

# JAPAN

## WHAT IS YOUR AID FOR TRADE STRATEGY?

### 1. Do you have an aid-for-trade strategy and what are the key elements in this strategy?

In order for developing countries to reap further benefits from the multilateral trade system, trade liberalization alone is not enough. Enhancing capacities in supply side and encouraging assistance for that purpose would also be indispensable.

This belief is enshrined in Japan's ODA Charter, established in 1992 and revised in 2003. Underlining the critical role of trade and investment in national development, the Charter stipulates that, "in order to invigorate developing countries' trade and investment, as well as people-to-people exchanges, and to support sustainable growth, Japan will place importance on providing assistance for the development of socioeconomic infrastructure - a key factor for economic activity, and also for policy-making, the development of institutions, and human resources development".

For many years, Japan has been making an important contribution to economic sectors, through technical and financial assistance in the production sector and the economic infrastructure & service sector. According to the OECD/DAC ODA data base by sectors, Japan has been the first among the DAC member countries in the amount of aid in the production sector (Sector III) and the economic infrastructure & service sector (Sector II). Japan alone provided almost half (47%) of the total amount of the aid given by the DAC member countries in these sectors between 1990 and 2004. In the agriculture, fishery and forestry sector (Sector III.1), Japan also contributed almost 40% of the total ODA provided by the DAC member countries. As for the share of these sectors in the total ODA of each country, Japan, with more than 60%, outnumbers by far other member countries, whose shares range from 20 to 30%. This data reflects the fact that Japan attaches importance to development through trade in its assistance policy, especially as a part of the poverty reduction strategy through economic growth.

### 2. How has this strategy evolved since the December 2005 WTO Ministerial Conference?

Japan announced a new development strategy called the "Development Initiative for Trade" (DIT), prior to the WTO Hong Kong Ministerial Conference held in December 2005. This initiative, based on the Japan's experience and knowledge in this field, is aimed at promoting the empowerment of developing countries and helping them reap the benefits of the multilateral trading system through such means as the Global One-Village One-Product (OVOP) Campaigns (*see attached documents*).

This Initiative consists of three different stages of trade: "Produce", "Sell", and "Buy". When it comes to trade, first it is necessary to "Produce" goods. Next, the goods need to be delivered to ports and markets. This is the "Sell" stage. Finally, the goods will be purchased by consumers in overseas markets. This is the "Buy" stage. In order to facilitate these activities at the three stages, Japan provides assistance through all available resources and measures, namely "knowledge and technology", "people", "financial assistance", and "system".

Since the launch of this initiative, Japan has been implementing it steadily, regardless of the progress of the DDA negotiation. Japanese Embassies, overseas offices, and relevant public entities in developing countries have been instructed to search for and identify suitable projects to be developed under this initiative.

From the end of June to the beginning of July 2007, Japan dispatched a high level mission headed by Ambassador Extraordinary and Plenipotentiary for International Trade and Economic Relations to Madagascar, Kenya, and Zambia. Exchange of views with both trade and development officials were extremely useful in sharing the importance of trade in development in the context of each of the three countries and how the Japanese contributions fit the needs of each country.

### **3. How does this strategy address regional aid-for-trade challenges?**

Japan provides its assistance, giving consideration to the needs for assistance and the state of development in each region. Accordingly, in the context of AFT, Japan addresses regional challenges; as for Asia, for example, such challenges could include (1) enhancing development efforts of countries of relatively lower level of development, in particular LDCs, (2) realizing successful regional integration within Asia and the Pacific, and (3) making the most of Asia's experience of economic growth through trade for realizing prosperity of the world.

Moreover, Japan focuses on the following four key points in order to provide assistance to African countries: (1) formulation of an appropriate policy for establishing an industrial foundation, (2) product development with a focus on improving quality to increase competitiveness, (3) empowerment of small and medium-size local enterprises generating income and employment in local communities, (4) promotion of a social contribution by private enterprises prompting equitable growth.

## **HOW MUCH AID-FOR-TRADE DO YOU PROVIDE?**

### **SCOPE**

#### **4. How do you define aid-for-trade (i.e. which types of programme and project do you consider trade-related)?**

Under the DIT, Japan provides, in a comprehensive manner, an effective assistance to facilitate activities at the three stages, "Produce", "Sell", and "Buy", through all available resources and measures, namely "knowledge and technology", "people", "financial assistance", and "system". Thus, Japan conceptualizes AFT as a comprehensive package of extensive development assistance, covering all three aspects, which may not necessarily be confined to certain restricted sectors.

### **METHODOLOGY**

#### **5. How do you allocate the aid-for-trade share in individual projects and programmes?**

Japan implements its commitments on Aid-for-Trade based on requests from developing countries, taking their development strategies, plans, and priorities into consideration. The AFT share is determined *ex-post* through such procedures on a project by project basis.

## COMMITMENTS

### 6. *According to your aid-for-trade definition, what were your commitments by category for the period 2002-2005 and in particular for 2005?*

Without prejudice to Japan's point of view on the definition of AFT described above (see paragraph 4), for the sake of tracking global AFT flows, proxies of Japan's AFT volumes can be covered by the OECD Creditor Reporting System (CRS) under its headings: (1) trade policy and regulations; (2) economic infrastructure; and (3) building productive capacity. (It is of Japan's view that it is not appropriate to count "general budget support" as a component of proxies of AFT volumes, since "general budget support" is usually un earmarked contributions to the government budget.)

See attached sheet.

