

JBIC TODAY

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On the Announcement of the Medium-Term Policy for Overseas Economic Cooperation Operations

Hidetoshi Irigaki, Director, Operations Strategy Division, Development Assistance Strategy Department



Japan Bank for International Cooperation (JBIC)'s first implementation policy for overseas economic cooperation operations was announced December 1, 1999. Mr. Hidetoshi Irigaki, who helped draw up the policy, discusses some of its special features in this interview.

Is the implementation policy announced recently the first for JBIC?

Irigaki: Yes. The formulation and announcement of implementation policies for overseas economic cooperation operations have been stipulated for the first time under the Japan Bank for International Cooperation Law. As part of the administrative reforms, it was decided to merge JEXIM and OECF, and to establish regulations calling for clearly specified operations and mandating the formulation of an implementation policy. JBIC was launched October 1, 1999, and the implementation policy was completed in November. It was officially approved by the minister of the Economic Planning Agency on December 1, and made public that same day.

What is the philosophy behind the basic principles of the policy?

Irigaki: The basic position is the continuation of the ideals set forth by OECF, and it parallels the greater framework of Official Development Assistance (ODA) and the basic philosophy of the medium-term policy on ODA. In other words, through financial assistance (ODA loans), we support "self-help efforts" and "responsible ownership" consistent with Japan's philosophy of assistance to help developing countries take off. Regionally, the emphasis on Asia is similarly consistent.

What sort of position does Japan's assistance have in the larger trends of international aid?

Irigaki: Japan, which carries out bilateral assistance on a large scale, can be said to have a unique position in international society. The advanced countries of Europe and North America carry out financial assistance through international organizations in a multinational framework, but their bilateral assistance centers on grant aid. With that in mind, there is probably a strong feeling that the character of this assistance is more one of charity. Furthermore, there is another dynamic at work in that where Japan's assistance is focused on Southeast Asia, where many countries are already comparatively advanced, most assistance from European countries, largely in the form of grants, goes to former European

colonies, most of which are in Africa, which has many of the least less-developed countries (LLDCs).

Even though JBIC's basic posture is unchanged, what are the special points of this implementation policy?

Irigaki: It clearly sets out three areas of importance: poverty reduction and socioeconomic development; global issues, such as those related to the environment, energy, and food supply; and reforms of the economic structure. While these areas are not divided by sector into agriculture or electric power projects, as has been the case in the past, they are organized instead by higher goals; this is in line with international trends. This makes it easier to explain to people just what ODA loans are trying to achieve.

Three areas of focus—that's pretty easy to follow.

Irigaki: Among these, clearly listing "poverty reduction" as a goal is a very special feature of the policy. Until now, we have been contributing to poverty reduction by strengthening the socioeconomic infrastructure; preparing the environment for private investment; and through growth and employment and implemented projects, such as microcredits, that contribute directly to poverty reduction. The new goals make it clear that one of the ultimate goals of assistance is the reduction of poverty, and the significance of this in redefining assistance is great. According to a World Bank study, in 1996 the number of people living on less than a dollar a day had reached 1.3 billion, close to 22% of the total world population of 5.8 billion, with the majority of the poor living in India, China, and other parts of Asia.

Awareness among Japanese regarding the second area, global issues, is already quite high. This is quite an important field, isn't it?

Irigaki: Yes. I guess Japanese people readily understand that these issues are not only in the interest of recipient countries but in Japan's national interest as well. Even aside from environmental preservation, there are numerous other global issues. I think energy and food problems need to be met head-on. A medium-term vision statement with a target date of 2010 was drawn up in the days of OECF. It

included details regarding some important global issues for the future, and some of the fruits of this work are also reflected in this policy.

How about efforts for environmental preservation?

Irigaki: In fiscal 1998 alone, OECF extended ODA loans for 32 environmental projects, which totaled some 29% of the total ODA loans approved. In the Fisheries Resource Management Project in the Philippines, for example, mangroves and other trees were planted nationwide in afforestation efforts at 18 bays and man-made reefs were built, improving coastal resource management and the livelihood of local fishermen while also acting as an environmental preservation measure. Furthermore, global warming countermeasures are considered very important, among other environmental considerations. In the Ceara State Wind Power Plant Construction Project in Brazil, as another example, we have supported the building of wind-power electrical generators, which have little adverse impact on the environment, to harness abundant wind resources and meet rising demand for electric power.

How about the third important area for reform, structural reform?

Irigaki: This comes directly from the New Miyazawa Initiative, implemented in response to the Asian currency crises. It is composed of specific short-term treatments, such as support for international expenditures and the establishment of a social safety net, support for infrastructure that will serve to develop resistance to dangers of this sort over the medium term, and support for the reform of the economic system, which includes structural reform. These short-term measures will allow developing countries to respond to new types of dangers that accompany the globalization of the economy.

What are some of the other important points of this policy?

Irigaki: In individual fields, our support is not limited to the “hard” aspect of providing infrastructure and structural work. We also support the “soft” aspect of development, with support for the development of human resources at the fore, as well as assistance to small- and medium-sized enterprises, institutional building, and other activities. In institutional building in particular, using the Special Assistance Facility (SAF) and other means, we are providing advisory services supporting suggestions for development policy, strengthening the abilities necessary to implement projects, developing corporate and financial systems, and making other efforts. Another significant part of the policy calls for in-depth studies and evaluations prior to the implementation of overseas economic cooperation activities, careful monitoring of the implementation stages, and then follow-up studies. For the follow-up studies, we use evaluations from a third party including NGOs and experts in the appropriate fields for the most objective evaluation. In addition, we work closely with international organizations.

In today's harsh financial climate, aren't the Japanese people looking at your activities more closely?

Irigaki: Exactly. That's why we are working for even greater disclosure and promoting close cooperation with local governments and NGOs to reach a greater level of “visible assistance.” For example, some local governments in Japan have a great wealth of knowledge and experience in environmental improvements. They can use that experience to energize international exchanges, and JBIC wants to promote projects with tie-ups with such organizations aggressively. When combined with other methods of assistance, such as grant aid or technical assistance, making use of Japan's development experience and experience in assisting developing countries and putting Japan's technology and know-how to work are important for the promotion of “visible assistance.”

What is being done to ensure that the assistance matches the recipient country's needs?

Irigaki: A social consideration is an extremely important point. JBIC strives to win participation from the local community and to ensure that feedback from local people is reflected in regard to the nature of projects. For example, in the implementation of the Kalu Ganga Water Supply Project for Greater Colombo in Sri Lanka, carried out in cooperation with Japan Overseas Cooperation Volunteers, local-level workshops were held. Other workshops, with 13 organizations related to the project, including NGO participants, were also held. As a result of dialogue with local people, the local community contributed part of the cost for the construction of the project, which included the construction of water supply and sewage pipes to each house. The local people that participated in this project made more than a contribution to the water system or environmental improvements for an impoverished area, they gave rise to a building method with a high degree of acceptance in other regions as well. We have compiled the best practices including this one in our “*Handbook on Social Dimensions for ODA Loans*.”

What were the difficulties encountered in overseeing the first implementation policy?

Irigaki: Working to keep it in line with the government's medium-term policy on ODA policies, yet keeping it unique.

With the policy completed successfully, can you relax now?

Irigaki: Yes, but the implementation policy is just at the starting line. Now, we will implement real, tangible operations in accord with this policy. We must keep moving forward without slowing our pace.

JBIC Strategic Framework for ODA Loans

Medium-Term Policy for Overseas Economic Cooperation Operations

Japan Bank for International Cooperation (JBIC) has prepared its medium-term policy for overseas economic cooperation operations, effective until March 31, 2002. The policy was laid down in accordance with Article 26 of The Japan Bank for International Cooperation Law as a strategic framework for the effective and efficient implementation of ODA loans. The key points of the policy are as follows.

General Policy

Basic Approach

◆ **The Role of JBIC in Developing Countries**

JBIC will provide ODA loans to support self-help efforts and initiatives of developing countries toward economic take-off as they tackle diverse development issues, such as overcoming currency and economic crises and working on global issues. With emphasis on Asia, JBIC will deliver effective and efficient aid options tailored to each country and region, based on thorough research and a close policy dialogue with the developing countries, using its comprehensive operations and specialized expertise.

Three Priority Fields

◆ **Support for Poverty Reduction and Economic and Social Development**

In developing countries, the population living in poverty must be reduced through continuous promotion of poverty-reduction efforts and social development. As a prerequisite for such efforts and to ensure sustained economic growth, the creativity and vitality of the private sector must function fully under market mechanisms. JBIC will provide ODA loans to actively support the development of social and economic infrastructure and industries that underpin the process of economic growth, while emphasizing coordination and the appropriate division of roles and responsibilities with Other Official Flows (i.e., JBIC's nonconcessional lending).

At the same time, JBIC will give full consideration to the equitable distribution of the benefits of economic growth and will provide assistance directly to human resource development and poverty-reduction programs. Assistance for women is an important factor in providing support for poverty-reduction programs and social development as the balanced participation of men and women in assistance projects and the equal distribution of the benefits derived from such projects are essential aspects of development.

Developing countries themselves must strive to strengthen their capabilities to comprehensively address these

issues and to build institutions that promote the equitable distribution of the benefits of economic growth. Thus, ODA loan operations will place greater emphasis than before on poverty-reduction programs, social development, human resource development, and policy-related assistance.

◆ **Action on Global Issues**

Environmental problems, such as global warming and other global issues, including energy, overpopulation, AIDS, food, and drugs, are now jeopardizing the foundations of development in many developing countries and exerting a great impact on Japan and other developed countries. These problems pose challenges that call for globally coordinated responses. It is important to overcome these problems in order to attain global social and economic sustainability. ODA loans have great potential to contribute to the solution of these problems by strengthening the socio-economic underpinnings of developing countries, including their social and economic infrastructure and their social development. Making the best use of this potential, JBIC will support the efforts of developing countries to tackle their environmental problems, enhance their capacities, and cope with global issues, such as energy and food.

◆ **Support for Structural Reform**

Advancing globalization has been accompanied by increased liberalization of capital transactions. The resulting large and frequent capital movements across international borders can trigger currency crises and worsen economic problems, as well as increase the speed at which they spread. This danger has already manifested itself in the recent Asian economic crisis.

Economic crisis reveals the structural vulnerability of developing countries' economies and deals a cruel blow to the poor. It is important to provide financial assistance for the emergency restoration of developing economies that have fallen into crisis. Moreover, supporting vulnerable members of society through the development of social safety nets; institutional reform, including the reform of legal systems, the financial sector, and other economic systems;

the promotion of a market economy; and improvements in governance through the enhancement of the policy implementation and managerial capacity of recipient governments—will be increasingly important in order to realize the strong recovery of the real economy. JBIC will provide ODA loans and advisory services for these necessities, in cooperation with other sources of financial and technical assistance and with due consideration to the appropriate division of roles and responsibilities among them.

Key Points for Delivering Aid in the Above Priority Fields

◆ **Promoting Public Understanding of and Support for ODA Loans**

In the implementation of ODA loans, JBIC will promote public relations and information disclosure, both in Japan and abroad, to build broader understanding of and support for ODA loans. It is also necessary for JBIC to actively promote “aid visibility” through cooperation with various strata of society and organizations in project implementation. JBIC will promote “aid visibility,” making use of Japan’s experience in its own development as well as its experience in assisting developing countries and capitalizing on its technology and expertise. This will be achieved through the interaction between loan aid, grant aid, technical assistance, assistance from Japan in its areas of expertise, and the expansion of opportunities available for Japanese companies to participate in ODA loan projects through Special Yen Loans.

JBIC will endeavor to draw on the comprehensiveness of its operations and expertise to deliver effective and efficient aid that is tailored to each recipient country, based on thorough research and policy dialogue with the country concerned and with due consideration to that country’s debt-repayment capacity. At the same time, recipient countries will be urged to execute ODA projects in an appropriate and transparent manner.

Policies for Each Field

Consistent with its overall policy direction, JBIC will emphasize support to the fields described below, utilizing the appropriate special facilities.

◆ **Assistance through Special Yen Loan Facilities**

JBIC will utilize Special Yen Loan facilities, which were established in December 1998 to support structural reform in Asia, to undertake infrastructure projects with significant economic-stimulation and employment-creation effects in the following three fields: improvement in the flow of goods, strengthening of the productive base, and countermeasures against large-scale disasters.

◆ **Assistance for Structural Reform**

JBIC will provide support to developing countries that have suffered from currency and other crises to promote their structural reform, principally through investment in the economic and social infrastructure that will be the foundation for their medium- and long-term growth. JBIC will also provide support in the following areas: development of social safety nets for socially vulnerable members; development of small- and medium-sized enterprises and human resource development that will lay the foundations for private-sector investment; agricultural and rural development to correct regional disparities; and assistance for the reform of policies and institutions that support these areas. In doing so, JBIC will endeavor to continue the smooth implementation of the New Miyazawa Initiative.

