

Third Party Evaluation Report 2011
The Ministry of Foreign Affairs of Japan

Evaluation of Aid for Trade

-Summary-

February 2012

Mizuho Information & Research Institute, Inc.

Preface

This report is a summary of the results for the evaluation of Aid for Trade undertaken by Mizuho Information & Research Institute, Inc. entrusted by the Ministry of Foreign Affairs (MOFA) of Japan in FY2011.

Since its commencement in 1954, Japan's Official Development Assistance (ODA) has contributed to the development of partner countries, and finding solutions to international issues which vary with the times. Recently, there have been increased domestic and international calls for more effective and efficient implementation of ODA. MOFA has been conducting ODA evaluations mainly at the policy level with two main objectives: to improve management of ODA; and to ensure its accountability. Those evaluations are conducted by third parties to enhance their transparency and objectivity.

This report reviews Japan's overall Aid for Trade (Aft) policies, starting with the "Development Initiative for Trade" (December 2005) and subsequent "Development Initiative for Trade 2009" (July 2009). The goal is to provide lessons learned and recommendations that can serve as references for future ODA policy planning and for more effective and efficient implementation of aid activities. Furthermore, evaluation results are made available to the public in order to ensure accountability.

Dr. Tatsufumi Yamagata, Deputy Director-General, Development Studies Center, Professor, IDE Advanced School (IDEAS), Institute of Developing Economies (IDE), acting as a chief evaluator, and Dr. Atsushi Ohno, Associate Professor, Department of International Economics, College of Economics, Ritsumeikan University, being an advisor for the evaluation, made an enormous contribution to this report. Likewise, MOFA, the Japan International Cooperation Agency (JICA), and the ODA Task Forces as well as the governments and institutions in Socialist Republic of Viet-nam and Lao People's Democratic Republic, donors and NGOs also made invaluable contribution. We would like to take this opportunity to express our sincere gratitude to all those who were involved in this study.

Finally, we wish to add that the opinions expressed in this report do not reflect the views or positions of the Government of Japan.

February 2012

Mizuho Information & Research Institute, Inc.

Table of Contents

Preface	i
Evaluation of Aid for Trade	iii
Chapter 1 Evaluation Summary and Recommendations.....	1
1-1 Evaluation Summary.....	1
1-2 Recommendations.....	2
Chapter 2 Implementation Policy for Evaluation	5
2-1 Evaluation Overview	5
2-2 Framework for Evaluation.....	10
2-3 Methods for Evaluation	12
Chapter 3 Evaluation of Japan's Aid for Trade	13
3-1 Evaluation of Relevance of Policies	13
3-2 Evaluation of Effectiveness of Results	14
3-3 Evaluation of Appropriateness of Process	19
Maps	21

Evaluation of Aid for Trade (Priority issue evaluation)

<p>1. Evaluators:</p> <p>(1) Chief Evaluator Dr. Tatsufumi Yamagata, Deputy Director-General, Development Studies Center, Professor, IDE Advanced School (IDEAS), Institute of Developing Economies (IDE)</p> <p>(2) Advisor Dr. Atsushi Ohno, Associate Professor, Department of International Economics, College of Economics, Ritsumeikan University</p> <p>(3) Consultant Mizuho Information & Research Institute, Inc.</p>	<p>(photo)</p>  <p>The Second Mekong Bridge, constructed with assistance by Japan</p>
<p>2. Period of Evaluation: June 2011 - February 2012</p>	
<p>3. Country Survey Socialist Republic of Viet Nam; Lao People's Democratic Republic</p>	

Outline of Evaluation

1. Evaluation Results

Relevance of Policies

The contents of Japan's "Development Initiative for Trade" (December 2005) and "Development Initiative for Trade 2009" (July 2009) were consistent with both the broad aid ideologies and policies held by the international community regarding trade. Furthermore, these initiatives are consistent with both Japan's ODA Charter and the Medium -Term Policy on ODA, which highlight that: "Japan will endeavor to ensure that its ODA, and its trade and investment, which exert a substantial influence on the development of recipient countries, are carried out in close coordination, so that they have the overall effect of promoting growth in developing countries."

Effectiveness of Results

Based on the apparent improvements in economic performance (economic and export growth) in the main countries receiving Aid for Trade (AfT) from Japan, positive conclusions could be reached regarding the "effectiveness of results," as Japan's AfT played some role in improving economic performance. AfT target items were effectively

implemented in Viet Nam and Lao PDR, the countries visited for conducting the field survey.

Appropriateness of Process

The two initiatives have been well publicized through repeated introductions at the WTO Global Aid for Trade Review meetings and other such forums. However, within the recipient countries, they are seldom referred to directly by Japanese aid agencies and government agencies of recipient countries in the aid implementation process. Even within Japan, awareness of both initiatives is low. If awareness of the two initiatives is raised in Japan and in the recipient countries, this can be expected to further enhance the effectiveness of Japan's AfT.

