



4. Increasing Understanding of, Support for and Participation in ODA Loans

Ex-Ante Project Evaluation System

Since fiscal 2001, JBIC has conducted ex-ante project evaluation for all new ODA loan projects.

The conventional procedure from a loan request to approval goes through the following steps:

- 1) Submission of a loan request
- 2) Examination of submitted documents with the government of Japan, which may send a mission if it is deemed necessary
- 3) JBIC sends its staff team to the recipient country for appraisal, examining more specific aspects of the proposed project to be supported by an ODA loan.

Appraisal involved consultations with parties and individuals concerned, examining economic, technical and other relevant aspects as well as environmental impact of the proposed project. Through this process, JBIC confirmed the necessity, viability and development effects of the ODA loan.

However, amid recent difficulties in Japan's fiscal condition, there has been an increasing interest among taxpayers in the national budgetary expenditures demanding to know what purpose the appropriation is for, how much is spent and how effective the expenditure will be. With the realignment of the central ministries in January 2001, the policy assessment system for government agencies was introduced, which also covered ODA activities, including ODA loan operations. For all the importance of ODA as a pillar of Japan's international contribution, there must be more transparency and accountability in individual ODA-supported projects by informing the public of their needs and achievements.

Against this background, the Fiscal System Council under the Ministry of Finance and the Aid Evaluation Reviewing Panel under the Ministry of Foreign Affairs recommended, respectively in December 2000 and March 2001, that ODA evaluation be strengthened. Following their recommendations, JBIC has built a more transparent system of evaluation in step with the Ministry of Foreign Affairs and the Japan International Cooperation Agency (JICA), the two other government organs engaging in ODA activities. A major pillar of this system is ex-ante project evaluation and the publication of its report.

Ex-ante evaluation has added two new factors to the conventional appraisal. The first is setting targets for a project by using quantitative indicators. The second is an explicit description of the subsequent evaluation plan. As a result, the ex-ante project evaluation report is now required to describe the following eight points.

1. Project name
2. The need and rationale for ODA loan support
3. Project objective
4. Project description
5. Performance targets

Apart from such numerical targets as the internal rate of return¹ calculated in the conventional appraisal, indicators are selected so that the outcome of the project may be measured more clearly. Examples include reduction in driving costs and driving time for road development projects and an increase in the rate of school enrollment for the projects involving the construction of schools.

6. External risk factors
Risk factors that may affect project implementation and hamper the achievement of targets and other factors that need to be taken into account in project implementation, monitoring and supervision (Example: Prediction of natural disasters).
7. Evaluation results of similar projects in the past and their lessons for the proposed project
Results of ex-post evaluation of past projects and lessons to be learned from them
8. Subsequent Evaluation Plan
Relevant indicators to be used in the subsequent evaluation (In general, they are identical with those listed in #5 above.)
Timing of the subsequent evaluation (mainly after project completion)

JBIC is committed to increasing the quality and transparency of ODA loan operations as well as holding itself accountable to the Japanese public.

¹ Internal rate of return (IRR): An indicator that represents the rate of return on a project. It is a discount rate that equates the present value of a stream of benefits accrued from the project with the present value of its costs. There are two kinds of IRR: The financial rate of return is based on earnings for the project executing agency, or the borrowing country while the economic rate of return is based on social benefits accrued in the context of the national economy. In general, IRR is not calculated for social development, health, education or environmental projects, since it is difficult to measure their rates of return.

Ex-Post Evaluation

As a pioneer of evaluation for ODA activities in Japan, JBIC has conducted ex-post evaluation on completed ODA loan projects since 1975. In this process, JBIC has acquired considerable know-how in terms of methodology, accuracy and other aspects of evaluation practice.

One objective of ex-post evaluation is to feed back lessons learned to various stages of the project cycle, such as preparations for a new project, thereby increasing the development effectiveness of ODA loan projects. Lessons learned include factors that successfully contributed to the implementation, effectiveness and sustainability of individual projects as well as problems.