◆ **Assistance for Environmental Conservation**

A balance must be struck between development and the environment if developing countries are to attain economic and social sustainability. To achieve sustainable development in developing countries, JBIC will support the programs and efforts of developing countries with respect to global environmental issues, including facilitating energy conservation, new and renewable energy resources, preservation of forests, and pollution control, through ODA Loans for Special Environmental Projects.

◆ **Assistance for Human Resources Development**

Sustainable economic and social development in developing countries requires capacity building for the establishment of industry and implementation of economic and development policies for its advancement. JBIC will support these efforts through ODA loans for education and training opportunities in Japan and the dispatch of Japanese experts overseas.

◆ **Assistance for the Development of Small- and Medium-Sized Enterprises**

In pursuing stable and balanced economic and social progress, developing countries need to strengthen supporting industries through the development of small- and medium-sized enterprises. Small- and medium-sized enterprises are also important to strengthen the underpinnings of economies and to encourage private-sector investment from overseas. JBIC will expand ODA loans for small- and medium-sized enterprise development with due consideration for cooperation and division of roles with Other Official Flows.

◆ **Assistance for Institution Building**

While emphasizing the importance of physical investment in developing countries, JBIC will also promote assistance to formulate development policies and enhance project implementation capabilities. JBIC will support the building of business, financial, and other systems that yield positive

effects for development. JBIC will support the self-help efforts of developing countries by enhancing its advisory services and through technical assistance financed by ODA loans and structural adjustment loans.

Policies for Each Region and Country

◆ East Asia and the Pacific

Countries in this region can be divided into the following three groups: those that are relatively advanced in the liberalization of trade, finance, and capital, but are coping with the rapid pace of globalization; those that are proceeding with liberalization; and those that are still struggling with oppressive poverty. JBIC will provide assistance appropriate for each country's income level and stage of development in the areas of poverty reduction, social and economic infrastructure development, supporting industries' development, agricultural and rural development, and environmental conservation.

JBIC will help the self-reliant development of the island nations of the Pacific through flexible support while taking into account the size of the recipient countries.

◆ Southwest Asia

In this region, where over 500 million people live in poverty, JBIC will provide support for basic human needs while emphasizing measures to combat poverty. As the region lags behind in the liberalization of trade, finance, capital as well as economic transition, JBIC will provide assistance targeting economic reform, human resource development to encourage foreign investment, and social and economic infrastructure development while giving due consideration to environmental conservation.

◆ Central Asia and the Caucasus

Assistance to the countries of this region, which are engaged in structural adjustment by moving away from monocultural economies toward market economies, will focus on rehabilitating economic and social infrastructures that became antiquated due to inadequate maintenance in the Soviet era, tackling environmental problems, and developing the human resources needed for the transition to a market economy.

◆ The Near and Middle East (including Egypt)

This region is vital for Japanese energy security. In providing support for this region, JBIC will pay close attention to the economic and social characteristics of each country in the region and to the progress of the Middle East peace process. JBIC will emphasize support for social and economic infrastructure development, environmental conservation, and multifaceted contributions to the development of

small- and medium-sized enterprises and other industrial structures.

◆ Africa (excluding Egypt)

A majority of African countries are LLDCs that still have a long way to go to solve their economic problems. JBIC will emphasize assistance for antipoverty measures, which are fundamental to stability in the region; agricultural development to correct inequality; stimulation of private sector economic activity to encourage economic development; and development of basic infrastructure. In the implementation of ODA loans, JBIC will give careful consideration to each country's debt-repayment capacity.

◆ Latin America and the Caribbean

There are large disparities between the levels of economic development of countries in this region, and the income disparities within certain countries are so large that some extremely underdeveloped regions exist. Therefore, assistance will target basic infrastructure development that will reduce regional and income disparities. Assistance will also be directed toward projects that contribute to environmental conservation in the countries of the region, including those addressing global environmental problems. In the implementation of ODA loans, JBIC will provide support with consideration to trends in private sector infrastructure development.

◆ Europe

The countries of Central and Eastern Europe and the former Soviet Union are in the transition to becoming democracies and market economies. Their economic and social infrastructure have been poorly maintained during the transition, and environmental problems are surfacing. To meet the diverse development needs of these countries, JBIC will provide assistance targeting the rehabilitation and development of social and economic infrastructure and measures for environmental conservation. Further assistance will also be considered for the restoration and rehabilitation of countries that have been heavily damaged by civil wars. JBIC will implement ODA loans with due consideration to each country's ability to assimilate assistance.

Key Points for Delivering Assistance

◆ Preliminary Surveys, Project Identification, Appropriate Implementation Monitoring, and Post-Evaluation

JBIC will strengthen preliminary surveys in accordance with the medium-term policy in order to identify, formulate, and select quality projects with proper consideration to coordination with development studies by JICA and other studies carried out by Japanese ODA programs.

In the implementation of ongoing projects, JBIC will upgrade and strengthen the monitoring of project implementation and progress and maintain a full and close dialogue with the beneficiary country to promote better implementation of development projects and make sure they deliver the anticipated benefits.

JBIC will conduct post-evaluation of as many completed projects as possible and will publish the results. The post-evaluation process will involve evaluation by experts, NGOs, and other third parties to guarantee that it is as quantitative and objective as possible.

◆ Organic Interaction with Other Aid Methods

With a view to effective aid delivery, JBIC will pay due attention to the division of roles and responsibilities with the private sector investment finance activities of JBIC and JICA, Other Official Flows, private funds, and grant aid, while taking into account the needs and conditions of individual countries.

For technical assistance, JBIC will strengthen cooperation with the Japan International Cooperation Agency (JICA) and other related government agencies. Cooperation will also be extended to the World Bank and other multilateral agencies.

◆ Promotion for Information Disclosure

It is important to promote information disclosure as a way of increasing transparency. In addition to the publication of annual reports and other materials, the Internet will be used to the fullest extent possible for more rapid distribution and easier access. JBIC will actively participate in such areas as development education and lifelong education to increase public understanding in order to gain public support for and understanding of ODA loans.

◆ Promotion of Public Understanding and Participation

In order to build broader support and understanding in Japan and recipient countries for JBIC's ODA loan operations, it will be necessary to promote information disclosure and enlist the cooperation of the various societies and organizations involved in project implementation. JBIC will work to enlist the cooperation and participation of private enterprises, local governments, NGOs, and a broad range of citizens in the implementation of ODA loan projects.

◆ Rational and Efficient Management of Operations

ODA loans must be delivered at the right time to meet the needs of recipient countries. To this end, JBIC will make its best efforts to respond dynamically to their needs and carry out ODA loan procedures smoothly. Procedures must be efficient at all stages, including preliminary studies, project identification, appraisal, implementation, and post-evaluation. JBIC will also make sure that the conditions of loans do not place an excessive burden on developing countries.

◆ Enhancement of Financial Risk Management

JBIC will manage financial risk properly, through exchange of information with the governments of recipient countries and with multilateral agencies, to have a better grasp of the credit risks involved in each country. JBIC will work toward appropriate disclosure of financial information related to ODA loan operations, including their balance of credit.

◆ Appropriate Considerations for the Environment

The aim of environmental considerations in assistance to developing countries is to avoid or minimize the adverse aid-related impact on the environment or community, as well as to support the achievement of sustainable development through self-help efforts. Rigorous examinations will be undertaken in accordance with the Environmental Guidelines for JBIC ODA loans prior to implementation to assess the impact of assistance projects on the environment and regional communities.

◆ Building Intellectual Networks and Strengthening Intellectual Contribution

JBIC will work to deepen intellectual exchanges between aid agencies in Japan and abroad, research agencies and researchers, and executing agencies in developing countries through joint investigative research, policy dialogue, conferences, and other means in order to pool and systematize development-related knowledge and experience. JBIC will strengthen its cooperation for the effective and efficient implementation of development through policy dialogue, seminars, and other opportunities. These will help to utilize JBIC's knowledge and experience, which can be applied to development in other developing countries. Through this process, JBIC will deliver a level of intellectual contribution in proportion to its position as the largest bilateral lender in the world.

The complete text of *JBIC Strategic Framework for ODA Loans: Medium-Term Policy for Overseas Economic Cooperation Operations* is available in the News Release corner of JBIC's web site at: <http://www.jbic.go.jp/english/>

PROJECTS

JBIC Opinion Leader Survey

Make ODA Loans Strategic



Shigeo Uchida, Editorial Writer, *Nihon Keizai Shimbun*

“Can’t Japan’s economic cooperation be infused with more thought toward “strategic assistance”? It was with a firm awareness of this issue that I approached the Opinion Leader Survey in Thailand and Indonesia. I was shown a great number of sites and learned a great deal, and through these surveys I think my ways of thinking on the strategic nature of assistance converged a little bit.

It is my understanding that the term strategic assistance was used during the Ohira, Suzuki, and Nakasone administrations. That was an age of greater assistance to the governments of what were called buffer nations, in cooperation with the United States’ policy of the containment of communism.

Strategic assistance in its new sense has a different shade of meaning. As is well known, Japan gives the greatest amount of money of all the nations in the world in Official Development Assistance (ODA). Naturally, assistance for Asia is at the heart of this aid, and together with foreign direct investment by Japanese firms there is no doubt that this has made great contributions to the rapid—some would even say miraculous—development of most countries in the region. However, given the stage to which the countries of Asia have now developed, shouldn’t assistance itself be changing as well?

Domestic factors sustaining assistance have also changed, such as the growth of Japan’s budget deficit and the trend toward structural reform for the Fiscal Investment

and Loan Program. Furthermore, as the recession stretches on, expectations for “aid visibility” grow stronger, particularly in industrial circles. As part of this trend, the view that “calling it assistance doesn’t mean it’s okay to pass money out” is gaining strength. Shouldn’t national interests be reflected more in assistance?

This is the starting point of my concept of strategic assistance.

ODA Loans Are a Contribution to Economic Development

My hurried visits left me with the general sense that Japan’s ODA loans have made a great strength in the formation of economic, industrial, and social infrastructure necessary for economic take-off. The many bridges over the Chao Praya River in Bangkok, Thailand, are a particularly striking example. There are currently 16 bridges over the Chao Praya, which divides Bangkok, and 12 of them, including a state-of-the-art suspension bridge, were built with ODA loans from Japan. Traffic is heavy on all the bridges, and with only a glance I could see right away the immeasurable power they brought to Bangkok’s development. The Map Ta Phut Industrial Estate, part of the Eastern Seaboard Development Program, in which 10% of the cumulative total amount of ODA loans for Thailand has been invested, is operating smoothly. At the start of the 1980s, the per capita value of production for the region was just 60% of that of the capital, but currently it has risen to 2.6 times the national average and 80% of the figure for the capital.

In Indonesia, I visited the Bili-Bili multipurpose dam about an hour by car from Makassar (formerly Ujung Pandang) on the island of Sulawesi. The dam is a representative multipurpose dam, built to meet the needs of the local people as a defense against recurring floods during the rainy season, and to supply drinking water and irrigation during the



An exchange of opinions with local NGO members (Indonesia)



Bili-Bili Dam (Indonesia)

dry season, and to provide electricity. The dam itself has been completed, and the remaining operations are progressing steadily. The dam renovates a water system built in Dutch colonial days and will supply water to one million people. This is a symbolic case showing just how much one dam will change the quality of life for the people it serves.

What left an even more lasting impression on me was an irrigation project where, with the help of a local NGO, a water-utilization association was set up. Users' opinions were made known on the operation and supervision of the association, and at meetings where water-usage fees, and the like were taken up. Even though this participatory approach was originally started in the days of USAID, Japanese ODA loans have taken up this approach and been implemented successfully. This could be a good example when we think what Japan's assistance is supposed to do.

Any number of reasons can be brought forward to explain the success of such large-scale projects as those method above, but basically it is the reliability of the plans formulated by the partner government and the degree to which the response of the Japanese side meets those plans. However, problems with large-scale projects also come up continuously, such as whether or not a project is really for the people or some other interests, or whether decisions about provisions for persons displaced during the building of a dam or port are made democratically. It may have seemed that there were no problems of this sort whatsoever in the projects I visited, however, the level of priority given to large-scale projects for the establishment of growth infrastructure is very likely to decline in the case of Thailand at least. I could offer a couple more countries

besides Thailand as examples. The situation is probably slightly different in Indonesia because of the economic crisis and political turmoil.