2. Main Recommendations

(1) Emphasize the Results of AfT in the Development of Low-Income Countries in Asia
Japanese contributions should be emphasized by highlighting the current significance of Japan's AfT to low-income countries in Asia, instead of its past significance for upper-middle-income countries in East Asia. Furthermore, in order to continue promoting the results of AfT more strongly both inside and outside Japan, "Development Initiative" PR activities will need to be carried out in a more effective manner, while referring to successful examples from other past initiatives.

(2) Aid Coordination with New Partners

In the international cooperation arena, including AfT, the roles of new donors, the private sector, and civil society have become larger than ever before. In order to further raise the effectiveness of Japan's AfT, attention must be given to effective aid coordination with these new development partners.

(3) Promote Regional Development

Infrastructure building for effective trade with neighboring countries is one key component of AfT. Regional development is very important for generating development synergies among neighboring countries. When promoting this regional development, it would be meaningful to reconsider development plans at appropriate times. (One example is to elevate the position of Vientiane, the capital of Lao PDR, within Mekong development projects).

(Note: The opinions expressed in this summary do not reflect the views and positions of the Government of Japan.)

Chapter 1

Evaluation Summary and Recommendations

1-1 Evaluation Summary

AfT has been advocated with the goal of raising the productivity and export competitiveness of developing countries. Functioning as an effective investment within the recipient countries, this aid enhances productivity, which improves the international competitiveness of their products and encourages more private investment; the growth in exports then accelerates economic development and eventually reduces poverty. This process has been widely observed in East Asian middle-income countries, which have historically been the focus of Japanese aid. The issue now is whether or not this same process can be replicated in low-income countries in East Asia and in the world's Least Developed Countries (LDCs).

The overall evaluation in this report recognizes AfT as relevant and supports its certain effective results, while pointing out potential improvements that can be made in the aid process. These points are summarized as follows.

The principle of AfT is to contribute to the economic development of recipient countries by using aid as an effective investment for bolstering productivity. This principle is broadly consistent with the orientation of the international community (such as the "Millennium Development Goals"), the philosophy of Japanese aid, and the development policies of recipient countries. Accordingly, Japan's AfT was evaluated as being very relevant.

In academic circles, great progress has been made in the detailed study of the statistical significance of aid effectiveness. However, this is only applicable to experimental approaches to small-scale projects, and is not applicable to evaluating the impact of large-scale infrastructure investments, or of efforts accompanying changes in trade systems or policies, as is the case with AfT. Accordingly, in order to evaluate aid effectiveness, this report had to verify whether or not the assumed enhanced productivity, improved competitiveness, increased exports, higher incomes, and reduced poverty were in fact achieved in the countries where AfT was implemented. Improvements in these measures of economic performance were seen in the main countries receiving AfT from Japan. As such, we can assume that Japan's AfT played some role in bringing about these results.

On the other hand, there is room for significant improvement in how AfT is implemented. Specifically, AfT itself, and the "Development Initiative for Trade " and "Development Initiative for Trade 2009," which are meant to promote AfT, are not widely known, either inside or outside Japan. Japan has made massive contributions through AfT, and thus has

tremendous potential to increase the presence of its international contributions by foregrounding its AfT contributions. However, efforts to promote the "Development Initiative for Trade" and "Development Initiative for Trade 2009" appear to be lacking compared to other past initiatives, so there is room for improvement in the effort to make a stronger appeal. On this point, agendas remain to be addressed in terms of the appropriateness of the process.

1-2 Recommendations

1-2-1 Emphasize the Results of AfT in the Development of Low-Income Countries in Asia

AfT was launched with the aim of providing the benefits of free trade to low-income countries through improved productivity and increased exports. Its ideal case is the experience of middle-income countries in East Asia. In their case, aid attracted more investment, and they achieved economic growth and poverty reduction as a result. Similar mechanisms are now being reproduced in low-income countries in Asia that are receiving AfT from Japan and other donors. Accordingly, Japanese contributions should be emphasized by highlighting the current significance of AfT to low-income countries in Asia, instead of its past significance for upper-middle-income countries in East Asia.

A useful fact in this regard is that, in recent years, there has been a remarkable increase in Japan's imports of manufactured goods from low-income countries in Asia. Japanese companies moving into these countries have also been contributing to rapid improvement in the export competitiveness of products from this region. By enhancing the export competitiveness of products from low-income countries in Asia, the AfT Japan provided to these countries led to the increase in their exports to Japan. Japan can be proud of it as a reflection of the effects of Japan's AfT.