Another objective is to increase the transparency and accountability of ODA loan operations through disclosure, making the results of ex-post evaluation broadly available to the public. JBIC prepares Ex-Post Evaluation Reports for ODA Loan Projects both in Japanese and English and posts them on its website, while distributing them to ODA loan recipients.

JBIC conducts ex-post evaluation based on five criteria set by the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) to harmonize its evaluation practice with those of other donor agencies throughout the world. The DAC criteria for evaluating development assistance are:

- 1) Relevance of a program, project or policy
- 2) Efficiency of implementation
- 3) Effectiveness: To what extent objectives were achieved
- 4) Impact
- 5) Sustainability

Specific lessons learned and recommendations are also described in the Ex-Post Evaluation Reports for ODA Loan Projects.

There are two types of ex-post evaluations. The first is thematic evaluation. An example is a comprehensive evaluation of multiple railway development projects from the perspective of what impact ODA loans have on the transportation sector of recipients' countries.

The other is an evaluation of individual projects. Since fiscal 2001, JBIC has set the target to evaluate all ODA loan projects (except projects covered by thematic evaluation) two years after project completion.

Thematic evaluation for 11 projects and project evaluation for 157 projects were conducted in fiscal 2001. (Evaluation is still under way on some projects.) As a result, coverage of ex-post evaluation reached 100%, covering all the 932 projects undertaken since JBIC started to provide ODA loans¹.

In order to increase objectivity and draw on experts' knowledge to a greater extent, JBIC is expanding third-party evaluations conducted by external experts and institutions. While third-party evaluations were primarily conducted for thematic evaluation in the past, starting from fiscal 2001, third-party comments made by leading experts in the borrowing countries were attached to project evaluation reports in many instances, thereby incorporating independent viewpoints into the evaluations process. As a result, approximately 80% of all ex-post evaluations encompass a third-party perspective.

JBIC also holds seminars to feed back the results of ex-post evaluation to relevant parties and individuals. In fiscal 2001, the Ex-Post Evaluation Feedback Seminar was held in Manila, the Philippines (November 2001). Domestically, JBIC and the International Development Academic Association jointly conducted in Tokyo the Ex-Post Evaluation Meeting on the Afforestation Project in Aravalli Hills in India (June 2001). In addition, efforts are being made to increase evaluation capacities of the recipient countries. JBIC hosted in partnership with JICA the Evaluation Seminar for ODA Loan Projects in Tokyo and other cities, where participants from 16 developing countries attended. Within JBIC, intensive staff training sessions were held in order to increase the sharing of lessons learned from evaluations.

JBIC set three targets for ex-post evaluation called the "three 100%": 100% coverage of ex-post evaluation, "100% disclosure of ex-post evaluation results" and "100% third-party evaluation." Of these three targets, 100% coverage and disclosure had been achieved by 2001. To achieve the third target, JBIC will make further efforts to expand third-party evaluation.

¹ 932 projects: Projects of which construction was completed before fiscal 1980 or loan repayment had been completely excluded.

Third-Party Evaluation—Grameen Bank in Bangladesh

In fiscal 2001, JBIC commissioned Shapla Neer, a Japanese NGO, to conduct a third-party ex-post evaluation of the Rural Development Credit Project, with which JBIC has supported the provision of microcredit through the Grameen Bank in Bangladesh since 1995. For the JBIC-assisted ODA loan projects, this is the first ex-post evaluation, which JBIC commissioned NGOs to conduct. Shapla Neer is a civilian group for overseas cooperation, primarily engaging in activities that support comprehensive rural development in Bangladesh over the past 30 years since the independence of Bangladesh. In parallel, JBIC set up an evaluation panel consisting of academics to further increase the reliability of evaluation and sought their advice.

The Grameen Bank has its roots in tiny loans Professor Muhammad Yunus of Chittagong University handed out to women in rural villages out of his pocket in 1976. These women, if they sought credit from usurers, had to bear exorbitant interest rates (100%-200% per year). The name “Grameen” means “village” in Bengali. In recognition of its innovative endeavor, the Grameen Bank was formally established in 1983 following the legislation of the Grameen Bank Law.

