

Speech by Mr. Kiyoshi Kodera
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At the launch of the new JICA Research Institute
Tokyo, November 25, 2008

President Ogata,
Director Tsunekawa,
Distinguished Ambassadors and diplomatic corps,
Ladies and gentlemen,

It is a great honor for me to address at this inauguration event of the JICA research institute. This year 2008 is the mid-point year of the Millennium Development Goals but also an epoch making year for Japanese development aid because of TICAD IV, G8 summit in Hokkaido and the creation of the new JICA. However, we have to end this year in a very sober mode rather than celebration mode as the global economy is now heading for the perfect storm due to the triple hits of the financial, food and fuel crisis. Today I would like to give bird's eye view of evolution of the international aid architecture in this decade and the current situation surrounding developing countries, and then express my expectation for the role of the new JICA and its research institute.

1. Evolving International Aid Architecture

Let me start with a short PR of the Development Committee, where I work. The joint Development Committee of the World Bank and the IMF was established late seventies in the aftermath of the first oil shock and the introduction of the floating exchange rate system. Those days were also a tipping point of the world economy. The committee is a key ministerial global forum twice a year to discuss most recent and relevant topics for development. The agenda has been quite diverse and broad but clearly represents development challenges of the 21st century. They have discussed Aid volume, Aid effectiveness, and recently international aid architecture. They made crucial recommendations on debt relief, HIPC Initiative and MDRI. They also deepened awareness on complex topics including as fragile situation and post-conflict countries and global public goods such as climate change. They also strengthened bases for

governance and anti-corruption, and advanced the agenda of voice and participation of the developing and transition countries in the World Bank Group. Through these diverse topics, let me highlight nine important points in the international development agenda to place the JICA into international context.

First, at the outset of the decade, we have agreed Millennium Development Goals. This means the grand objectives of development aid was for the first time internationally agreed and shared. This year, 2008, is the mid-term year for MDGs and we should renew our commitment to achieve MDGs. In this context, UN conference on financing for development in Doha next week will be an important milestone.

Second, most of the developed countries made commitment to substantially increase aid through the Monterrey conference in 2002 and the Glen Eagles G8 summit in 2005. In this regard, it should be noted that substantial debt reduction has been implemented both bilaterally and multilaterally for the poorest countries, particularly in sub Saharan African countries. And this has highlighted the importance of respecting debt sustainability analysis and framework by the World Bank and the IMF.

Third, at country level, comprehensive and holistic approach to economic growth and development is now duly recognized, and its modus operandi PRSP has now become the norm for economic and development planning linking donor communities in meaningful way and emphasizing strong ownership of partner countries.

Fourth, in response to substantial debt reduction and increased budget support demand for good governance particularly in the area of public expenditure management has substantially increased.

Fifth, many donors both bilateral and multilateral advanced decentralization of their work force to strengthen county dialogue and coordination. Although delegation of authorities is yet to be substantiated.

Sixth, with the emergence of new donors, both official and private, and the creation of so called vertical funds, there are increased risks of aid fragmentation and reduced development effectiveness.¹

¹Consider for example that there are currently worldwide 60,000 aid projects. Their average size is only \$1.5m. There are 56 bilateral donors (and the number is growing) and over 230 international organizations,

Seventh, against these backgrounds there has been renewed focus on some more serious aid coordination and harmonization in order to increase aid effectiveness and decrease the burden of developing countries. In this context, we should seriously consider prompt implementation of the Accra Action Agenda this year, as a follow-up to the Paris Declaration of 2005.

- developing countries exercise leadership over their development policies and plans (ownership);
- donors base their support on countries' development strategies and systems (alignment);
- donors coordinate their activities and minimize the cost of delivering aid (harmonization);
- developing countries and donors orient their activities to achieve the desired results (managing for results); and
- Donors and developing countries are accountable to each other for progress in managing aid better and in achieving development results (mutual accountability).