Furthermore, in order to continue promoting the results of AfT more strongly both inside and outside Japan, "Development Initiative for Trade" PR activities will need to be carried out in a more effective manner, while referencing successful examples from other past initiatives.

1-2-2 Aid Coordination with New Partners

Many new actors have emerged in the international cooperation arena. As was indicated at the Fourth High-Level Forum on Aid Effectiveness in Pusan, South Korea in late 2011, the roles of emerging donors, the private sector, and civil society have become larger than ever before.

The influence of emerging donors and the private sector in the field of AfT has been rising.

The activity of the governments of South Korea, China, India, and Middle Eastern and Latin American countries, and that of the private sector, are apparent in the countries receiving large AfT inputs. Cooperating with these emerging partners in a broad sense would be an effective way to improve the effectiveness of Japan's AfT.

Especially in Asia, the activities of neighboring East Asian countries such as China and South Korea have been remarkable. In the private sector, relationships have deepened between Japanese and Chinese companies, as well as between Japanese and South Korean companies. Furthermore, the governments of these countries value the synergies obtained by preserving links between trade, investment, and aid, as envisioned in AfT. As such, it is probably easy for them to embrace the philosophy of AfT, and so attention must be given to effective aid coordination with these new development partners.

1-2-3 Promote Regional Development

One characteristic of AfT is the importance placed on regional development involving several countries, with an eye on promoting trade among neighboring countries. Such regional development is also very meaningful in terms of generating development synergies.

Regional development already has a long history and much time has elapsed since the original designs were formed. One such example is the "Corridors" of Mekong development . Being included in a section of a corridor enhanced the practicability of enhancing transportation infrastructure. However, Mekong development has such a long history that conditions in some areas have already changed considerably from what they were at the time of the conceptual phase. Making revisions based on current conditions would be meaningful.

One concrete example is the fact that none of the main corridors (North-South, Southern, and East-West) run through Vientiane. This city is the capital of Lao PDR and has tremendous development potential for the entire country, but Vientiane does not currently belong to any of the major corridors for Mekong regional development. This is because, when the corridors were designed, the Friendship Bridge connecting Vientiane with Nong Khai had not been built. Currently, Vientiane is connected by road links on the Thailand side to Nong Khai, Udon Thani, and Khon Kaen. On the Viet Nam side, it has a connection to Vinh. This means that if Vientiane were to be designated as part of a corridor, its economic importance would be reconfirmed, and trade and investment would then become more active. As one of the main cooperating parties in Mekong development, Japan should encourage a well-timed reexamination of the design of this regional development strategy.

(Reference) Characteristics of Recommendations

Level 2 \ Level 1	Japan HQ Level (MOFA / HQ of project implementation organization)	Field Level (Embassy / local office of project implementation organization)
Policy / strategy direction level	1, 2, 3	2
Aid method / procedure level	1	

Chapter 2

Implementation Policy for Evaluation

2-1 Evaluation Overview

2-1-1 Background and Objective

Official Development Assistance (ODA), which is one of the main pillars of Japan's contributions to international community, needs to be implemented more efficiently and effectively, and with higher quality, both internationally and domestically.

The leading role of the private sector has become the key to the sustainable growth of developing countries. Stimulating private sector activities such as industrial development, trade, and investment is also important. How to utilize globalization for the development of low-income countries has been a long-standing issue. Developing the environments needed to entice private investment is often difficult for developing countries, which must grapple with various issues. In practice, exports from low-income countries have remained sluggish, and global trade liberalization has also lost momentum because of the stalemate in the Doha Round of world trade negotiations. For these reasons, there have been calls for assistance that can enhance the export competitiveness of low-income countries and contribute to increasing their exports.

Japan has been utilizing ODA and Other Official Flows (OOF) to provide support to developing countries through small business promotion, industrial technology transfers, economic policy, and so on. Japan has also provided support in developing the trade and investment climate and economic infrastructure so that developing countries can improve their export capacity and competitiveness.

Importance has been placed on promoting developing countries' development through their participation in multilateral free trade systems, and also in the World Trade Organization's Doha Round of negotiations (the Doha Development Agenda) launched in 2001. Japan has contributed to funds established within the WTO with the aim of improving the capacity of developing countries to participate in negotiations and implement WTO agreements.

With regard to access to Japan's markets, based on the Generalized System of Preferences (GSP), tariffs lower than the general tariff rates are applied to products imported from developing countries, and there are also measures in place to apply no tariffs to products from Least Developed Countries (LDCs). In such a way, the institutional aspect of Japan's trade liberalization for developing countries has made progress. Japan has also actively promoted Economic Partnership Agreements (EPAs) to support the economic

growth of developing countries through trade liberalization and investment.