Reduce the Number of Projects; Focus on Environmental and Energy Conservation Measures

So, in which direction should we head? As mentioned earlier, the goal should be strategic assistance that is directly in Japan's national interest. As economic turmoil becomes severe because of the Asian Currency Crisis, the maintenance of the foundation for economic development is becoming even more needed. To pick the right projects among a list of necessary projects, very clear policy and priority should be presented, and a policy dialogue should be continued. The idea is that, in addition to overcoming such environmental problems as pollution and global warming, a system should be developed to provide energy to all of Asia, with guaranteed energy security for Japan. However, no matter how much of a direct bearing it has on Japan's national interests, it is difficult to see Asian countries being concerned with the distribution of capital necessary in this field.

Of course, assistance to date has also contributed to Japan's national interest. The contribution made by Asian development has made to Japan's economic growth is clear. However, Asia has already progressed to a point at which it can stand on its own, and many in Japan now feel development assistance is not linked with Japan's national interest as it was in the past. As far as Asia is concerned, the order of priorities must be changed and the need for this change is coming specifically because of the success of Japan's assistance efforts in Asia.

ODA loans are suited to meet the goal mentioned earlier. The concentration of grant assistance on humanitarian social safety nets cannot be avoided since arguments about Japan's national interest have no place in such matters. In any case, the future narrowing down of aid recipients is inevitable and also essential. I believe this is another nuance in raising the strategic role of ODA loans.

Outlook for Japanese Foreign Direct Investment (FDI)

Japanese Manufacturers' Future Overseas Business Operations and the Prospects for Business Activities After Asian Economic Crisis

Hidehiko Noda, Research Institute for Development and Finance

Japan Bank for International Cooperation (JBIC) announced the results of its FY1999 survey on FDI, emphasizing prospects for business recovery and strategy, at the end of November 1999. This survey has been conducted annually since 1989 on Japanese manufacturing companies with experience in overseas operations. This year's survey is the 11th. (Through the 10th one, the survey was conducted by JEXIM.) This time, the survey received 472 responses, the largest number ever. According to the Toyo Keizai Data Bank, the number of overseas affiliates of companies that responded represents about 50% of all Japanese manufacturers with overseas affiliates. This year's survey focused on the prospect of business recovery and investment strategy after the Asian economic crisis in its questions to the companies, which have bases in four ASEAN countries (Thailand, Malaysia, Indonesia, and the Philippines) and Korea.

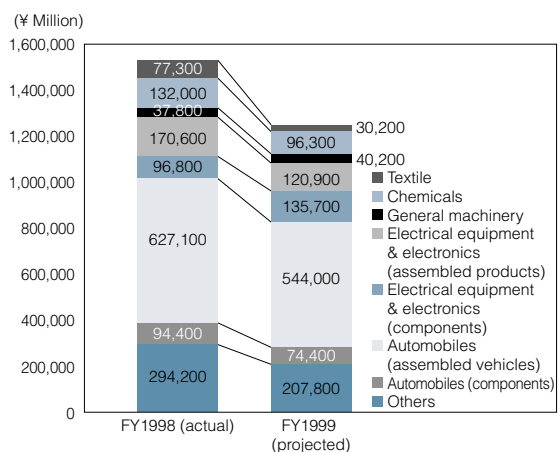
FDI Projections for FY1999 Down 18.3% from FY1998

According to this year's survey results, the projected value of FDI for FY1999 will be down 18.3% compared with the amount actually invested overseas for FY1998 (based on responses from 383 companies reporting actual investment for FY1998 and projected investment for FY1999). Accompanied by the previous survey indicating a 23.4% decline in projected FDI for FY1998, the declining trend continues for the second consecutive survey.⁽¹⁾

By industry, projected investment in industries, such as automobiles (both parts and assembled vehicles), electrical equipment and electronics (assembled products), and chemicals continues to decrease. But an increase is projected for electrical equipment and electronics (components). (Figure I)

The regional breakdown of investment destinations for FY1999 shows a decline for almost all regions. However,

Figure I FDI, Actual Figure in FY1998 and Projection for FY1999



investment in the EU is up for automobiles (assembled vehicles) and electrical equipment and electronics (components).

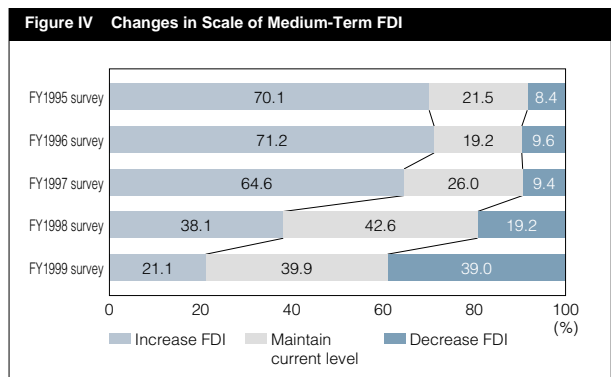
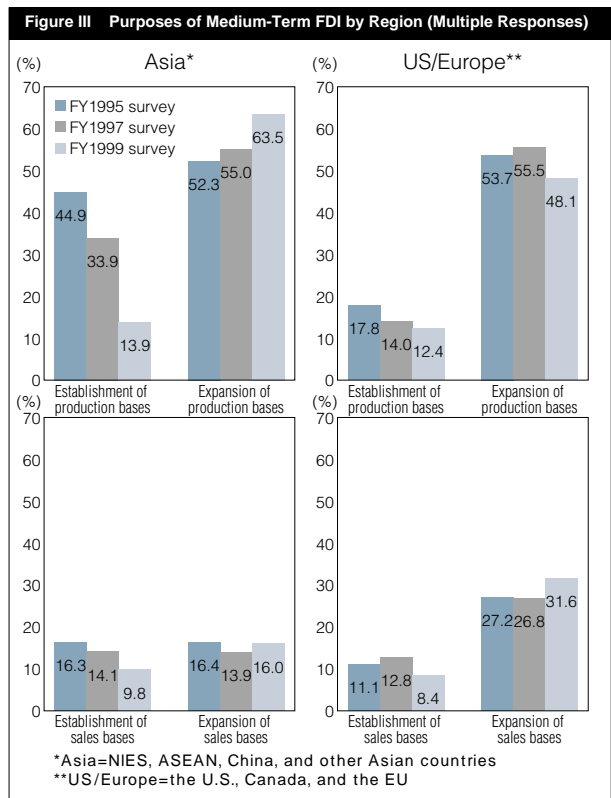
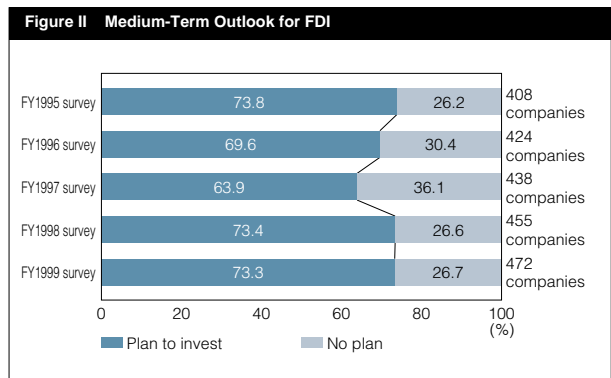
Japanese Manufacturers Continue Efforts to Develop Their Overseas Business Operations, Shifting Emphasis from the Establishment of Production and Sales Bases to the Expansion of Existing Production and Sales Bases

Regarding FDI over the medium-term, 73.3% of the respondents say they have plans to invest over the medium-term, i.e., the next three years (through FY2002). The results of past surveys have shown that about 70% of the respondents indicated plans to invest over the medium-term. While the total amount of projected FDI in FY1999 is down overall, Japan's manufacturers are expected to continue their overseas business activities. (Figure II)

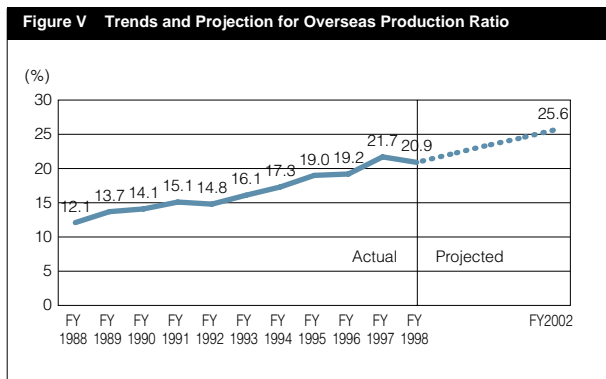
Looking at the regional breakdown of purposes of FDI over the medium-term, in Asia the percentage of companies with plans to establish new production bases declined, while the portion of companies that report they will be expanding their production bases grew. A similar trend is expected in Europe and North America. Since the mid-1990s, Japanese manufacturing companies have put greater emphasis on the expansion of existing production and sales bases than on the establishment of production and sales bases in their overseas business activities. In an environment in which international competition has intensified and from the standpoint of making effective use of existing bases, this trend is expected to continue to gain momentum. (Figure III)

Among firms with plans to invest over the medium-term, the percentage of firms reporting plans to "increase the amount of FDI" over the actual amount in the previous three years declined sharply, to 21.1%, in the FY1999 survey. The percentage of firms reporting plans to decrease the amount of FDI was 39.0%, increasing for the second consecutive survey. In FDI by Japanese manufacturing companies, there has been a shift from the comparatively large investment accompanying the establishment of production and sales bases to making effective use of existing bases, and for the medium-term a decrease in the overall amount of FDI is inevitable to some extent. (Figure IV)

Looking at changes in the overseas production ratio⁽²⁾, actual figures for past years have risen bullishly, and a similar trend is forecast for the future (with the ratio rising



from the actual 20.9% for FY1998 to an expected 25.6% in FY2002). This shows that Japanese firms will continue to expand overseas operations. (Figure V)



Promising Medium-Term FDI Destinations —China Continues to Rank First, Thailand Regains Its Attractiveness

In this year's survey, China continues to be the most promising destination for investment over the medium-term, followed by the United States. However, the number of firms responding to the survey question regarding promising investment destinations over the medium-term has declined year after year (342 firms in FY1997, 299 in FY1998, and 278 in FY1999). It is notable that the actual number of companies that named China as the most promising destination has been on the decline as well (from 219 firms in FY1997 to 163 in FY1998 and 153 in FY1999).

While there are no major changes in the ranking of the four ASEAN countries, the number of firms naming Thailand as a promising FDI destination rose compared to the previous year's survey. By industry, more manufacturers of automobile parts (22) cite Thailand than in the previous survey (10), a sign that domestic demand in Thailand is on the rebound, and export efforts by manufacturers of

assembled automobiles and other factors are thought to reflect gradual improvement in the environment for automobile-related companies.

Among EU member countries, the U.K. is the ninth-most promising FDI destination. Significantly, a total of 85 firms cast their vote for EU countries, following FY1998's total of 90 (up from FY1997's 65 firms) and marking a high degree of interest in the region. (Figure VI)

Japanese Manufacturers Will Recover from the Effects of the Asian Economic Crisis in 3-5 Years

This year's survey asked respondents their prospects for sales and profit recovery in their business operations in four ASEAN countries and Korea. Respondents answered with actual results in FY 1998, the projection for FY 1999, and prospects over the medium-term (FY 2002) and long-term (FY 2004) compared with results prior to the Asian economic crisis, using a yardstick of 100.