Eighth, there is increased focus on results and its measurement. We all know post project evaluation is key for better future operation. However, despite several attempts in Rome, Marrakesh and Hanoi, we still need to elaborate practical implementation of this results agenda. At the multilateral institutions roles and voice of evaluation office have been elevated to one of the key tools for shareholders to exercise their oversight rules.

The last but not least, there is increased recognition on the importance of tackling global public goods issues such as climate change and global pandemics like avian flu

Ladies and gentlemen,

Before I move on to the role of the new JICA in the international aid architecture, I have to underline that the launching of the new JICA coincides with the downturn of the

funds and programs. The average number of donors per country has nearly tripled over 50 years, from 12 in the 1960s to 33 in recent years. Aid in the health sector is especially problematic. For example, Tanzania has more than 700 projects, managed by 56 parallel implementation units. In 2005, there were 541 missions of which only 17% involved more than one donor.

global economy coming from the triple shocks. The food and fuel crisis of the recent year have already pushed about 100 million people into poverty and will cause an extra 44 million people to suffer from malnutrition in 2008. Some 28 countries are already fiscally highly vulnerable from the twin shocks. Government ability to fund MDGs is seriously jeopardized. And these twin crises have now been supplemented by the blow of a financial crisis. All countries are moving into a new danger zone with heightened risks to exports and investment in those industries, credit, banking crisis, budgets, balance of payments and particularly those that threaten the most vulnerable. We need to make sure that the financial crisis does not become a human crisis. We do need a human rescue package for the many millions who are left behind. The donor countries should honor their pledges of development aid. In order to avert a human crisis, we will have to do more because foreign aid pales in comparison to financial rescue

2. The role of the JICA in the context of new international aid architecture

Let me now turn to challenges for the new JICA. Mrs. Ogata emphasized three S as key principles for the new JICA at our joint seminar during the Bank and the Fund Annual meetings: Scaling-up, Speed-up and Spread-out.

First, on Scaling up, integration of technical assistance, grant aid and ODA loans is clearly welcoming direction. This means less fragmentation. Now the annual JICA activity amounts to 10 billion USD which is far above US-AID, Asian Development Bank and close to IBRD. It's a huge bilateral organization. Because of this sheer volume, JICA cannot and should not act alone. Timely and proactive information sharing and dialogue with the other development partners will become key at headquarters and in the fields. This is why the third S, "Spread-out" becomes essential.

Second, need for strong strategic framework and enhanced country dialogue. Integration of three aid instruments is welcome. It should be noted that integration does not mean simple add up or juxtaposition. More strategic framework is required as cross cutting basis for integration of three schemes for individual region and partner countries. I noted that country assistance strategies will be prepared to support and rolling plans will be drafted and revised as necessary. This would increase aid predictability. I used to work on Country Assistance Strategies as country director in the World Bank. That process

takes 12-18 months process involving good macroeconomic and sector work and intense dialogue with government and stakeholders. I am very much interested to know how the JICA would conduct in depth country dialogue. I have been told that the Japanese aid is based on formal requests from their partner governments. However, at this juncture it is crucial to examine whether those requests are truly demand driven. Is there any inertia in decision making process and dialogue with partner government? Has sector allocation been changed to allow flexibility over time? So the most important step that needs to be taken is to establish more effective country dialogue in the field; not only with the partner countries but also other bilateral and multilateral institutions.

The other important element we have to bear in mind is that even making of country assistance strategy cannot be done without recognizing partner countries' development strategy such as PRSPs, which are now in most cases agreed and shared among donor community. I think this is what "Spreading out" is meant to be.

Third, sharpen macro and sector analysis. In the process of formulating individual country strategy it is quite essential to have a strong foundation of macro and sectoral analysis particularly in the area of debt sustainability in low income countries. Each country department needs a strong economic analysis capacity and they are encouraged to constantly engage at the upstream stage in the formation of partner countries economic program.