In recent years, discussions of AfT have become very lively at various international forums such as the WTO and Organization for Economic Cooperation and Development (OECD). For the 2005 Hong Kong Ministerial Conference of the World Trade Organization, Japan announced its own development policy called the "Development Initiative for Trade," under which Japan pledged to exchange a total of up to ten thousand experts (dispatched overseas) and technical training participants (accepted in Japan), and provide US\$ 10 billion to support trade-related projects over a three-year period between 2006 and 2008.

Subsequently, at the WTO's Second Global Review on Aid for Trade held in July 2009, Japan was highly evaluated by many countries for announcing its new "Development Initiative for Trade 2009," following on the achievement of the goals set out in the initial "Development Initiative for Trade." In "Development Initiative for Trade 2009" Japan pledged to exchange a total of up to forty thousand experts (dispatched overseas) and technical training participants (accepted in Japan) and provide US\$ 12 billion to support trade-related projects over a three-year period between 2009 and 2011. Since then, steady implementation of the new initiative has been ongoing. Specifically, Japan has provided financial assistance for arranging transport networks important for trade including port, highway, and bridge and construction projects such as power generation plants and power grids, technical assistance in trade-related areas such as the training of customs personnel, and also support for the "One Village, One Product Campaign". Japan also provides assistance to encourage private investment. For example, in order to attract private investment, Japan draws out the factors impeding investment that are specific to developing countries, and makes proposals to the local governments to promote investment.

With regard to the present evaluation, as evaluation and monitoring of AfT was included in the agenda of the Third Global Review Meeting jointly hosted by the WTO and OECD in July 2011, the team conducted a comprehensive evaluation of Japanese aid for trade after the 2005 "Development Initiative for Trade" with the intention that the evaluation results would be utilized in future AfT policy.

The results of this evaluation will also be made public in order to ensure accountability to the Japanese people. The evaluation results will also contribute to ODA public relations by providing feedback for the related government agencies and other donors. The evaluation also aims to contribute to quality improvement and enhanced visibility of ODA based on evaluations following the *ODA Review (Final Report)* published in June 2010.

2-1-2 Targets of Evaluation

This evaluation focuses on the following two Japanese initiatives as Japan's sectoral development policies in AFT-related areas (hereinafter referred to as "the two initiatives"):

- Development Initiative for Trade (December 2005); and
- Development Initiative for Trade 2009 (July 2009).