As a whole (averaging across five countries), sales and profit recovery are expected as follows: sales recovery, the actual figure of 83.8% in FY 1998 compared with the pre-crisis level, 90.9% projected for FY 1999, 103.4% for FY 2002, and 109.8% for FY 2004, and profits recovery, 73.2%, 80.9%, 96.1%, and 101.6%, respectively. Accordingly, Japanese manufacturer's business operations affected by the Asian economic crisis are expected to return to their pre-crisis levels over the next three to five years, with sales recovery preceding profit recovery.(Figure VII)

A breakdown by country reveals that, excluding the case of the Philippines because of relatively less damage by the crisis, a smoother recovery in sales and profits is expected in Thailand. In addition, even in Indonesia, which is viewed with some concern because of the delay in economic recovery, expectations are equally high for the recovery of both sales and profits. In Indonesia, there are industries in good condition as well as ones in adverse

Rank	FY1999 Survey No. of Companies	Share (%)	FY1998 Survey No. of Companies	Share (%)	FY1997 Survey No. of Companies	Share (%)	FY1996 Survey No. of Companies	Share (%)	FY1995 Survey No. of Companies	Share (%)
1	China 153	55	China 163	55	China 219	64	China 240	68	China 248	74
2	U.S.A. 108	39	U.S.A. 124	41	U.S.A. 123	36	Thailand 126	36	Thailand 122	36
3	Thailand 76	27	Thailand 68	23	Indonesia 97	28	Indonesia 119	34	Indonesia 110	33
4	India 42	15	Indonesia 49	16	Thailand 84	25	U.S.A. 112	32	U.S.A. 108	32
5	Indonesia 41	15	India 46	15	India 77	23	Vietnam 96	27	Vietnam 95	28
6	Vietnam 30	11	Philippines 43	14	Vietnam 66	19	Malaysia 71	20	Malaysia 73	22
7	Malaysia 25	9	Malaysia 42	14	Philippines 47	14	India 64	18	India 57	17
8	Philippines 25	9	Vietnam 41	14	Malaysia 46	13	Philippines 45	13	Philippines 52	15
9	U.K. 25	9	Brazil 34	11	Brazil 28	8	Singapore 34	10	Singapore 32	10
10	Brazil 21	8	U.K. 31	10	Taiwan 28	8	U.K. 23	7	U.K. 24	7
							Taiwan 23	7		

condition, and the fact that they offset each other will result in a relatively bright recovery for industry as a whole. (Figure VIII)

By industry, expectations of a recovery in profits for automobiles (assembled vehicles) are quite harsh. Actual profits for FY1998 shrank to just 15.0% of the pre-crisis figure. Medium-term expectations show profits of 62.5%, and even the long-term prospects only call for 78.0%. It is expected to take more than five years before profits return to the pre-crisis levels. Aside from automobiles (assembled vehicles), prospects for a recovery in profits for general machinery are also bleak. On the other hand, quick recoveries are expected for such industries as chemicals, textiles, and electrical equipment and electronics (components). (Figure IX)

The Importance of Asian Bases to Japanese Manufacturers Will Not Change

46.9% of the respondents report their investment strategy toward Asia is to “strengthen their bases,” while 49.4% say they will “maintain their bases at the current level.” The percentage of firms that say they will “reduce the number of their bases or change their investment focus to other countries/regions” is only 3.8%.

In respect to the actual measures to strengthen their bases, 64.9% of the respondents chose “expand existing facilities,” followed by “diversify production lineup” with 49.6%, and “strengthen sales bases” with 34.6%. On the other hand, “establish new production bases” was low, at 7.8%.

Despite the Asian economic crisis, Asia remains an important base for Japanese manufacturers. In the future, manufacturers will certainly place greater importance on maintaining and expanding local markets, and strengthening business operations at existing bases. (Figure X)

(1) This survey does not include the large-scale acquisition project by a Japanese cigarette company for the overseas cigarette business of an American company. According to the press release, the total amount of the investment is estimated at ¥950 billion.

(2) Overseas production ratio = overseas production volume / (overseas production volume + domestic production volume)

Figure VII Medium- to Long-Term Sales and Profits (Five Country Average)

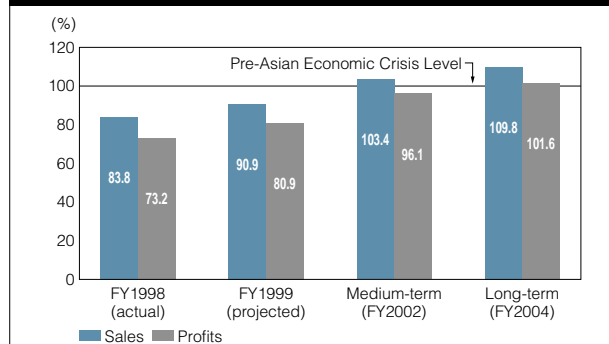


Figure VIII Medium- to Long-Term Profits by Country

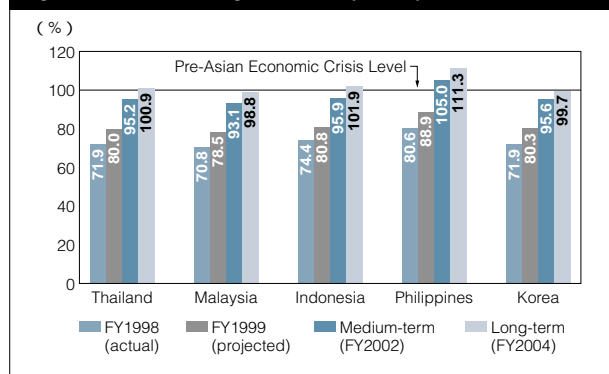


Figure IX Medium- to Long-Term Profits by Industry

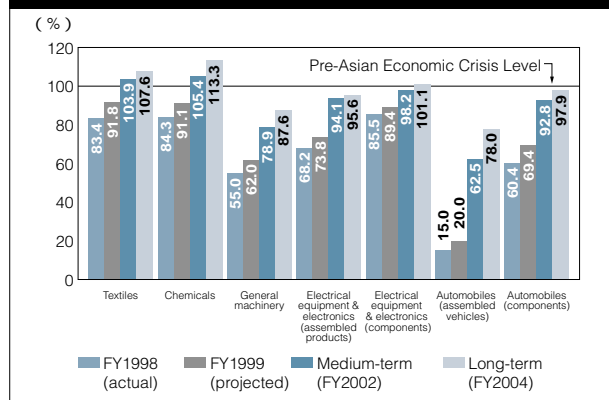
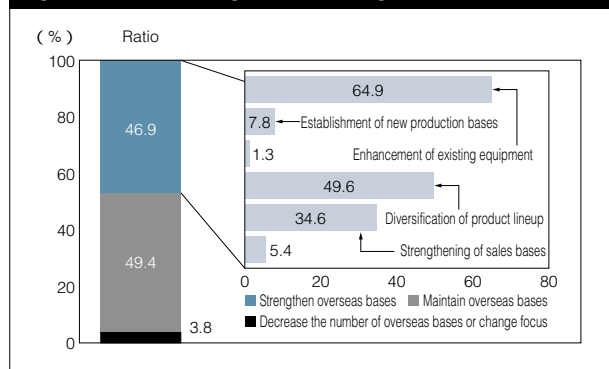


Figure X Future FDI Strategies in the Asian Region



Toward Broader Understanding of Japan's Economic Cooperation—1999 ODA Loan Seminar

The Birth of a Global Network

International Coordination Division, Policy Planning and Coordination Department

■ First JBIC ODA Loan Seminar

Japan Bank for International Cooperation (JBIC) held the ODA Loan Seminar from November 1 through December 1, 1999, for the middle-management executives of organizations handling ODA loans in developing countries. The seminar has been held annually since 1977 under the cooperation scheme between the Japan International Cooperation Agency (JICA) and JBIC. It consists of intensive lectures and discussions on the role, implementation procedures, and other aspects of ODA loans. Its goal is to make officials managing ODA loan administration have a greater understanding of ODA loans, for effective, efficient implementation of ODA loans operations.

This was the first seminar following the establishment of JBIC on October 1, 1999. One representative from the 29 countries¹ attended, with two countries represented for the first time. By region, 17 participants were from Asia and Oceania, six from Africa, two from Europe, and four from Latin America. This brought the cumulative number of countries to 74, covering the greater part of the 93 countries that have received ODA loans from Japan. The number of participants has increased steadily as the number of countries receiving ODA loans has grown, and to date a total of 453 participants have attended the seminars.

■ Shared Issues for Developing Countries

After the first week of the program, consisting of general orientation about Japan, JBIC conducted lectures and discussions regarding Japan's ODA loans. Themes covered all facets of Japan's ODA and JBIC facilities, such as overall ODA policy, the roles and functions of JBIC's Overseas Economic Cooperation Operations and International Financial Operations, cooperation with the JICA scheme, and the project cycle for ODA loans operations. Lectures were given mostly by JBIC staff who are in charge of these operations, as well as by speakers from universities and the Ministry of Foreign Affairs.



JBIC Governor Hiroshi Yasuda and seminar participants

In addition to these lectures, the seminar has a country report session based on the country reports of all participants. In the session, there arose an open dialogue between participants and JBIC staff on various development-related issues. From this, both the participants and JBIC staff could share the issues facing developing countries, in spite of the social, economic, and other differences.

■ Admiration for Recovery Efforts—An Observation Trip to the Hanshin Highway Reconstruction Site after the Kobe Earthquake

The evaluation session at the end of the seminar showed that participants gave a high score for the overall program in terms of topic selection and contents. A visit to Tokyo Gas district heating and cooling center and a trip to Kansai Electric Power's Keage power station, Japan's oldest hydroelectric power station, as part of the observation trip to the Kansai region, also left a strong impression on the participants. Especially, a site survey to the Hanshin Highway reconstruction site, after the Kobe earthquake in 1995, left a very deep impression. Standing on ruins left by the quake, looking at pictures of the collapsed highway taken just after the disaster, participants were impressed by tremendous efforts for recovery from the disaster in such a short time.

■ Birth of a Global Network

While participants have similar career backgrounds as middle-management executives of ODA-related organizations such as the ministry of finance and project executing agencies. In their respective countries, they have diversity in cultural background.

In addition to the main goal of the seminar, to enhance the participants' understanding of ODA loans, it has attained the other important goals, such as to encourage interaction between participants and JBIC staff members as well as among participants themselves. In the month of the seminar program, friendships were expanded between JBIC and 29 developing countries of the world not only on an institutional basis but also on an individual basis. Seeing that participants exchanged e-mail addresses and other information, JBIC could encounter the very moment of the birth of a new global network.

We are trying to make JBIC's seminar programs even better. In addition to this ODA Loan Seminar, JBIC has initiated four new training courses² under the cooperation scheme with JICA since fiscal 1998 to meet the diverse needs of developing countries. With these new activities, JBIC is moving toward more visible assistance for attaining greater understanding of Japan's aid policies.

1. Countries represented at the ODA Loan Seminar: Armenia, Bosnia-Herzegovina, Brazil, Bulgaria, Cambodia, China, Egypt, El Salvador, Fiji, Ghana, India, Indonesia, Kenya, Laos, Malaysia, Mexico, Mongolia, Morocco, Myanmar, Nepal, Pakistan, Papua New Guinea, Peru, the Philippines, Sri Lanka, Thailand, Tunisia, Vietnam, and Zimbabwe.
2. (a) Development Finance Seminar for JBIC's Two-Step Loans for Small and Medium-Scale Enterprise (SME) Financing
 (b) Seminar for JBIC's Two-Step Loans for Pollution Prevention Finance
 (c) Seminar for Improvement of Operation of Electric Power Facilities
 (d) Seminar for Smooth Implementation of ODA Loans in New and Non-Annual ODA Loan Recipient Countries



An inspection tour of a Kansai Electric Power Company facility in Kyoto

ODA Loan Seminar—Message from a participant of the seminar

A Valuable Opportunity to Better Understand Japan's ODA Expectations of Continuing Support from JBIC



By Mr. Joseph Kwadwo Adjapong
 Director, Planning Ghana Highway Authority
 GHANA

The 1999 ODA Loans Seminar organized by JBIC in cooperation with JICA for representatives of 29 selected recipient countries took place from November 1 to December 1, 1999, at JBIC Headquarters in Tokyo.

The main objective of the Seminar was to acquaint and enhance participants' knowledge and know-how on the system and procedures of ODA loans, or, more precisely, yen loans provided by the Japanese Government through JBIC. The ODA loans are extended by the people of Japan and the Japanese Government to support self-reliant development efforts in developing countries.

My impressions and observations on the whole seminar are threefold:

(a) The main objective of the seminar was successfully achieved, as it gave us better insight, lucid understanding and appreciation of the functions and operations of both JBIC and JICA and the relations between them; of ODA policy, objectives, and approach; of loan agreements and their effectiveness, disbursement, and repayment; and of the project implementation cycle as well as the expected roles of both JBIC and, especially, recipient countries in ensuring economic, efficient, and effective project implementation and loan repayment.

(b) My participation in the seminar gave me a rare and valuable opportunity to learn about the socioeconomic structural adjustment programs being conducted by the governments of other developing countries to facilitate and sustain the growth and development of their economies. This information was acquired through the reading of participants' country reports, discussions, and interaction.

(c) The combination of lectures, organized tours, and visits to various places provided fascinating and cherished memories of the great history of Japan; its harmonious, peace-loving, and hardworking society; its uncorrupted traditional beliefs (or religion); and its preserved culture, all effectively blended with modern economic and technological advancement.

Having spent considerable money, time, and effort to equip the participants with enhanced knowledge and abilities

to better manage ODA loans and implement projects, it is highly expected that JBIC will continue, or even increase, its financial and technical assistance to developing countries, especially those in the low income group to accelerate, sustain, and consolidate their economic development.