## PLEDGES

### 7. *Describe any aid-for-trade pledges you have made at or since the December 2005 WTO Ministerial Conference?*

Under the DIT, Japan expressed its commitment to provide duty-free and quota-free market access for essentially all products originating from all LDCs. This initiative also includes a package of extensive development assistance, which is composed of four methods of support, "Knowledge and Technology", "Financial Assistance", "People" and "System" to be employed at three different phases of trading by developing countries: "Produce" "Sell" and "Buy". In this initiative, Japan announced that ten billion US dollars in financial assistance in trade, production, and distribution infrastructure will be provided over the period 2006 – 2008 and that there will be an exchange of a total of ten thousand trainees and experts in these fields during the same period.

### 8. *What is your medium-term (beyond 3 years) financial plan for aid-for-trade?*

See question 7.

## HOW DO YOU IMPLEMENT YOUR AID-FOR-TRADE STRATEGY?

### MAINSTREAMING

### 9. *How do you ensure that aid-for-trade is effectively integrated in your overall development strategy and programming both at headquarters and in-country?*

Japan's country assistance strategy for each partner country is formulated on the basis of Japan's ODA Charter, which places high priority on support for promotion of trade and investment. Following the announcement of the DIT in December 2005, Japanese overseas embassies, offices, and relevant public entities have been instructed to work closely with partner countries to address in-country AFT challenges. This ensures that AFT is effectively integrated into Japan's overall development strategy and programming both at headquarters and in-country.

### 10. *Have you recently strengthened your in-house aid-for-trade expertise and how is this expertise deployed to link policies with operations?*

The Government of Japan has an inter-ministerial mechanism for ODA policy coordination including in the area of AFT. At an agency level, a task force on Private Sector Development was established in

JICA in 2003 in order to consolidate knowledge and experience on support for private sector, taking into account the crucial role played by private sector in trade and investment. As a follow-up to the DIT, the task force drew up operational guidance on Aid-for-Trade and investment to facilitate implementation of the sector strategy.

## **OWNERSHIP**

*Refers to developing countries exercising effective leadership over their development policies and strategies and co-ordinating development efforts.*

### **11. What approach do you follow in your country assistance plan, when national development strategies lack a strong trade development component?**

Ownership by developing countries is an indispensable element for the success of AFT. Japan fully respects each developing country's development strategy, which usually places emphasis on trade development components, namely economic infrastructure development and building productive capacity.

### **12. How do you encourage and support policy dialogues on aid-for-trade among key stakeholders in partner countries?**

In in-country consultations on PRS and other development strategies, Japan encourages stakeholders in partner countries to place economic growth components, including trade development, as a main pillar in their strategies.

## **ALIGNMENT**

*Refers to donors basing their overall support on partner countries' national development strategies, institutions and procedures.*

### **13. Are you using the partner countries' policy planning and budgeting framework as the basis for the provision of your aid-for-trade programmes?**

Japan aligns its assistance with partner countries' operational policy and budget framework as much as possible.

## **HARMONISATION**

*Refers to donor, actions being more harmonised, transparent and collectively effective.*

### **14. Do you coordinate aid-for-trade analyses and programming with other donors at the country level, given that its scope often exceeds the capacity of any single donor?**

Japan coordinates ODA analyses and programming, including those of AFT, with other donors at the country level, in the framework of various donors' consultations.

### **15. Are you increasing the amount of aid-for-trade for regional and or multilateral programmes? (If you are a regional or multilateral agency, are you managing an increasing amount of aid-for-trade?)**

Japan strongly supports multilateral assistance related to AFT in particular through the Integrated Framework Trust Fund. Japan disbursed 180,180 US dollars to the Fund in the fiscal year 2006. Japan will contribute 169,492 US dollars to the Fund for the fiscal year 2007.

## MANAGEMENT FOR RESULTS

*Refers to both donors and partner countries managing resources and improving design making for results.*

### **16. What objectives and timeframes do you set for your aid-for-trade projects and programmes? How do you measure success?**

Although the commitment regarding financial and technical cooperation under the DIT is to be realized over the period of 3 years (2006-2008), it will take much longer period for developing countries to attain concrete development outcomes of Aid-for-Trade. Therefore, continuous efforts should be made in accordance with the pace and pattern of each country's development. Such progress would be assessed at country level through monitoring and making an evaluation according to the objectives of each project and program. Assessment is, in general, carried out with particular emphasis on whether its assistance policies are consistent with the needs of developing countries, whether these policies have been effective, and whether assistance is provided through appropriate implementation processes.

### **17. What evaluation methodologies do you apply to your aid-for-trade projects and programmes?**

Aid-for-Trade programmes or projects are assessed by a general ODA evaluation methodology which mainly focuses on 3 criteria: relevance, effectiveness of results, and appropriateness of processes. For projects, 5 DAC criteria (Relevance, Effectiveness, Efficiency, Impact, and Sustainability) should basically apply.

### **18. Do you cooperate with partner countries, other donors and stakeholders in joint monitoring and evaluation of aid-for-trade projects and programmes?**

ODA projects, including projects related to Aid-for-Trade are evaluated (i) by third-party experts, (ii) by joint evaluation by members of third-party evaluation and external organizations, such as other donors and NGOs, and (iii) by the Ministry of Foreign Affairs itself. The number of joint assessments has been increasing in order to encourage ownership of the partner countries and to increase transparency and accountability.

## DO YOU PARTICIPATE IN MUTUAL ACCOUNTABILITY ARRANGEMENTS?

*Mutual accountability refers to donors and developing countries providing timely, transparent and comprehensive information in order to jointly assess development results.*

### **19. Do you engage with partner countries, regional organisations, other donors and stakeholders in reviewing progress towards the fulfilment of your aid-for-trade policy and programme commitments?**

Japan shares, with partner countries and development partners, the information on the process assessment of our programs and projects, including those related to Aid-for-Trade, with a view to promoting and ensuring accountability.