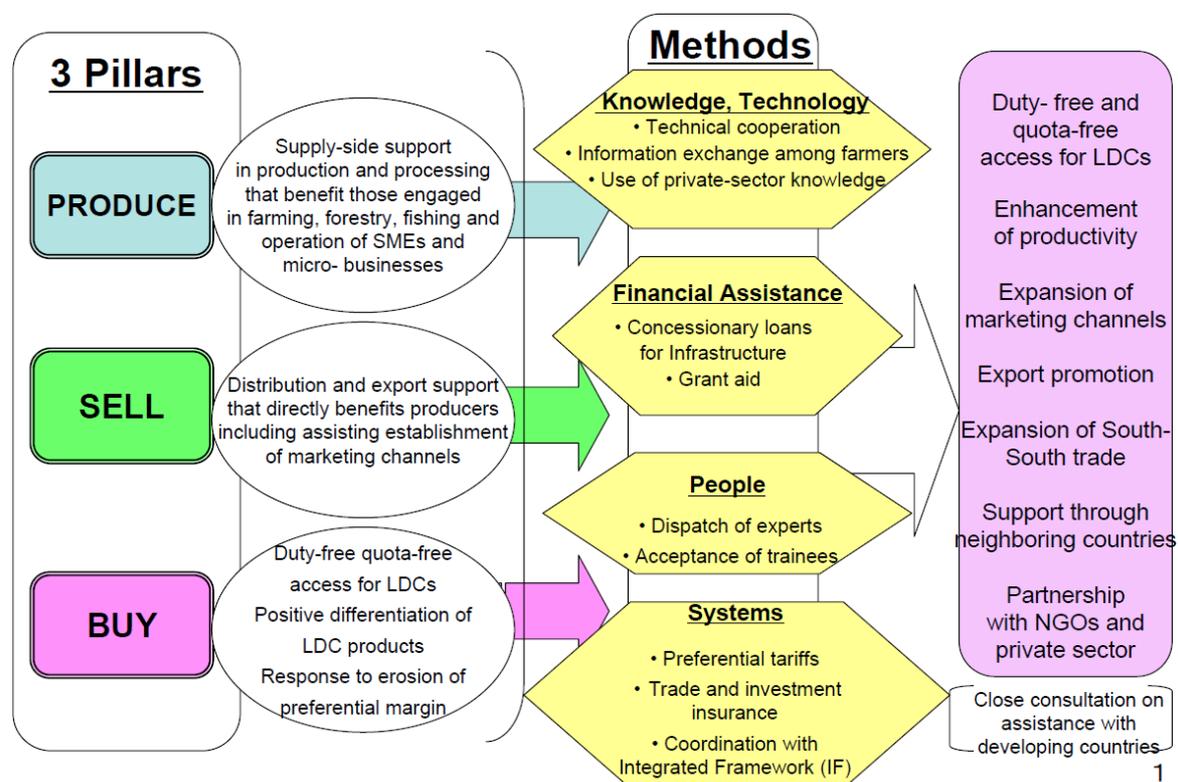
1. Development Initiative for Trade

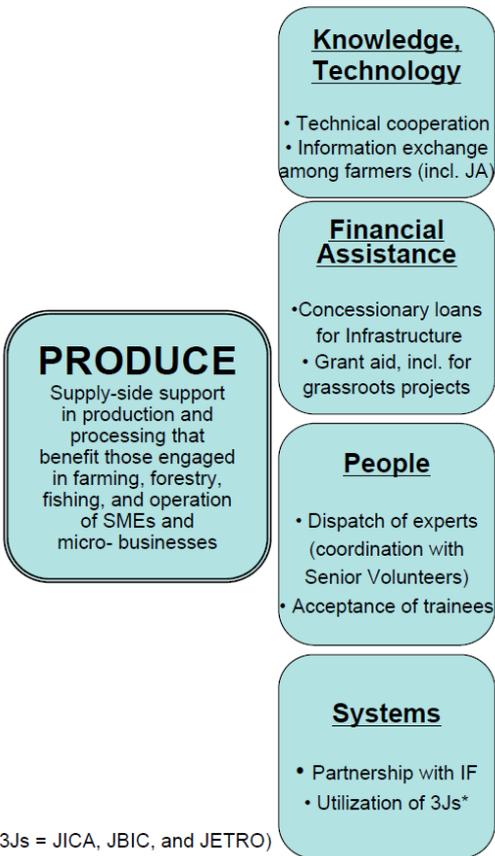
The "Development Initiative for Trade" was announced by then Prime Minister Junichiro Koizumi as an independent Japanese commitment just ahead of the Sixth WTO Ministerial Conference, in December 2005.

Table 2-1 The Development Initiative for Trade

<p>Pledged to implement the following to support trade fields in developing countries:</p> <ul style="list-style-type: none"> - Provide US\$ 10 billion for areas related to trade, production, and distribution infrastructure, over a three-year period (2006-2008). - Exchange a total of 10,000 experts (dispatched overseas) and technical training participants (accepted in Japan). - Expand the tariff-free framework for products imported from Least Developed Countries (LDCs).

Source: MOFA "Development Initiative for Trade Overview."

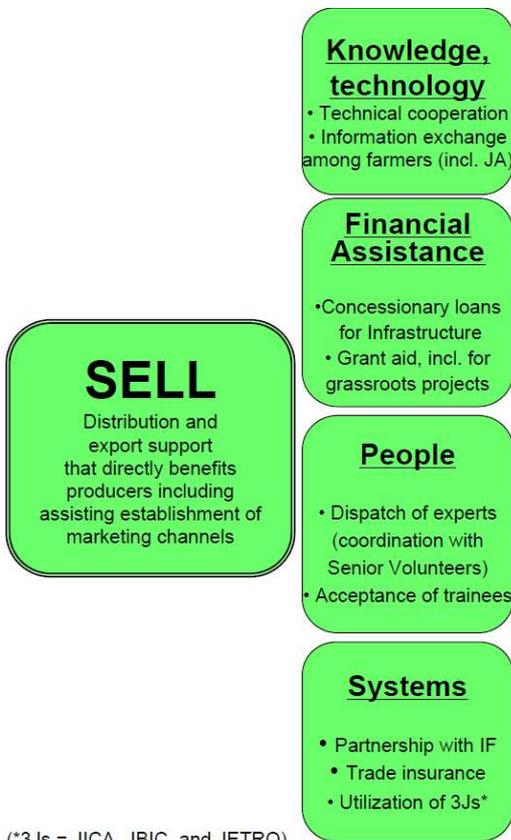




(*3Js = JICA, JBIC, and JETRO)



2



(*3Js = JICA, JBIC, and JETRO)