Ghana, in particular, has achieved a great deal of political stability. Also, with respect to economic policy, a long-term development plan, designated 'Vision 2020,' has been instituted by the Government of Ghana. The objective of Vision 2020 is to uplift Ghana from her present state as a least-developed country to the rank of a middle-income country by the year 2020. In line with this laudable vision, the Government of Ghana has been engaged in serious efforts in all sectors of the economy toward the achievement of its goal. In the road sector, a medium-term goal is to achieve a trunk road network condition mix of 70% good, 20% fair, and less than 10% poor by the year 2005. As it is an acknowledged fact that the existence of good road infrastructure is a facilitating vehicle for rapid economic growth and development, it is very much envisaged that JBIC would enhance its financial and technical support to Ghana to quicken the improvement of the road sector in particular, and other sectors in general, to complement Ghana's internal efforts in achieving her Vision 2020 objective.

To conclude, I would like to take this opportunity to express profound gratitude on behalf of all the participants, to both JBIC and JICA, for inviting us to attend this well-organized, fruitful, and enjoyable seminar. It has been a rare chance to 'savor' the experience, expertise, excellence, and, above all, the unique hospitality of the people of Japan.

Thank you

ODA Loan Seminar—Message from a participant of the seminar

Awareness of the Project Cycle for ODA Loans Hopes for Cooperation with Other Countries Providing Assistance



By Ms. Panee Sathavarodom
Director, Public Debt Management Office
Ministry of Finance
THAILAND

It is a great pleasure for me to express my views on the ODA Loans Seminar that was held by JBIC/JICA during November 1999. I was one of the 29 participants comprising people from 29 countries. More than half the participants were visiting Japan for the first time. Moreover, some of them had the opportunity to attend another seminar or a training course arranged by JICA. As for myself, this was my first time to attend a seminar sponsored by JICA.

As all of us are working, in some capacity with ODA loans in our countries, JBIC gave the participants more opportunity to participate and to share their opinions on the topics related to ODA Loan Policy and learn more about the Role and Functions of JBIC. This, in my opinion, is a very good approach.

Apart from policy issues, JBIC introduced "The Project Cycle of ODA Loans," which assisted the participants in more deeply understanding the ODA loan procedures and the reasons behind them.

The topics that impressed me very much were the "Appraisal" and "Procurement Guidelines." I appreciated the expertise and excellent preparation of the lectures, which made it possible for the participants to enjoy participating very much. Other areas that also especially interested me were "Project Supervision and Follow-up Activities" and "Postevaluation and Its Lessons." The first was very useful, for the participants involved in project implementation, to gain a better understanding in order to smooth implementation and recognize the enhanced effects of a project financed under the Japanese ODA Loan package. The second was concerned with the most important aspects when assessing the stage of new project formulation and primarily addressing the issues of end beneficiaries. The experience and lessons learned from postevaluation can also be used as guidance for future projects and will facilitate the comprehensive enhancement of aid utilization.

As for JBIC's future cooperation with my country, I would like to say up to now ODA loans to Thailand are smoothly implemented, and both sides cherish and appreciate the achievements that have been made. We also

learned a lot from each other to improve our cooperation. Most important of all, financial assistance is provided together with advisory services in order to respond appropriately to the changing circumstances surrounding developing countries and there by so make JBIC operation more effective by way of getting a clearer understanding of the prevailing conditions and needs of these developing countries. JBIC has always closely consulted with our country before approving its financial assistance. Through continuous assistance over the years, especially during the financial crisis, JBIC has made a significant contribution to the development of major economic and social sectors in my country as well as the region as a whole.

It is expected that the role of JBIC, in concert with other bilateral and multilateral donors, will be in the construction of a network to facilitate greater cooperation in aid policies. The participation in cofinancing is highly important, as it makes possible large-scale funding and facilitates the sharing of experience and knowledge among the institutions concerned. Another area that I would like to urge JBIC to consider is to support recipient countries in minimizing the exchange risk due to the appreciation of the yen and the high degree of fluctuation, which caused an increase in the cost of funding under ODA loan packages. Finally, I hope the joint efforts made by the relevant agencies of our two sides and the cooperation between our governments will be more fruitful in the 21st century.

Thank you

ODA Loan Seminar—Message from a participant of the seminar

Recognizing the Merit of Japan's ODA



By Ms. Veronica de la Luz Plata Romero
Deputy Director,
Ministry of Finance and Public Credit
MEXICO

I am Veronica de la Luz Plata Romero, from Mexico, and I participated in the ODA Loans Seminar from November 1, to December 1, 1999, in Tokyo, Japan.

I work in the Ministry of Finance in charge of Japan's ODA loans. Mexico has had seven projects financed by JBIC since 1982.

Like many other countries in the world, Mexico is facing numerous serious environmental problems, such as water and air pollution, water shortages, deforestation, and inadequate hazardous solid waste management.

Due to the lack of domestic financial resources, Mexico is receiving the kind support of the Government of Japan, by means of these ODA loans, to finance several infrastructure projects in many cities in Mexico.

As a participant of the ODA Loan Seminar, I would like to make the following comments: During the month, I learned more about the facilities and advantages that these kind of loans offer to developing countries, including long amortization terms, low interest rates, and support to the private sector.

I want to stress that the special technical and financial assistance from the officials of JBIC and JICA, with their excellent guidance, help the projects be successful. In this sense, it is very important to know the procedures and how developing countries can access these financial facilities in order to develop their infrastructure in the future.

Finally, I would like to express my sincere gratitude to the Government of Japan, especially to JBIC and JICA for this great opportunity. I am certain that this program will enrich my professional career and will be especially fruitful for my country.

Thank you

JBIC Held First Seminar for International Finance

Japan Bank for International Cooperation (JBIC) held the First JBIC Seminar for International Finance (JSIF-1) from December 1–10, 1999, at JBIC's head office in Tokyo. A total of 15 participants from 13 countries and one regional organization attended the seminar, including representatives from Asia, the Middle East, and South America.

Speakers from JBIC, the Japanese government, and the private sector gave presentations on a wide range of financial and economic issues, including: a look back at the Asian currency crisis and the measures taken by affected countries in response to it; an overview of the structure of Japanese industry; and a description of Japan's economy as seen from a foreign perspective. Several study tours, including a visit to the foreign exchange room of a major Japanese bank, were also arranged.

The Goals of the 10-day Event Were Fourfold:

- 1) to present a general picture of JBIC's role and functions to the participants, with particular emphasis on JBIC's international financial operations, formerly performed by JEXIM;
- 2) to provide participants with a better understanding of Japan's economy and society;
- 3) to exchange opinions on the economic policy of the participants' countries and on JBIC's operations in order to enhance JBIC's financial cooperation with these countries;
- 4) and to provide participants from different regions and countries with a good opportunity to become well acquainted with each other.

In the past, the seminar was held by JEXIM and known as the International Seminar EXIM Japan (ISEJ). With the merger of JEXIM and OECF, and the establishment of JBIC in October 1999, the seminar's name was changed to the JBIC Seminar for International Finance (JSIF).

The seminar has been held annually since 1976 in recognition of the importance of establishing and promoting close and friendly relationships with foreign governments, governmental agencies, financial institutions, and private institutions involved in financial and business activities domestically and/or internationally.

275 participants representing 149 institutions from 50 countries and 2 organizations have attended the seminar since its inception, including participants in JSIF-1.



List of Participants of JSIF-1

Country	Institution
BCIE	Banco Centroamericano de Integracion Economica (BCIE)
Brazil	Brazilian Development Bank, Banco Nacional De Desenvolvimento Econômico e Social (BNDES)
China	Ministry of Finance
China	The State Development and Planning Commission P.R. China
Colombia	Ministry of Finance and Public Credit
Egypt	Export Development Bank of Egypt
Indonesia	Ministry of Finance
Malaysia	Economic Planning Unit, Prime Minister's Department
Mexico	Bancomext
Oman	Ministry of Finance
Philippines	Bangko Sentral NG Pilipinas
Thailand	Export-Import Bank of Thailand
Turkey	The Undersecretariat of Treasury
Uruguay	Ministry of Transport and Public Works
Venezuela	Ministry of Finance

NGO Dialogue

ODA from an NGO Point of View, Past and Present

As Japan Program Director for The Nature Conservancy, one of the largest non-governmental organizations (NGOs) for environmental preservation in the United States, Ms. Lori A. Forman reviews and revises projects between the U.S. and Japan and recipient countries. Last year, to broaden awareness of NGOs and non-profit organizations (NPOs), she spent a semester lecturing on NGO and NPO theory to undergraduate and graduate students at Keio University in Tokyo. Here, Ms. Forman and Mr. Yoshihiko Kono, Director General of Development Assistance Strategy Department, discuss, among other things, possibilities for cooperation with private organizations, beginning with NGOs, and issues facing Japan's ODA.

Lectures on NGOs at Keio University

Kono: When did you start giving lectures to students at Keio?

Forman: In 1999. Keio University asked me, and I thought it would benefit The Nature Conservancy (TNC) as well. We have conducted many workshops and seminars in the past but felt they weren't completely effective, so we thought doing something through the formal education system might be a better way to do it. TNC's president teaches at Harvard University, and I went to Harvard, so my professors there helped me to get material together. At Keio University there are 140 students in my undergraduate class and about 30 in the graduate seminar, and it's exciting.



Ms. Forman lecturing at Keio University

Kono: So, you're enjoying yourself?

Forman: Yes, my class is very lively, and we have at least half an hour for questions and answers or some kind of exercise. I think they are very excited to speak up in the class. I was told after the first week or two of lectures, most of the students would not come to the classroom. I still have over a hundred coming every morning for class.

Kono: No decrease?

Forman: There was some decrease, but not to any great extent. The focus of the undergraduate course is how best to establish an NGO. Each week, we take up something different: proposal writing, fund-raising, membership drives, director conferences, government partnerships, and human resources management. So, it's like a "how to" class if you want start an NGO.

The topics that I use for term papers are mostly Western—European and American examples of NGOs. What I am asking my undergraduate class for the final paper is to pick one of the topics we've covered. And then I want them to tell me, as a young Japanese who might want to go work at an NGO, what things that we talked about will have to be amended, changed, or dropped in order to fit Japanese culture, Japanese society, and Japanese attitudes. I think it will be very interesting. I want to read these

papers now, but I also want to read them 10 years from now and see if what these students say comes true.

Because they are third- and fourth-year undergraduate students, they are one of the first generations to possibly have a career in a Japanese NGO. Up to now in Japan, the NGO sector has been primarily for volunteers or retirement. These students may actually be given the chance to work at a NGO as a career. When that time comes, I want to see 10 years from now if what they predicted how Japan was able to absorb this concept and how Japan amended it to fit Japanese culture has come true. I want to learn from them.

Kono: I too think there will be a significant change in the future. I personally know some of the newly recruited staff of NGOs; they are very well educated, and the motivation is high. It seems that the professional training the younger generation receives is different from that older generations got. So probably, in the future, Japanese NGOs will become more and more professional, like those in western countries. That will surely have a very positive impact on the total international cooperation systems and performance.

Forman: Do you also see change in the staff you've recruited at your organization?

Kono: Yes, certainly. I was recruited more than 30 years ago (laughing). If I had to compete with the people of today, I wouldn't be selected (laughing).

Forman: I hope there is some way to support some of the newer NGOs and their newer attitudes. NGOs have changed quite a bit.

Distinctive Characteristics of Japanese ODAs

Kono: You have already told us what you've been doing here in Tokyo recently, but let me ask you what prompted you to come to Japan in the first place?

Forman: This is my 56th trip to Japan. I started working with Japan over 12 years ago, when I was with USAID. I was senior adviser to the Asia/Near East bureau. At that time, Japanese aid was very small. My boss, the head of the bureau, predicted that Japanese aid would grow in the future while U.S. aid would lessen. She said we needed to

understand not just Japan's past history of foreign aid, particularly in Asia, but also why and how and what is their vision for the future. So she said, "I want you to go and learn everything you can about Japanese ODA."

That was at a time when there were only five or six foreigners really studying Japanese ODA. What I chose to study at that time was the role of the private sector in Japan's ODA, which originally meant for the first couple years the general trading company which was how I got involved in Keidanren. Then I expanded into the role of the non-profit private sector and the NGO community, in ODA. So, I first came to Japan not because of a background in Japanese studies nor Japanese language, but because of a background in development assistance.

Prior to working for USAID, I was working for the White House, doing public opinion polling. One of the reasons that my boss was very interested in Japan's ODA was because at that time, while ODA in Japan enjoyed a public approval rating of 90 percent or higher, public approval for foreign aid in the U.S. was much lower. So she said, "Go learn what Japan's ODA is doing right. Why does their public support the ODA program so much more than ours does?"