Fourth, articulate implementation of the TICAD pledge. NERICA rice initiative should be replicated aggressively. These tasks are all the more important in responding to imminent downturn of the economies.

Fifth, the new JICA should rediscover the important of private sector development which is the main engine of economic growth and employment. In order to gain strong support from the public and the voice of Japanese business circle, both in Japan and in the field, should be well absorbed and transformed into some policy messages.

Sixth, I would like to emphasize that articulating and communicating the viewpoint of the new JICA to multilateral institutions such as the World Bank will raise the profile of JICAs activities in the development business. JBIC used to have effective communication with the Bank. This tradition should be maintained and strengthened.

Increase of co-financing or parallel financing with multilateral banks like the World Bank is a way to establish good reputation, beyond diplomatic compliments. The bilateral communication strategy is not enough. Praises from the peers are more effective than a one way PR strategy.

Finally, at the time like this the Japanese political and business elites become more inward looking and lose sight of importance of development aid. However, they all know deep in their minds the Japanese economy and business cannot achieve sustainable growth without making profits outside Japan. Here they should recognized their global responsibility if they stay as respectful economic power. .The JICA should raise its voice and make case for more aid.

3. The importance of research for donor organizations and our expectation and future cooperation with the new institute

To have an impact and achieve results in development, research is essential. Of course there is generally not an unambiguous one-way track from specific research results to concrete policy actions. Good policy making for fighting poverty draws on inputs from many sources, including research, and is tailored to country circumstances. Not every important piece of development research has an immediate and clear policy implication. But research is crucial—in particular evaluative research which rigorously assesses whether development policies are effective, and under what circumstances they tend to be more effective. This includes both ex ante and ex post evaluation.

Evaluative research must start with a clear understanding of the problem that a policy or project is addressing. Researchers can often help in identifying the policy objectives (properly weighing gains across different sub-groups of a population, and different generations) and the relevant constraints, which include resource, information, incentives and political economy constraints. This role for research can be important when development policy making is captured by lobby groups, advocating narrow sectoral interests. The existence of trade offs between sectors (such as due to governmental budget constraints), spillover effects across sectors (costs and benefits to one sector from policies in another) and interaction effects (whereby attainments in one

dimension influence the impacts of policies in another) beg for a broader perspective on the normative foundations of policy.²

Research in donor agencies should not be academic; it should be an integral part of a lending, learning, and knowledge process about development. Lending and aid monitoring produce important lessons of development. Better knowledge of development issues increases the quality of lending. The knowledge that JICA learns in the field and through its operations should be fed into its research work, and vice versa, its research will improve the advice and lending provided by JICA. Its research should accomplish three functions:

- supporting the operations of new JICA,
- improving the policy advice JICA gives to its beneficiary countries, and
- contributing to the development community's understanding of the development process.

Ladies and gentlemen,

Our expectation is to continue to work closely together. It would also be important to ensure that our research work is complementary.

We have collaborated closely with Japanese colleagues on development research. For instance, during the period 1998-2005 (for which we have detailed information), some 15 articles written by at least one World Bank staff and one Japanese scientist have been published in internationally reputable journals. One of them called "Global Public-Health and the Information Superhighway," was published in the British Medical Journal and cited 35 times by peers.

The World Bank also collaborated closely with Japanese academics for the World Development Report on Economic Geography, in particular with Professor Masahisa Fujita who was part of the advisory panel. We also note contribution by Mugumi Muto and others from ex-JBIC institute. We are currently collaborating with more Japanese academic colleagues for the World Development Report on Climate Change.

² On this see Martin Ravallion, "Research in Practice at the World Bank," at <http://econ.worldbank.org>

In all the areas where JICA will produce research, we very much hope that there will be a close collaboration between JICA and the World Bank in terms of research.

In closing, I'd like to underline that the crises before us pose enormous challenges domestically and internationally. The new JICA's role in international aid architecture is significant in tackling these challenges. The World Bank wishes to work very closely with the new JICA.

Thank you very much for your attention.