Microcredit provided by the Grameen Bank has the following characteristics:

- A loan is made to a group organized by five members who have collective responsibility for paying back the debt.
- Prior to making the first loan, the group must go through rigorous training to acquire the discipline for repaying a loan.
- The bank staff visits a village to collect weekly repayments.
- Apart from collecting repayments, the bank staff provides an advisory service for the various problems of the members' households. (The Bank also has a savings plan.)
- The customer target is women.

These features have raised awareness for repayment, with the loan repayment rate reaching 98%. Today, the success of the Grameen Bank is providing a stimulus for other NGOs to undertake microcredit and microfinance schemes.

The ODA loan provided by JBIC is supporting housing loans which form part of Grameen Bank operations,

financing the construction of houses, the digging of wells and the purchase of equipment for those who use their homes for production activities (such as a sewing machine to earn one's living as a tailor).

The third-party evaluation has assessed the socio-economic impact of the Grameen Bank's credit for the poor from a broad perspective. Evaluation had two components: a quantitative study based on household surveys using questionnaires and a qualitative study based on opinions heard in discussions with groups of microcredit clients.

In particular, a quantitative study measured development effectiveness of the use of microcredit by comparing its findings in 2001 after using the microcredit with those of the baseline survey Shapla Neer conducted, using the same methodology, in 1996 before the use of the microcredit. The comparison was also made between the users of the microcredit and non-users of the microcredit. The results indicated positive effects of the use of the microcredit, including an increase in productive assets, livestock and household assets; an increase in savings; changes in village-level financing; and the empowerment of women. As future agendas, the study also pointed to a better credit-delivery mechanism, including incentives for savings and more diverse credit schemes, and the need to address the extreme poor.

Details of the ex-post evaluation are described in the Ex-Post Evaluation Report for ODA Loan Projects 2001, posted on the JBIC website. JBIC held feedback seminars on evaluation in Japan, and similar seminars are being planned in the borrowing country.



A scene of a survey being conducted in a village

Pilot Study for Project Formation and Identification

In fiscal 2001, JBIC launched two new pilot study schemes—the pilot study for project formation and the pilot study for project identification—to help identify and form quality projects. These are a new breed of SAF studies (see p. 50).

In recent years, the scope of ODA loan projects has expanded from the traditional economic infrastructure—such as power, transport and communications—to the social sector, such as poverty reduction, human resource development, the environment and health. Increasingly diverse needs for ODA loans in developing countries require a different approach to project identification and formation that does not solely rely on requests from the borrowing countries. Project formation needs to incorporate perspectives of the local community, and project identification may have to incorporate a regional perspective covering the neighboring countries, as in the case of global environment conservation projects.

In addition, amid growing domestic interest in ODA, there is a rising call for public participation in the process of project formation. It was in response to these developments that JBIC launched two new schemes.

A pilot study for project formation aims at ascertaining development needs in the early part of the project formation stage and promotes participatory development in cooperation with local community organizations at the project site and NGOs engaging in field activities. JBIC publicly invites proposals from civil groups for studies that will contribute to future project formation.

A pilot study for project identification aims at identifying quality projects in response to current needs. JBIC invites proposals from various domestic expert groups having advanced expertise and knowledge about studies that will identify worthy projects and lead to project formation in the future.

Studies may be broken down into two categories: a study that focuses on a specific issue or region, and a study that follows a major theme. For respective categories of study, JBIC has indicated two to five issues, sectors and themes. Public advertisement in fiscal 2001 took place with respect to the following issues, sectors and themes.