Kono: Since then, have you observed any changes about the trend or direction of Japanese ODA, particularly regarding ODA loans?

Forman: Well, I think that there have been a number of changes in the Japan's ODA system in a positive sense, and it is unfortunate more people don't recognize that. They are still stuck with the perception they had of the Japan's ODA 10 or 15 years ago. Of course, the goal of any ODA program should be that over time, recipient countries move from a least less developed country (LLDCs) to, ultimately, a viable, commercial trading partner and an active player in the world economy, with the social sector intact as well. What the USAID program does now is grant assistance. When a certain per capita income is attained, the ODA stops. There is nothing in between offered by the USAID program. After it stops, we just have to hope countries will continue to develop and become trading partners.

What I found fascinating about the Japanese system is that you have this component that is missing from U.S. assistance: Starting from grant assistance and then in the form of OECF's concessional loans, moving into JEXIM's semi-commercial loans and then up to the commercial



Japan Program Director for TNC,
Lori A. Forman

loans. I think that is a fascinating thing to study. Of course, I have observed over the last 12 years that the transition from grant assistance to concessional loans and less concessional loans to commercial loans is not always easy. A country doesn't develop nice and smoothly. Some sectors go very slowly, some sectors very fast. But at least you have these facilities, which other countries' ODA systems do not have. The fact that Japan fulfills a very important part of the development curve that isn't addressed by other countries is a crucial point.

Over the last 12 years, I've also watched Japan developing a better appreciation of some of the sectors that don't develop so quickly, like the social safety net issues. And I've watched ODA loans programs contribute to figure out how to address that issue. It's not easy because many other forces are more powerful. I think that Japan's ODA has to be given more credit for dealing with this type of struggle; it's not solved yet, but at least you are addressing it.

There are some things that, over the last 12 years, unfortunately have gone full cycle and are being rekindled—for instance, tied aid. Tied aid is back again as a discussion item; that was a big issue when I started my study 12 years ago. For a while, it went away, but now it is back, due in no small part to domestic pressures which you cannot avoid.

From my current position, as another important issue, I consider the trend toward more open discussions with NGOs to be a very positive one. Also, from my point of view as a proponent of environmental conservation, I highly praise the increased concessionalism in ODA loans for environmental purposes announced two years ago when Prime Minister Hashimoto visited China as an important recognition of global environmental issues and the need to address them in a special way. And, of course, the merger of JEXIM and OECF is also a major accomplishment.

Kono: I find your observation quite right. I personally had the opportunity of assessing Japanese ODA as the secretariat of OECD from 1988 to 1992, for about four years. I could compare Japan's ODA policies and performances with some 20 donor countries. I think the Japanese system has both strong and weak points. Now, in regards to the wide spectrum of the facilities corresponding to the level of the recipient countries, this is certainly a valid point. Especially, OECF and JICA have been developing closer cooperation with each other. In addition to ad hoc coordination, the

cooperation has become an institutional arrangement, which has made even closer coordination possible. For JEXIM and OECF, thanks to the merger, the potential for a synergistic effect has grown even larger.

By the way, I consider the performance of the government and government agencies to be, in a sense, a reflection of its own society's expectations and its structure. Does Japanese society, with its various attributes, lend a certain "character" to Japanese foreign aid? Could you give me your analysis?

Forman: This is a really tough question. I think Japan should have a more vocal role in policy. When I first started with ODA, particularly ODA programs in Asia, it was always, "Lori-san, you must understand Japan's past history. We cannot tell people, particularly in Asia or the Pacific, how to do things." But now you are too big of a power, politically and economically, and many years have passed. The world has changed from 50 years ago. Although I do think there are times when careful consideration of past history is appropriate, the world is different now.

I think Japan now needs to articulate its opinion more. I'm not necessarily saying conditionality has to be a part of every ODA program, but I think when you have so many resources—and you have a domestic constituency that is now looking at the use of that aid more closely—you have an obligation,

not only to the Japanese people but also to the people you are trying to help in developing countries. When necessary, you should say "No, I'm sorry, we're not going to fund that. It doesn't make sense." This is more appropriate when based on your development model or priorities. You see, USAID is now operating on minuscule budgets, and it retains a lot of focus on support policies. And then there is Japan with a much larger ODA budget and not using it the way that you can to help support international policy. Some of that is changing, notably through windows like the New Miyazawa Initiative. Americans are very comfortable in telling people what to do. Maybe, U.S.-Japan collaboration needs to take more of that angle rather than project-based activity, and we need to have more policy dialogue. "Okay, we (U.S.) will go talk to the governments about privatization. We want capital support for this from you (Japan)." Perhaps we should consider that kind of partnership. But, as time passes, I think that people are looking to Japan for leadership. I know it's difficult for Japan culturally, but the world has changed.



Director General of Development Assistance Strategy Department, Yoshihiko Kono

Kono: I think there is a certain perception gap on that point. I mean, in Japan we are going through dynamic changes. Nowadays, we are very active in the field of policy dialogue as well. This is one of those roles we can play for the benefit of the recipient countries. Institutions like the IMF and World Bank usually take the lead in terms of policy coordination, but sometimes it becomes too theoretical, in some cases to the extent of ideology. That means, for a given country, a given situation, that theory does not necessarily match with reality. If Japan is not there, the relationship between the IMF or World Bank and recipient countries could be quite one-sided. In this case, Japan can join to moderate and facilitate a policy discussion.

Let me tell you one example. A few months ago, there was a big conference about the development of Halong Bay in Vietnam. And the issue of how to formulate a program that is in harmony with conservation of the environment and social and economic development was debated. Nobody disagrees with this idea. One side of the argument was, due to the consequence of the Asian crisis, believing most of the infrastructure development investment should be dropped. We argued that we had already taken account of the new situation and revised the program accordingly. We sensed they were talking about the cut in investment without looking at the actual operation; the critics made an argument, just based on the macroeconomic theory. The other argument was that, they said, infrastructure can be developed by the private sector. We counterargued that maybe this is the case in more developed countries, but in Vietnam it isn't actually taking place, and it may take some more years before private investors are rushing into infrastructure development. The demand for infrastructure development exists and in that case, the central government needs to take the role of investor for such activities. That was our argument. Of course, our position, which may be valid for certain situations, is not actually good for other situations. What we would like to say is there is no miraculous cure for all ailments.

Role of NGOs and Private Sector

Forman: When I was hired nine years ago by TNC, I said, "When in Rome, do as the Romans do." We have to do the same thing with Japanese ODA. We are going to have to find our own funding for NGO efforts, develop our own ideas, and coordinate with other donors. This meant we had to find our own venture capital and we had to either take our ideas to Japan and sell them or we had to go to the host government and have the host government take them to Japan. This is a perfectly legitimate business practice. Of

course, to do that as an NGO means we have to fund-raise that venture capital. And just like a business, donors would like to see a return on their investment.

However, the discussion is changing now. ODA has become more of a domestic-oriented issue and that is unfortunately the same way it is in the U.S. I say unfortunately because we certainly don't have very good answers how to deal with that. The U.S. aid program continues to have a very poor approval rating among the American public. It gets high approval for emergency and relief activities. But pure development activities are not well understood and therefore not strongly supported by domestic constituencies who say "We've got problems at home; let's spend our money here." I think it is unfortunate that the discussion in Japan has changed to become similar to the one in the U.S.A., in which it becomes domestic interests versus international interests. It's very hard to solve the problem of domestic versus international interests; you can't really win in that debate.

The answer is there are needs in both places, domestic and international. There isn't the budget to do everything, and budgets become a compromise. It now has a stronger domestic constituency than before.

Of course, there is a positive side if the private sector takes leadership. It is positive because it saves you a lot of money. You don't have to have a huge staff. It is also positive in that the companies don't necessarily rotate people every couple years like governments' foreign services. The negative side is that if you want to look at the whole range of development activities, a trading company is going to work more at the infrastructure, as things like social safety net activities and basic human needs are just not profit bearing for a commercial company. The challenge is how to fund groups like NGOs to fill those sectors: groups that define a profit in a different way. There is some inherent budgeting conflict because the incentives and rewards are different for trading companies and their work on the promotion of infrastructure than they are for NGOs promoting social activities. If you make the commercial sector happy through more contracts for more infrastructure projects, you might not make the social sector happy which would like to see more spending in areas like education and health care. It's a tough balance because those elements define success differently.

Kono: Of course, you cannot satisfy everybody.

Forman: I noticed also in my experience that for NGOs, transparency is a very important issue, whereas for businesses it's not so important because the proprietary discussions

about bids and profit margins are not something that they want their competitors to know. You have the conflict between the diverging priorities of those two sectors of your domestic society. If you make one happy, the other one might not be so happy.

Kono: I'm not so sure about that. That issue of transparency involves both the business side and the NGO side.

Forman: To a certain extent. But there will come a point where a business will say, "that's our proprietary information" or "that's a sealed bid" and an NGO, if they are an effective NGO, will insist on being transparent all the time. It will be interesting to figure out how to balance these two legitimate viewpoints.

New Trend in ODA Loans

Forman: You've mentioned the case in Vietnam. I'm also pragmatic myself. Theory is good for graduate school but doesn't suffice in the real world. For example, have you had a discussion with the Government of Vietnam about the economic crisis leading to increased need for social security programs? Such discussion, if not to the extent of conditionality, can make social programs the brunt of the overall support policy. "OK, maybe you don't need so many ports, or so many bridges right now, but you do need some more investment in small state enterprises." That's the part of the dialogue that I'm more interested in. OK, I recognize what you're saying, but there is also this other element that needs to be addressed. It's not "infrastructure, good or bad?" As you say, appropriate scale infrastructure and these other activities that have to go along, I mean. I believe when you talk with most government representatives all around the world, many are surprised that Japan doesn't have more say



in the relation between ODA programs and policies, more leverage with its resources.

Kono: We are pursuing the shift of priority, from one situation to another. Especially in countries like Thailand, Philippines, and Indonesia, which were hit by the Asian economic crisis. If you compare present ODA from Japan with the earlier ones, you can notice a very big difference in the areas that are financed. We have responded to the changing situation with speed and in a flexible manner.

Forman: How are governmental agencies like JICA cooperating in the field in terms of project identification?

Kono: I cannot talk about the situation of all countries, since we have more than 90 recipient countries, but I can offer some examples. For the last two years, I was in charge of the ASEAN countries and I had been chief representative of the Bangkok office until 1997. In those countries, we have relatively strong representation in countries and we have JICA representatives or a Japanese embassy or other agencies. We have regular consultations among ourselves, sometimes including our recipient countries. There are cases where initiatives thus taken in the field lead the whole process. And in Tokyo, people later on endorse these initiatives. I can mention a number of cases where JICA studies were followed by ODA loan projects at the construction stage and also hybrid projects of technical cooperation and ODA loans were implemented simultaneously.

Forman: What I said earlier about projects developed by the private businesses, that is what I first observed 12 years ago. The situation has definitely changed to one in which more and more different players are taking part in the project identification. I think 10-15 years ago, many foreign governments were still new to Japan's ODA. It was a kind of mystery. Now that these foreign governments have had experience, they know the procedure, and they're developing their own contacts directly with the Japanese government. That's a trend I've seen change over the years as well.

Kono: Lastly, one of the issues I would like to add is infrastructure investment. I recognize trends among donors, both bilateral and multilateral. Most of them have been shifting their priority from economic infrastructure to social activities or environmental-related activities. But, if all donors end up supporting the same fields, an unfulfilled gap would be left. I think there should be some kind of division of labor among agencies and donors.

New JBIC Representative Office Revives Past Presence in Lima

Mitsuo Sakamoto, Chief Representative, Representative Office in Lima

Introduction

The new JBIC Representative Office in Lima is well on its way toward promoting further development and poverty reduction in Bolivia and Peru and stronger ties of friendship between the two countries.

As is well known, Japan Bank for International Cooperation (JBIC) is a government financial institution established on October 1, 1999, by the merger of JEXIM and OECF with a mandate to execute Japan's external economic policy and economic cooperation in an efficient and effective manner. On this occasion, a representative office was established in the capital of Peru, Lima, with jurisdiction over Peru and Bolivia.

History of Lima Office

Answering the phone, "Hello, Japan Bank for International Cooperation. Lima Representative Office" has a new, fresh sound but at the same time echoes the past as it takes us back more than 20 years to the establishment of OECF's Lima office in 1977. This was four years after the first ODA loans were extended to Peru, for the Lima-Chimbote Transmission Line and Substation Construction Project (signed February 12, 1973). Incidentally, the first JEXIM loan agreement with Peru was a year before the first ODA loan to Peru, an export credit to finance the export of a fertilizer plant from Japan, the loan agreement for which was signed July 21, 1972. At this time, OECF representative office in Lima was the only such office in the region, having not only Peru but also other countries in Latin America under its jurisdiction.

