Terms of Reference, including such detailed information as you deem relevant, together with:

- (a) A detailed overall work program and a bar chart indicating the duration and the timing of the assignment of each expert or other staff member assigned to the project;
- (b) Your estimate of the total number of man-months required; and
- (c) A clear description of the responsibilities of each expert staff member within the overall work program.

(3) The name, background and professional experience of each expert staff member to be assigned to the project, with particular reference to his experience of work of a nature similar to that of the proposed assignment.

You are requested to cover at least the points specifically mentioned in the Terms of Reference and in this letter.

6. Selection of the first consultant to be invited to negotiate a contract will be made solely on the basis of the ranking of the proposals evaluated with respect to the qualifications of the consulting firms and the expert staff to be assigned to the work and to the quality of the proposals regarding approach and methodology. You should, therefore, not include in your proposal any information on the estimated costs or financial terms of your services. Details of the selection procedure to be followed, including the technical evaluation categories and an indication of the weight to be given to each are stated in the attached sheet.

7. You should note that if you combine the functions of consultant with those of a contractor and/or manufacturer, you must include in your proposal all relevant information regarding such relationship, along with an undertaking to the effect that you agree to limit your role to that of consultant and to disqualify yourself, your associates/affiliates and/or parent firm from work in any other capacity on this project other than that of consultant. You are also requested to state in your proposal that you will ensure that specifications and designs recommended by you will be impartial and in no way limit competitive bidding.

If, in connection with the performance of the consulting services, you intend to borrow, or hire temporarily, personnel from contractors and/or manufacturers, you must include in your proposal all relevant information about such personnel. In such a case, you will be acceptable only if those contractors and/or the manufacturers disqualify themselves from work on this project other than that of consultant.

8. We should be grateful if you would notify us by cable not later than \_\_\_\_\_ whether or not you intend to present a proposal. Your cable should be addressed to \_\_\_\_\_

9. You are requested to send \_\_\_\_\_ copies of your proposal to \_\_\_\_\_ not later than \_\_\_\_\_

10. After all proposals have been evaluated, the consultant who has submitted the first-ranked proposal\* will be invited to discuss the financial and other terms of a contract.

11. Should you desire additional information, we will do our best to provide it. Requests for additional information, or any delay in complying with such requests, shall not, however, in any way affect the obligation of firms invited to send complete proposals by the deadline indicated above.

Yours faithfully,

\_\_\_\_\_  
(Name of Government)

Attached: Terms of Reference

\_\_\_\_\_  
(Authorized Signature)

\* The words "with the Fund's consent/concurrence" should be inserted where appropriate.

## SUMMARY EVALUATION SHEET (SAMPLE)

| Name of Firm <sup>4)</sup>   |   | A                           |                             | B                   |     | C       |     | D       |     | E       |     |         |
|--|---|-----------------------------|-----------------------------|---------------------|-----|---------|-----|---------|-----|---------|-----|---------|
| Section criteria <sup>2)</sup><br>(see Section 3.06 of the Guidelines) |   | Weight <sup>3)</sup><br>(w) | Rating <sup>5)</sup><br>(r) | Weighted<br>(w)x(r) | (r) | (w)x(r) | (r) | (w)x(r) | (r) | (w)x(r) | (r) | (w)x(r) |
| I  | Experience of Firm  | 18                          |                             | 7.2                 |     | 11.7    |     | 9.9     |     | 13.5    |     | 15.3    |
|  | 1. Experience of international projects of comparable size, complexity and technical speciality | 9                           | 0.5                         | 4.5                 | 0.8 | 7.2     | 0.6 | 5.4     | 0.8 | 7.2     | 0.9 | 8.1     |
|  | 2. Experience in developing countries under comparable conditions                               | 9                           | 0.3                         | 2.7                 | 0.5 | 4.5     | 0.5 | 4.5     | 0.7 | 6.3     | 0.8 | 7.2     |
| II.  | Proposal  | 32                          |                             | 16.0                |     | 27.2    |     | 19.2    |     | 19.2    |     | 24.0    |
|  | 1. Approach and Methodology   | 16                          | 0.5                         | 8.0                 | 0.9 | 14.4    | 0.6 | 9.6     | 0.6 | 9.6     | 0.8 | 12.8    |
|  | 2. Work Plan (including staffing schedule)  | 16                          | 0.5                         | 8.0                 | 0.8 | 12.8    | 0.6 | 9.6     | 0.6 | 9.6     | 0.7 | 11.2    |