3

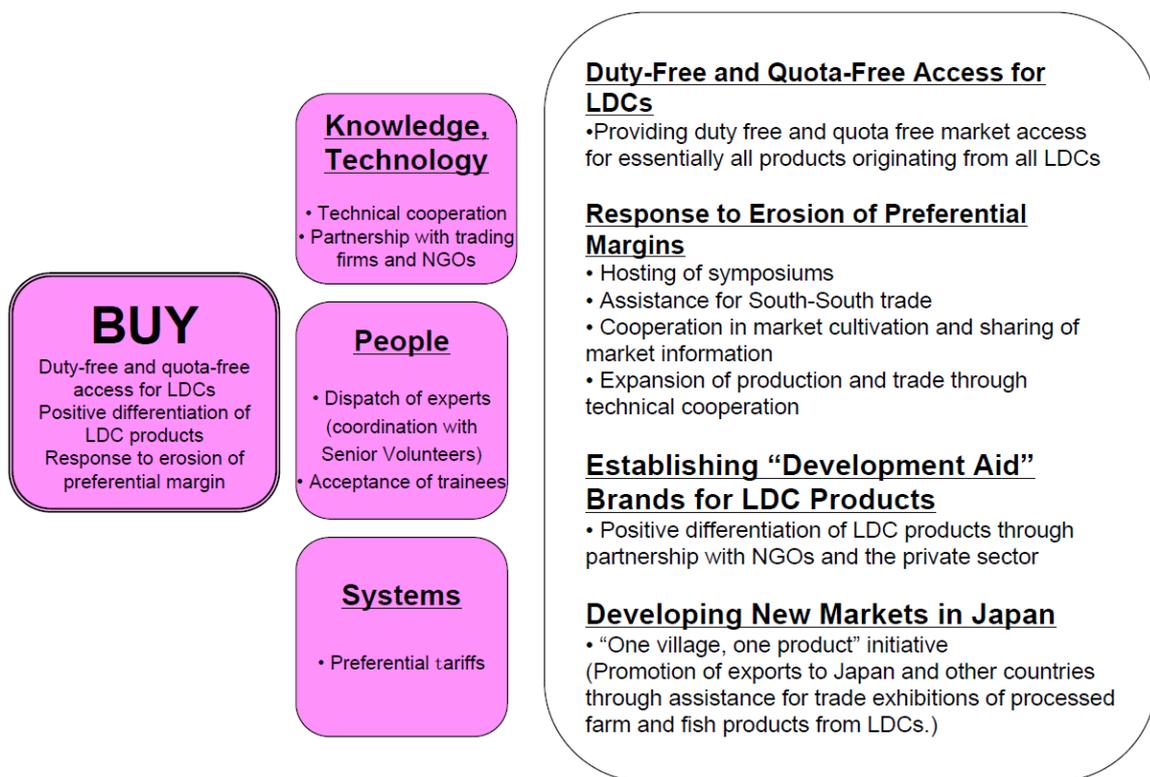


Figure 2-1 Framework of Japan's Development Initiative for Trade

Source: Ministry of Finance, *Japan's New Development Initiative for Trade*.

2. Development Initiative for Trade 2009

The “Development Initiative for Trade 2009” was introduced by Mr. Shintaro Ito, State Secretary for Foreign Affairs, during opening remarks at the WTO's Second Global Review on Aid for Trade in July 2009.

Table 2-2 The Development Initiative for Trade 2009

- (1) Provide US\$ 12 billion for AFT through bilateral aid over a three-year period (2009-2011).
- (2) Exchange a total of up to 40,000 experts (dispatched overseas) and technical training participants (accepted in Japan) involved in AFT fields.
- (3) Begin reviews of the Generalized System of Preferences (GSP) taking into consideration current conditions for developing countries.
- (4) Afterwards, improve AFT efficiency, address protectionism, and make active contributions to related fields such as trade financing.

Source: MOFA “Development Initiative for Trade Overview.”

2-2 Framework for Evaluation

Evaluations were conducted from the viewpoints of relevance of policies, effectiveness of results, and appropriateness of process, in accordance with the *ODA Evaluation Guidelines* (6th Edition).

2-2-1 Relevance of Policy

The team evaluated Japan's two initiatives (as well as country assistance programs for the two countries in the field survey) in terms of their consistency with Japan's higher policies, international higher-level frameworks, and the development policies of recipient countries/regions.