However, security conditions in Peru began to decline in 1982, and when conditions reached a low point in 1988 and 1989, the staff members of the Lima office were moved to Rio de Janeiro. In April 1989, the representative office was transferred to Rio de Janeiro and became the South American Representative Office. While that office oversaw operations throughout South America, the Lima office continued—functioning as a liaison office. However, in 1996 Peru became the first country in Latin America to receive ODA loans on an annual basis.

In light of this fact, and with the trend toward greater public safety and an improved environment for investment, plans were made for the establishment of a Lima Representative Office to correspond with the launch of JBIC.

Peru Seminar on the Establishment of JBIC

JBIC has taken over the international finance operations of JEXIM as well as the ODA formerly overseen by OECF to provide services that meet recipients' needs with even greater efficiency and effectiveness. A JBIC Founding Seminar was held in Lima on October 21 and 22, 1999, to promote understanding of the role and function of the Lima office. The first day was for Japanese-affiliated firms in Peru, and the second day accommodated other Peru-related organizations. The second day featured addresses by Mr. Yoshizo Konishi, Japan's Ambassador to Peru, and Mr. Rosario Almenara, Vice Minister of Economy, Ministry of Economy & Finance. JBIC presentations



The JBIC Founding Seminar held in Lima, Peru



were given by Mr. Shigeru Takeda, Director General of Development Assistance Department IV, Mr. Yoshio Matsumura, Chief Representative of the Representative Office in Santa Fe de Bogota, and Ms. Izumi Ohno, Director of Division 1 (overseeing Latin America) of the Development Assistance Department IV. A number of participants from all related quarters attended each day. In addition to receiving congratulations from all on the birth of JBIC and the establishment of the Lima office, we clearly sensed the participants' great expectations for the Lima office and reconfirmed the urgency of setting up appropriate structures at the representative office to meet those expectations.

Conclusion

The year 2000 marks the start of a new millennium for mankind, and the Lima office has been reestablished after the passage of 10 years. With the start of the new era, JBIC is just taking its first steps but has begun its mission to carry out Japan's international economic policies and economic cooperation activities. With the establishment of the Lima office, JBIC is working wholeheartedly to contribute to further development and poverty reduction in Bolivia and Peru as well as bolster ties of friendship between the two countries and Japan.

Japan Bank for International Cooperation Representative Office in Lima

Av. Central, 643,
San Isidro Lima 27, Peru
Tel.: 51-1-442-3031
Fax: 51-1-440-9657

Representative Offices and Jurisdictions for Latin America

Representative Office in Washington, D.C.

Antigua and Barbuda, Netherlands Antilles, Bahamas, Barbados, Bermuda, British Virgin Islands, Cayman Islands, Dominican Republic, Grenada, Guyana, Jamaica, and Trinidad and Tobago

Representative Office in Buenos Aires

Argentina, Chile, Paraguay, and Uruguay

Representative Office in Lima

Bolivia and Peru

Representative Office in Mexico City

Costa Rica, Cuba, El Salvador, Guatemala, Honduras, Nicaragua, Panama, and Mexico

Representative Office in Rio de Janeiro

Brazil

Representative Office in Santa Fe de Bogota

Colombia, Ecuador, and Venezuela

Statistics

1. Commitments

(¥ Million)

	January 2000		December 1999		November 1999		October 1999		FY1999	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
International Financial Operations										
(1) Loans	9	¥143,999	19	¥105,026	11	¥147,451	5	¥4,427	236	¥1,326,805
Export Loans	3	5,603	7	38,149	2	547	2	1,392	50	145,332
Import Loans	2	9,464	2	11,073	1	8,384	0	0	28	120,812
(Natural Resources Development)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(4)	(52,619)
(Manufactured Goods)	(2)	(9,464)	(2)	(11,073)	(1)	(8,384)	(0)	(0)	(24)	(68,193)
Overseas Investment Loans	2	932	9	18,604	6	25,191	3	3,035	142	418,681
(Natural Resources)	(1)	(36)	(4)	(145)	(2)	(45)	(1)	(1,263)	(36)	(134,377)
(Others)	(1)	(896)	(5)	(18,459)	(4)	(25,146)	(2)	(1,773)	(106)	(284,304)
Untied Direct Loans	2	128,000	1	37,200	2	113,330	0	0	16	641,981
(2) Guarantees	0	0	0	0	0	0	0	0	13	149,497
(3) Equity Participations	0	0	0	0	0	0	0	0	0	0
Total	9	143,999	19	105,026	11	147,451	5	4,427	249	1,476,302
Overseas Economic Cooperation Operations										
(1) ODA Loans	2	77,919	17	182,102	0	0	1	18,332	49	617,285
(2) Private-Sector Investment Finance	0	0	0	0	0	0	0	0	1	878
Total	2	77,919	17	182,102	0	0	1	18,332	50	618,163
Grand Total	11	¥221,918	36	¥287,128	11	¥147,451	6	¥22,759	299	¥2,094,465

Notes: 1. All figures have been rounded in the process of calculation.

2. Foreign bonds are included.

3. Rescheduling is not included.

2. Disbursements, Collections, Loans Outstanding, and Guarantees

(¥ Million)

	International Financial Operations					Overseas Economic Cooperation Operations					Total				
	January 2000	December 1999	November 1999	October 1999	FY1999	January 2000	December 1999	November 1999	October 1999	FY1999	January 2000	December 1999	November 1999	October 1999	FY1999
Disbursements	¥70,069	¥103,631	¥159,384	¥61,054	¥1,412,346	¥66,033	¥55,719	¥50,503	¥59,957	¥584,364	¥136,102	¥159,350	¥209,887	¥121,011	¥1,996,710
Collections	115,445	129,780	197,822	103,046	1,252,787	21,408	27,313	27,638	31,036	264,495	136,854	157,094	225,460	134,082	1,517,282
Loans and Equity Participations															
Outstanding	11,207,404	11,482,060	11,508,209	11,545,084	—	10,312,477	10,266,093	10,237,688	10,214,663	—	21,519,881	21,748,153	21,745,897	21,759,747	—
Guarantees Outstanding	331,704	337,555	311,237	302,513	—	—	—	—	—	—	331,704	337,555	311,237	302,513	—

Notes: 1. All figures have been rounded in the process of calculation.

2. Foreign bonds are included.

3. Rescheduled amounts are not included as disbursements and repayments, but are reflected in the "Outstanding" column..

that have been damaged by flooding and other natural disasters. In response to such problems, in July 1999 the government of Peru drew up the Local Governments Basic Equipment Program in an effort to develop economic and social infrastructure as well as to boost the economies in these regions. This program aims at ensuring that the central government purchases and delivers construction equipment required by the local governments to help develop local infrastructure, including regional roads. The program is also designed to create employment and vitalize regional economies, thereby contributing to the economic growth of Peru as a whole.

The government of Peru has decided, in consideration of quality and efficiency, to purchase from Japan construction equipment necessary to implement this program. The government has thus requested JBIC to finance the purchase. This loan is expected to help encourage the export business of the Japanese companies involved and, at the same time, contribute to the economic growth of Peru through implementing the Local Governments Basic Equipment Program.

JBIC Signs Loan Agreement for Untied Loan to Peru

JBIC signed a loan agreement for an untied loan totaling ¥37.2 billion (US\$300 million equivalent) with the government of the Republic of Peru in Tokyo on December 15, 1999. The loan is cofinanced with the International Bank for Reconstruction and Development (IBRD), which will provide \$300 million. After signing a protocol with the government of Peru on October 27, 1999, JBIC undertook negotiations for the loan, which led to the signing of the loan agreement. This loan is designed to help boost the efficiency and promote structural reform of the financial sector by reforming the banking sector, developing a capital market, and improving the pension sector, thereby contributing to the sound development of the financial market and, consequently, to the firm recovery of the country's real economy.

The influence of the El Niño effect led to less than satisfactory growth in 1998. The international credit crunch following the Russian economic crisis greatly reduced the amount of private funds, lowered foreign currency reserves, and soured cash flow for private firms and commercial banks, causing some banks to fail. Peru requires improvement in its liquidity, and the government is hard pressed to push ahead with reform of the banking system. Peru's macroeconomy urgently needs to get back on a stable growth path through the reform of its financial sector.

This loan is expected to improve the liquidity and help ensure sound development of the financial sector, stabilize the macroeconomy, and contribute at the same time to the efficient progress of business talks for exports and the possibility of direct investments in resource-related fields by Japanese companies.



Signing ceremony held at the Head Office of JBIC

JBIC Extends First Buyer's Credit to Romania

JBIC signed a buyer's credit agreement totaling US\$21 million (of which JBIC will cover US\$12.4 million, or 60% of the amount) with the Romanian corporation Romtehnica R.A. on December 22, 1999. The proceeds of the loan will be used to purchase from Japan state-of-the-art medical equipment for hospitals in Romania, promote Japanese export business to Romania, and at the same time contribute to the improvement of medical services in the country.

Under President Emil Constantinescu, who took office in November 1996, Romania has been attempting to accelerate economic reforms. In June 1999, the Government of Romania reached a loan agreement totaling US\$300 million with the World Bank and has been proceeding with structural reforms under the World Bank's Private Sector Adjustment Loan. Meanwhile in August 1999, the country signed a new stand-by arrangement with the IMF totaling SDR400 million (US\$5.48 million equivalent).

Summary of Overseas Economic Cooperation Activities

Loan Amount and Conditions (October 1999–January 2000)

Country	Project Name	Amount (¥ Million)	Interest Rate (%, p.a.)		Repayment Period/ Grace Period (Years)		Tying Status	
			Goods & Services	Consulting Services	Goods & Services	Consulting Services	Goods & Services	Consulting Services
Azerbaijan	Severnaya Gas Combined Cycle Power Plant Project (II)	18,332	0.75 ² 0.75 ²	0.75 ²	40/10 40/10	40/10	General Untied ⁴ Partially Untied ⁵	General Untied
Jordan	Tourism Sector Development Project	7,199	2.2	0.75 ²	25/7	40/10	General Untied	Bilateral Tied
Uzbekistan	Telecommunication Network Expansion Project (II)	12,692	2.2	1.8	30/10	30/10	General Untied	General Untied
	Three Local Airports Modernization Project (II)	2,871	2.2	—	30/10	30/10	General Untied	—
Turkey	Emergency Earthquake Recovery Plan	23,600	2.2	—	25/7	—	General Untied	—
Philippines	Industrial and Support Services Expansion Program (Phase II)	35,350	0.75 ³	0.75 ³	40/10	40/10	General Untied	Bilateral Tied
	Environmental Infrastructure Support Credit Program (Phase II)	20,529	0.75 ²	0.75 ²	40/10	40/10	General Untied	Bilateral Tied
	Secondary Education Development and Improvement Project	7,210	1.8	0.75 ²	30/10	40/10	General Untied	Bilateral Tied
	Rural Water Supply and Sanitation Project (Phase V)	951	1.3 ¹	0.75 ²	30/10	40/10	General Untied	Bilateral Tied
	Bohol Irrigation Project (Phase II)	6,078	1.8	0.75 ²	30/10	40/10	General Untied	Bilateral Tied
	Agrarian Reform Infrastructure Support Project (Phase II)	16,990	1.8 1.3 ¹	0.75 ²	30/10 30/10	40/10	General Untied General Untied	Bilateral Tied
	Arterial Road Links Development Project (Phase IV)	15,384	1.8	0.75 ²	30/10	40/10	General Untied	Bilateral Tied
	Cordillera Road Improvement Project	5,852	1.8	0.75 ²	30/10	40/10	General Untied	Bilateral Tied
	Philippines–Japan Friendship Highway Mindanao Section Rehabilitation Project (Phase II)	7,434	1.8	0.75 ²	30/10	40/10	General Untied	Bilateral Tied
	Rehabilitation and Maintenance of Bridges along Arterial Roads Project (Phase IV)	5,068	1.8	0.75 ²	30/10	40/10	General Untied	Bilateral Tied
	Maritime Safety Improvement Project (Phase III)	4,714	1.8	0.75 ²	30/10	40/10	General Untied	Bilateral Tied
	Pinatubo Hazard Urgent Mitigation Project (Phase II)	9,013	1.3 ¹	0.75 ²	30/10	40/10	General Untied	Bilateral Tied
	Pasig-Marikina River Channel Improvement Project (Phase I)	1,167	1.3 ¹	0.75 ²	30/10	40/10	General Untied	Bilateral Tied
Indonesia	Social Safety Net Adjustment Loan	71,928	1.0	—	30/10	—	General Untied	—
Ghana	Economic Reform Support Operation	5,991	1.8	—	30/10	—	General Untied	—

1 Standard Environmental Project (As for Agrarian Reform Infrastructure Support Project (Phase II), the interest rate of Standard Environmental Project is adopted into water supply portion of the project.) 2 Special Environmental Project 3 Project supporting small and medium-sized enterprises 4 Power plant portion 5 Gas pipeline portion

Detailed information on individual projects is available in the News Release corner of JBIC's web site at <http://www.jbic.go.jp/english/>

Special Assistance Facility

JBIC carries out Special Assistance Facility (SAF) in order to strengthen ODA loans systems that assist recipient countries—from project formation through completion and on-going operation—and to carry out projects effectively responding to developing countries' diverse needs. SAF is a study carried out by consultants employed and dispatched by JBIC. The funds necessary for SAF are provided by JBIC as grant assistance. SAF comprises 4 types of facility.