Pilot study for project formation

(1) A study focusing on a specific issue

- A. The process of building consensus, examining and presenting an alternative plan in the project involving resettlement
- B. Establishing a recycling program of urban waste
- C. The method of sustainable measures for job creation in poor areas
- D. Increasing public awareness with respect to public health, protective measures against infectious diseases, environmental conservation or recycling
- E. Projects jointly operated by cooperatives with community participation (cooperatives for electrification, water use and sewerage system treatment)

(2) A study based on free proposals (major theme)

- A. IT sector (long-distance education, long-distance medical service delivery, training and human resource development)
- B. Global environmental conservation (global warming, afforestation, pollution control, disaster prevention and others)
- C. Social development (improving public health, human resource development and support for the empowerment of women, regional and rural development; furthering poverty reduction; and others)
- D. Post-disaster or post-conflict rehabilitation and development (except emergency support)

Pilot study for project identification

(1) A study focusing on a specific region

- A. Reducing regional disparities in the greater Mekong subregion
- B. Building intraregional transport network in central Asia

(2) A study based on free proposals (major theme)

- A. Global environmental conservation (including cross-country projects)
- B. Social development and poverty reduction

In the first year, 105 organizations—including private firms, NGOs and municipal and prefectural governments—expressed interest in the two schemes. After going through pre-proposals, 34 organizations submitted 38 proposals. JBIC reviewed them and subsequently signed contracts with applicant organizations to conduct two proposed pilot studies in April 2002.

While reviewing issues and themes to be addressed by this new scheme, JBIC will publicly invite proposals for project formation and identification studies from a broader spectrum of the public in fiscal 2002 thereafter.

Regular NGO-JBIC Meeting

In order to make deliberated environmental consideration in ODA loan projects or to promote assistance in poverty reduction, it is highly effective to collaborate with NGOs' flexible grassroots activities undertaken in various countries. In fiscal 2001, JBIC collaborated with NGOs having grassroots expertise and skills in the formation and implementation stages of many projects, utilizing our study scheme (SAF: Special Assistance Facility).

In fiscal 2001, JBIC started holding regular NGO-JBIC Meetings. Their objective was to increase the transparency of JBIC operations and improve mutual understanding through sharing information and fostering mutual dialogue. Another important objective was to increase the quality of ODA loan projects by collaborating with NGOs whose activities are rooted in specific regions and sectors.

The first meeting was held in Tokyo in April 2001, which was followed by regular NGO-JBIC Meetings held every three months in Tokyo. An ad hoc meeting outside Tokyo was also held in Osaka in December 2001.

Both NGOs and JBIC presented their respective agendas at these meetings, and discussions ranged from broader themes to specific topics.

In response to a suggestion from NGOs at the NGO-JBIC Meeting, JBIC held in January 2002 the NGO-JBIC One-Day Seminar, attended by 100 participants. The seminar, which was divided into the following four sessions, aimed at deepening mutual understanding and considering the possibility of further collaborations.



NGO-JBIC One-Day Seminar

Session 1: Presentation on JBIC operations from the perspective of collaboration with NGOs

Session 2: Case studies on collaborative experiences in policy matters

Session 3: Case studies on collaborative experiences at the project level

Session 4: Overall review/feedback of the seminar and Q&A

A poll conducted after the seminar indicated that many participants found a higher possibility for collaboration between NGOs and JBIC than previously expected. This seminar was a success in deepening NGOs' understanding of JBIC operations.

Partnership with Japanese Local Governments

JBIC has been conducting ODA loan operations and studies in partnership not only with JICA and NGOs but also with local governments in Japan.

Japanese international assistance has been mostly initiated by the central government, but since 1990s, prefectural and municipal governments have entered the field and become more active. Many of them have abundant experience and expertise on urban infrastructure development, pollution control and local revitalization, etc. To draw on their expertise, JBIC has been collaborating with these governments. And, it expects that there will be growing needs for such collaborative endeavors.

Collaboration between those local governments and JBIC used to take the form of contract-out studies on ODA loan projects, hiring individuals from the local governments as experts of such areas as local administration, urban management as well as public service delivery and operation. In pursuing public participation and quality upgrading, JBIC considers it will have to expand partnership arrangements with prefectural and municipal governments.

In fiscal 2001, JBIC conducted a study on rural development in collaboration with Gifu Prefecture and explored the possibility of adopting the “Road Station” scheme as a measure to promote local community development for the Regional Road Improvement Project III in Thailand.