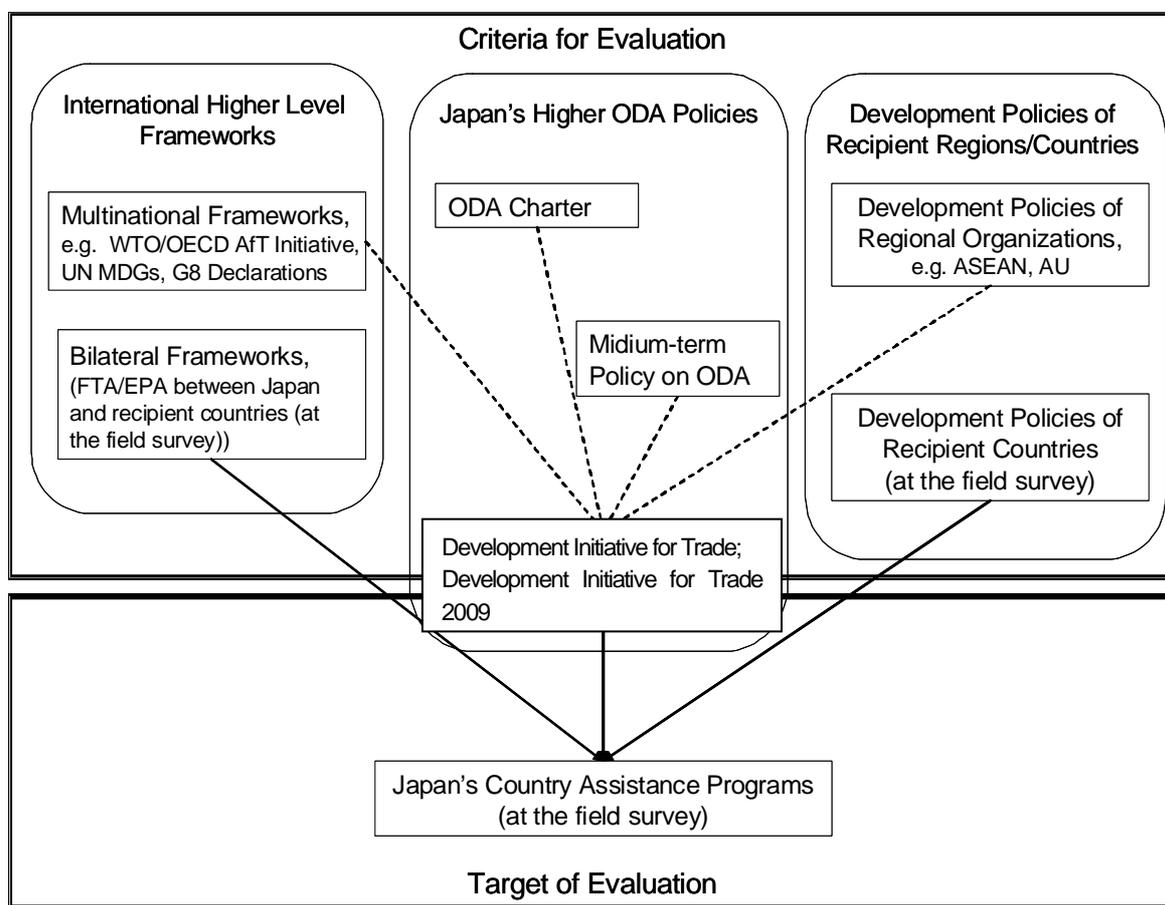


Figure 2-2 Design for Evaluating Relevance of Policies

Source: Mizuho Information & Research Institute.

2-2-2 Effectiveness of Results

Concrete approaches implemented under Japan's AfT policies (the two initiatives), including ODA projects and so on, were evaluated in terms of their qualitative consistency with the two initiatives, referring to various indicators for inputs, outputs, outcomes, and impacts. Quantitative assessments of achievements were also made whenever possible.

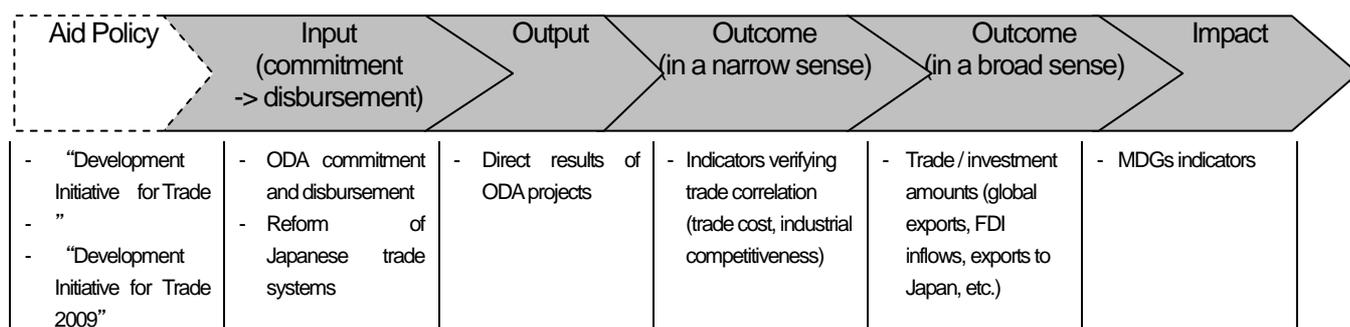


Figure 2-3 Overview of Indicators for Evaluating Effectiveness of Results

Mainly through the field survey, efforts were also made to verify causality between Japanese aid inputs and their outcomes and impact, based on case studies, and to extract good practices.