(1) Special Assistance for Project Formation (SAPROF)

Owing to inadequate financial or technical resources, a project for which assistance is requested that is basically feasible often cannot be adequately prepared by the developing country. For such projects, JBIC performs a supplementary study known as SAPROF.

(2) Special Assistance for Project Implementation (SAPI)

The primary purpose of SAPI is to study and identify problems that may hinder effective implementation of a particular project and to propose remedial measures to solve the problems in a timely manner.

(3) Special Assistance for Project Sustainability (SAPS)

The primary purpose of SAPS is to study and identify problems that impede effective operation or maintenance of a particular group of projects and to propose remedies.

(4) Special Assistance for Procurement Management

The primary purpose of this study is to ensure smooth, efficient and transparent procurement implementation. The study assignments are carried out by consultants and experts hired by JBIC.

The study of which contract was concluded in October 1999

Type of Study	Country	Project Name	Outline of Study	Period
Special Assistance for Project Formation (SAPROF)	Philippines	National Maritime Polytechnic's Expansion and Upgrading of Training Services and Facilities	In 1995, the STCW Convention (International Convention on Standards of Training Certification and Watchkeeping for Seafarers) was amended to improve its training standards. As the Philippines supplies about 20% of workers navigating ships in the world, their failure to obtain certification requirements could have global implications. In addition, since the foreign currencies they send back home constitute a major source of hard currency earnings for the Philippines, they have an important role in the country's economy. The project is to enhance the capacity of the National Marine Polytechnic (NMP) by upgrading of training services and facilities. The study, which is to be provided based on the ODA loan request from the Government of the Philippines, covers: (a) to review the function of NMP; (b) to analyze demand and supply of its trainees; and (c) to examine the scope as well as implementation procedures of this project. In particular, since JICA is expected to provide technical assistance to ensure effective post-implementation operation, the study will propose specific assistance measures, including the possibility of project-type technical cooperation.	Oct. 1999–Jan. 2000

The study of which contract was concluded in November 1999

Type of Study	Country	Project Name	Outline of Study	Period
Special Assistance for Project Formation (SAPROF)	Sri Lanka	Dikkowita Fishery Harbour Construction Project	The purpose of the project is to construct a fishing harbor and related facilities at Dikkowita, 6 kilometers north of Colombo, and bolster fisheries in the area, enabling fishermen to increase their income, generating foreign currency earnings, improving general nutrition, creating new employment opportunities, and thereby developing the local economy. This study will: (a) review the feasibility study; (b) examine fisheries at the Dikkowita fishing harbor and the scope of the project; (c) review the findings of the study on sedimentation; (d) ascertain how fishery products are distributed and make proposals for improvement; and (e) conduct the financial analysis of the project executing agency.	Nov. 1999–Feb. 2000
Special Assistance for Project Formation (SAPROF)	Tunisia	Electrification of Tunis Suburban Line Project	The purpose of this project is to electrify an urban commuter rail line linking Tunis, the capital, with the southern suburbs and purchase rail cars. It will meet an expected increase in rail traffic, speed up rail service and cut down on maintenance cost as old rail cars are being replaced. The study will: (a) review the project plan and the technical specifications of the feasibility study; (b) conduct supplementary technical studies in areas, such as train service planning for an enhanced rail transport capacity and safety measures; (c) draw up a human resources development program; (d) make proposals on the way the project is managed so that the project executing agency may undertake the project effectively and efficiently; (e) consider a fare structure and other ways to improve business management; and (f) make proposals to ensure the sound management practice of the project executing agency.	Nov. 1999–Mar. 2000
Special Assistance for Project Formation (SAPROF)	China	Environment Model City Project (Environment Data Acquisition and Monitoring)	The purpose of the project is to install environment data acquisition and monitoring systems in Guiyang and Chongqing, which are designated "Environment Model Cities" in the People's Republic of China. The systems will be used for evaluating the effectiveness of environmental projects being planned and for better environmental control. The study will: (a) review the existing feasibility study and the basic project design; (b) ascertain the institutional and financial setup, including monitoring, general management, and maintenance activities; (c) support preparations for a long-term implementation mechanism, including operations, maintenance activities and general management; (d) make proposals on technical cooperation; (e) ascertain how environmental laws and regulations are currently implemented and, if necessary, make a proposal; and (f) estimate project implementation costs and draw up the implementation program.	Nov. 1999–Mar. 2000

Type of Study	Country	Project Name	Outline of Study	Period
Special Assistance for Project Sustainability (SAPS)	Pakistan	Metropolitan Water Supply Project (Simly)	The purpose of the project is to expand the processing capacity of the water purification plant and lay down water pipes that carry increased water supply into the city, thereby improving the water supply capacity of the Simly Dam. The study will: (a) make proposals on the rehabilitation and improvement in maintenance and control of the existing water supply pipes that are not covered by the ODA loan and the network of water pipes in the city; and (b) make proposals for improving the financial position of the project executing agency.	Nov. 1999–Mar. 2000

The study of which contract was concluded in December 1999

Type of Study	Country	Project Name	Outline of Study	Period
Special Assistance for Project Formation (SAPROF)	Uzbekistan	Secondary Specialized and Professional Education Project	The project is to install educational equipment and provide necessary advisory services to 50 pilot schools offering secondary-level specialized and professional education. It will improve the country's vocational education and thereby assist efforts toward economic development in the long run. The study will: (a) examine the current labor market conditions; (b) review the adequacy of the curriculum for vocational training and of the system under which textbooks are produced, distributed, and revised; (c) examine how to secure qualified teachers in adequate numbers; (d) make an estimate of expenditure and review the proposed program; (e) select candidate schools, specify the kinds and amounts of educational equipment and supplies required, and estimate their costs; (f) strengthen the executing agency; and (g) examine and make recommendations on technical assistance to be provided for the project.	Dec. 1999–Mar. 2000
Special Assistance for Project Implementation (SAPI)	Kenya	Horticultural Producing Facilities Project	The project is to construct a precooling storage in the horticulture (French beans, cut flowers, etc.) producing area in Kenya, a cold storage and an auction center in the vicinity of the Nairobi International Airport to decrease post-harvest losses and enhance the quality of the produce. The study will: (a) make proposals for organizing small scale farmers; (b) support setup the distribution system (including the auction center) and its efficient operation; and (c) analyze an impact on the financial position of the executing agency.	Dec. 1999–Mar. 2000
Special Assistance for Project Implementation (SAPI)	Sri Lanka	Walawe Left Bank Irrigation Upgrading and Extension Project	The project is to upgrade facilities in the existing irrigated area, and to expand the irrigation area by newly developing arable land and putting in place irrigation canals in other areas which had heretofore relied on rainwater. This will ensure a stable supply of water and utilize land more effectively, leading to increased agricultural production. This study will: (a) review water balance at the water source area and water utilization in the project area; (b) examine how to enable Farmers Organization (FO) to better itself; (c) examine the possibility of introducing Other Field Crops (OFC); and thereby make proposals pertaining to proper maintenance and management of the facilities after the completion of the project.	Dec. 1999–Mar. 2000
Special Assistance for Project Sustainability (SAPS)	China	Dalian Industrial Park Development Project (Private Sector Investment Finance)	The purpose of this project is to build, sell in lots, and manage the industrial complex (of some 217ha, of which 184.4ha will be for sale) in Dalian Industrial Park. This study is the second-phase study on the basis of findings of the first-phase study conducted in July through September 1999. The study will to propose recommendations pertaining to effective services that will entice enterprises, in a bid to promote the sales of the Dalian Industrial Complex.	Dec. 1999–Mar. 2000

The study of which contract was concluded in January 2000

Type of Study	Country	Project Name	Outline of Study	Period
Special Assistance for Project Implementation (SAPI)	Sri Lanka	Port of Colombo North Pier Development Projects (I) and (II)	The purpose of the project is to convert the Queen Elizabeth Quay, part of which has been used as alternative berths, into an exclusive container terminal and convert the North Pier, which serves as oil berths, into alternative berths. The study will design a new operation that efficiently manages both the North Pier and Jaya container terminal and examine the corresponding framework of a new computer system to ensure project effectiveness.	Jan. 2000–Mar. 2000
Special Assistance for Procurement Management	Philippines	LRT Line 1 Capacity Expansion Project (Phase II)	The project is to expand the passenger carrying capacity of LRT Line 1 by procuring 12 sets of trains (totaling 48 cars), improving the signaling and other systems to meet the increasing number of operating trains, and installing air conditioning units to the original fleet. The study aims to assist the project executing agency in preparing prequalification and bidding documents for procuring air-conditioning units, thereby facilitating project implementation and helping to raise economic activity as intended by the Special Yen (ODA) Loan.	Jan. 2000–Mar. 2000
Special Assistance for Procurement Management	Philippines	Mindanao Container Terminal Project	The project is to promote economic development in Mindanao by constructing a new container terminal in Tagoloan and procuring necessary facilities. This study aims to assist the project executing agency in preparing documents for selecting consultants and prequalification documents associated with civil works and equipment procurement package, thereby facilitating project implementation and helping to raise economic activity as intended by the Special Yen (ODA) Loan.	Jan. 2000–Mar. 2000

JBIC Opens Representative Offices in Lima and Singapore

Japan Bank for International Cooperation (JBIC) opened representative offices in Lima on October 1, 1999, (see page 24) and Singapore on February 1, 2000. The Singapore office will collect information and conduct research pertaining to the business activities of Japanese firms in Singapore; financial operations of governments, government agencies, and private companies in the Asia/Pacific region; and privately financed infrastructure projects in ASEAN countries.

Taking into account the geographical advantage of Singapore's location, in the center of the ASEAN region, as well as its advanced infrastructure and excellent workforce, Japanese firms have long regarded the country as a central base for administering production, distribution, and finance in Southeast Asia. Furthermore, a number of overseas financial institutions have offices in Singapore.

The new office will be instrumental in collecting information on financial operations in Asian countries with increased efficiency and will also keep track of the progress of privately financed infrastructure projects in ASEAN countries.

Mr. Akira Chikaoka will serve as Chief Representative for the Representative Office in Singapore. Contact information for the new office is below.

Name: Representative Office in Singapore
Japan Bank for International Cooperation
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JBIC Releases New Publications

Guidelines for Procurement under JBIC ODA Loans

Guidelines for the Employment of Consultants under JBIC ODA Loans

Japan Bank for International Cooperation (JBIC) has established general rules to be followed by borrowers of JBIC ODA loans to carry out the procurement of goods and services and to carry out the employment of consultants. JBIC has revised these guidelines to fulfill procurement activities with a high degree of transparency and fairness. A special feature of the revised guidelines is the addition of information regarding Improper Procurement Conditions. A supplementary publication explaining the guidelines of the two publications in greater detail, the **Handbook for Procurement under JBIC ODA Loans**, is also available.



JBIC Sample Bidding Documents for Prequalification, Civil Works, and Goods

Goods and services necessary for the implementation of JBIC ODA loans will be procured in accordance with *Guidelines for Procurement under JBIC ODA Loans* and *Guidelines for the Employment of Consultants under JBIC ODA Loans*, both published by JBIC. Borrowers are responsible for carrying out procurement in the most economic, efficient manner possible through International Competitive Bidding. In addition, JBIC has prepared sample bidding documents for various types of goods and services and recommends that borrowers and agencies executing ODA loans use them for the smooth implementation of these procedures. The sample bidding documents are standard forms arranged according to the goods or services in question and in accordance with the guidelines mentioned above. Three types of sample bidding documents—for Prequalification, Civil Works, and Goods—are currently available. JBIC is preparing to publish four more types of sample documents in the near future: Supply and Installation of Equipment; Design-Build and Turnkey; Small Contracts; and Selection of Consultants.



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