|      |                            |     |     |       |     |       |     |       |     |       |     |       |
|------|----------------------------|-----|-----|-------|-----|-------|-----|-------|-----|-------|-----|-------|
| III. | Personnel                  | 50  |     | 28.6  |     | 40.0  |     | 30.8  |     | 34.2  |     | 39.4  |
|      | 1. Project Manager         | 15  | 0.6 | 9.0   | 0.9 | 13.5  | 0.7 | 10.5  | 0.6 | 9.0   | 0.9 | 13.5  |
|      | 2. Engineers               | 28  |     | 16.8  |     | 21.6  |     | 16.8  |     | 19.6  |     | 19.6  |
|      | (i) Design Engineers       | (4) | 0.6 | (2.4) | 0.8 | (3.2) | 0.6 | (2.4) | 0.8 | (3.2) | 0.8 | (3.2) |
|      | (ii) Survey Engineers      | (4) | 0.5 | (2.0) | 0.7 | (2.8) | 0.6 | (2.4) | 0.6 | (2.4) | 0.7 | (2.8) |
|      | (iii) Structural Engineers | (4) | 0.8 | (3.2) | 0.9 | (3.6) | 0.8 | (3.2) | 0.7 | (2.8) | 0.7 | (2.8) |
|      | (iv) Civil Engineers       | (4) | 0.7 | (2.8) | 0.6 | (2.4) | 0.5 | (2.0) | 0.7 | (2.8) | 0.9 | (3.6) |
|      | (v) Mechanical Engineers   | (4) | 0.6 | (2.4) | 0.9 | (3.6) | 0.6 | (2.4) | 0.8 | (3.2) | 0.7 | (2.8) |
|      | (vi) Economic Analysis     | (4) | 0.5 | (2.0) | 0.8 | (3.2) | 0.5 | (2.0) | 0.7 | (2.8) | 0.6 | (2.4) |
|      | (vii) Financial Analysis   | (4) | 0.5 | (2.0) | 0.7 | (2.8) | 0.6 | (2.4) | 0.6 | (2.4) | 0.5 | (2.0) |
|      | 3. Head Office Support     | 7   | 0.4 | 2.8   | 0.7 | 4.9   | 0.5 | 3.5   | 0.8 | 5.6   | 0.9 | 6.3   |
|      | Total                      | 100 |     | 51.8  |     | 78.9  |     | 59.9  |     | 66.9  |     | 78.7  |
|      | Rank <sup>1)</sup>         |     |     | 5     |     | 1     |     | 4     |     | 3     |     | 2     |

- Notes: 1) The firm with the greatest number of points should, other factors being equal, be ranked first.  
2) Additional items may be used and criteria included above may be deleted, as appropriate.  
3) The weight distribution will depend upon the type and nature of the project.  
4) Joint ventures should be evaluated in the same manner, since they will function as a unit.  
5) The rating categories are to be: Excellent 0.9 - 1.0, Good 0.8 - 0.89, Average 0.6 - 0.79, Below average 0.4 - 0.59, Poor 0.0 - 0.39.

## Overseas Representative Offices

### Bangkok Office

17th Floor, Thai Farmers Bank Building,  
400, Phaholyothin Avenue, Bangkok, 10400, THAILAND  
Telephone: Bangkok 270-1001, 1002, 1003  
Cable Address: KIKIN BANGKOK  
Telex: Call Number 8682968

### Seoul Office

22nd Floor, Lotte Building,  
1, Segong-Dong, Chung-ku, Seoul, KOREA  
P.O. Box Number: C.P.O. Box 1291, Seoul, KOREA  
Telephone: Seoul 752-5964, 755-9042  
Cable Address: KYORYOKUKIKIN SEOUL  
Telex: Call Number 80124486

### Jakarta Office

Summitmas Tower 6th Floor, Jl. Jenderal Sudirman  
Kav. 61-62 P.O. Box 26/F BY/Summitmas Tower,  
Jakarta Selatan 12190, INDONESIA  
Telephone: Jakarta 5200226, 5200948  
Telex: Call Number 7346490

### Manila Office

3rd Flr., Corinthian Plaza Condominium Bldg.,  
121 Paseo de Roxas, Makati, Metro Manila, THE PHILIPPINES  
Telephone: Manila 810-4826  
Telex: Call Number 756-3481

### New Delhi Office

Flat 204, Surya Kiran Building,  
19 Kasturba Gandhi Marg, New Delhi, 110001, INDIA  
Telephone: New Delhi 3312557, 3311378  
Telex: Call Number 813163049

### Beijing Office

4-2-32 Jian Guo Men Wai,  
Wai Jiao Gong Yu, Beijing, CHINA  
Telephone: Beijing 52-2297, 52-2307  
Telex: Call Number 8522694

### Kuala Lumpur Office

22nd Floor, Ubn Tower Letter Box No. 59, Jalan P. Ramlee  
50250 Kuala Lumpur, MALAYSIA  
Telephone: Kuala Lumpur 2323255, 2322201, 232202  
Telex: Call Number 8432533

### Paris Office

4-8, Rue Saine-Anne, 75001 Paris, FRANCE  
Telephone: Paris 4261-4147, 4261-9496  
Telex: Call Number 42214622

### Nairobi Office

5th Floor, Continental House,  
Uhuru Highway / Harambee Avenue, Nairobi, KENYA  
P.O. Box Number: P.O. Box 49526, Nairobi, KENYA  
Telephone: Nairobi 331906, 331907, 337561  
Telex: Call Number 98722094

### Cairo Office

Nile Hilton Hotel Commercial Center,  
No.31 Tahrir Square Cairo, EGYPT  
Telephone: Cairo 741594  
Telex: Call Number 9193148

### Washington Office

1900 L Street, N.W., Suite 312, Washington, D.C. 20036, U.S.A.  
Telephone: Washington (202)463-7492, 7493, 7494, 7495

### Lima Office

Av. Central 643, 5 to Piso, San Isidro, Lima 27, PERU  
P.O. Box Number: Apartado Postal 140400, Lima, PERU  
Telephone: Lima 22-4760, 42-3031  
Cable Address: OECF LIMA  
Telex: Call Number 3621171

-287-