A “Road Station,” a station built on a main road in the community, could be functioning as a rest area, a place

to exchange local information and a center for community development. More specifically, the Road Station has a parking lot, rest rooms, a store selling locally produced goods and a restaurant specializing in local cuisine as well as acts as an information terminal. It serves as a hub of regional development owned by local people and based on exploiting unique regional characteristics.

In 1993, the then-Ministry of Construction of Japan institutionalized this idea in Japan, and today there are 650 Road Stations across Japan. Gifu Prefecture had about 30 Road Stations, and many of them are located in mountainous areas that share common characteristics with northern Thailand, where the study on rural development was conducted.



At the seminar on “Road Stations”



Describing Road Stations to community groups in Thailand

Forum on Partnership between Local Governments and JBIC

In February 2002, the Forum on Partnership between Local Governments and JBIC was held in Gifu Prefecture. Participants from 17 local governments gathered to attend the forum, where presentations were made on JBIC operations, on the Road Station seminar held in Thailand as an example of collaborative efforts of JBIC and Gifu Prefecture, and on a SAF study conducted in partnership with the municipal government of Kita-Kyushu City in order to transfer pollution control skills for the Metro Cebu Development Project in the Philippines. In the group discussions that followed the presentations, various opinions were expressed on specific ways of collaboration between JBIC and local governments. JBIC plans to continue this kind of similar forum in the future.

Information Dissemination

JBIC aims at open and transparent ODA loan operations and engages in vigorous information dissemination activities to increase the understanding of its operations in a broad segment of the public both domestically and globally.

At the JBIC Information Center located in the head office, various pamphlets, periodicals—including Development & Cooperation (Japanese), which provides information on overseas economic cooperation operations, Global Eye (Japanese), which provides information on international financial operations, JBIC Today, an English-language periodical describing overall JBIC activities primarily for overseas readers, and annual reports—and videos are available to the public. Also, JBIC operations, operational results and finances are released, and the latest information on a range of topics related to ODA lending operations, various publications, research and study results and environmental efforts are posted at JBIC's website. The address of the JBIC website is: <http://www.jbic.go.jp/english/index.php>

JBIC is committed to improving access to information, while dealing with requests for disclosure under the Law Concerning Access to Information Held by Independent Administrative Agencies, etc., in an appropriate and responsible manner.

Public information activities are also conducted at the Osaka Branch, and overseas representative offices throughout the world offer information on the role and functions of JBIC as well as the latest activities with pamphlets in local languages and through their respective websites.

In addition, JBIC is promoting the public understanding of ODA loans by implementing a new scheme the Japanese government initiated in 1999. Under this scheme, ODA loan

projects are observed by monitors representing civil society. Also, with a view to promoting the public understanding of international cooperation, every year JBIC jointly organizes the International Cooperation Festival (held in Tokyo, October 6–7, 2001) as well as the One World Festival (held in Osaka, October 13–14, 2001) to commemorate International Cooperation Day (October 6). In the One World Festival, a booth was set up to display JBIC operations and activities, while a bank staff attended the symposium held on that occasion as a panelist. In this way, various channels have been employed to disseminate information.

JBIC is reaching out to students to encourage development education by sending its staff to schools and colleges to deliver lectures and holding instructional meetings at the head office and branch offices, thereby spreading knowledge on developing economies and JBIC operations¹. In fiscal 2001, the Pakistani staff of the representative office in Islamabad visited a Japanese elementary school, carrying traditional Pakistani dolls and clothes and talked about their country's culture and history. In Japanese schools in developing countries, similar educational activities are conducted. In New Delhi, an opportunity to consider the relationship between developed and developing countries has been provided on a continuous basis to students in a Japanese elementary school by using specially made games. In Beijing, a Japanese school made a school trip to a wastewater treatment plant built by an ODA loan, conveying the importance of environmental protection as a global agenda as well as the significance of a good relationship between Japan and China.



Periodicals



Students of a Japanese school in Beijing visiting a wastewater treatment plant

¹ Development education: Educational activities designed to convey the message that each individual should help resolve various problems associated with development, consider desirable development and participate in building a just global society where all the peoples on Earth can live together.