2-2-3 Appropriateness of Process

The team evaluated appropriateness of process with respect to Japan's AfT policy in each of its respective processes from policy formulation to policy promotion, project formulation and implementation, and monitoring, based on the perspectives given below.

- Is there sufficient consultation with related domestic organizations, organizations in the recipient regions/countries, other donors, private enterprise, and non-governmental organizations (NGOs)?
- Is there a system and/or a procedure in place to ensure consistency between the various related policies and the specific aid projects and to sufficiently bring out the effects of the projects?

2-3 Methods for Evaluation

In carrying out this evaluation, we reviewed relevant documents, held hearings with relevant organizations in Japan, and conducted the field survey.

2-3-1 Reviewing Documents

The evaluation survey team collected and analyzed policy papers on domestic and international AfT frameworks, as well as statistical data on aid and trade from the relevant countries and organizations.

2-3-2 Domestic Hearings

The evaluation survey team conducted hearings with the following relevant organizations in Japan.

Table 2-6 Domestic Hearings

Date	Interviewees
July 7, 2011	JICA, Industrial Development and Public Policy Department, Industry and Trade Section
July 15, 2011	Ministry of Foreign Affairs, International Cooperation Bureau, Development Assistance Policy Coordination Division
July 22, 2011	Ministry of Foreign Affairs, Economic Affairs Bureau, International Trade Division

2-3-3 Field Survey

The evaluation survey team visited Viet Nam and Lao PDR in October 2011 to conduct the field survey in order to verify specific points that could not be readily grasped solely by examining documents and conducting hearings in Japan.

The case studies considered the following perspectives, with Viet Nam viewed as a traditional AfT recipient, and Lao PDR as a neighboring country that began to receive AfT at a later date.

- Examples of good practices of AfT projects in Viet Nam.
- Examples of AfT application in Lao PDR.
- Status of efforts to build transportation and communication infrastructure linking Viet Nam and Lao PDR.

Chapter 3

Evaluation of Japan's Aid for Trade

3-1 Evaluation of Relevance of Policies

3-1-1 Consistency with Japanese Higher ODA Policies

Japan's ODA Charter is a Cabinet decision on Japan's philosophy of aid, principles of aid implementation and formulation and implementation of aid policy, and so on, and is the foundation of Japan's ODA policy. It stresses that: "Japan will endeavor to ensure that its ODA, and its trade and investment, which exert a substantial influence on the development of recipient countries, are carried out in close coordination, so that they have the overall effect of promoting growth in developing countries."

Japan's Medium-Term Policy on ODA, which is formulated in accordance with the ODA Charter, is the basic policy for the efficient and effective implementation of Japan's ODA.

Both of the two initiatives are generally consistent with the ODA Charter and the Medium-Term Policy on ODA.

3-1-2 Consistency with International Higher-Level Frameworks

The components that make up the "Development Initiative for Trade" (see Figure 2-1) are not limited to ODA but also include duty-free and quota-free access for LDCs, and so on. As such, the "Development Initiative for Trade" is broadly consistent with international higher-level frameworks such as those listed below.

- a. WTO Doha Work Programme Ministerial Declaration
- b. WTO/OECD Aid for Trade Initiative
- c. UN Millennium Development Goals (Target 8.A and Target 8.B)
- d. G8 Trade Declaration
- e. TICAD Yokohama Action Plan

The "Development Initiative for Trade 2009" is also largely consistent with these frameworks.

3-1-3 Consistency with Development Policies of Recipient Regions/Countries

In light of the fact that the importance of regional development is stressed in Aft initiatives, the team evaluated the two initiatives in terms of their consistency with the development

policies of the regional organizations in Asia and Africa, the largest recipient regions of AFT: respectively, the ASEAN "Vientiane Action Programme" (VAP 2004), and the "AU Strategic Plan 2009-2012."

The two initiatives were largely consistent with these policies, as well as the national development plans of the two countries in the field survey: Viet Nam and Lao PDR.

3-2 Evaluation of Effectiveness of Results

3-2-1 Evaluation of Inputs

The amount of Japan's AFT input exceeded the goal that Japan initially committed to in the "Development Initiative for Trade," and therefore its level can be very highly evaluated. Among the various input areas, economic infrastructure, one of Japan's traditional areas of strength, accounted for a large percentage of the overall total. Japanese inputs in this field can be highly evaluated for harnessing these strengths and implementing assistance through role-sharing with other DAC donors.

Table 3-1 Japan's Commitment of Financial Assistance Following the Development Initiative

(Unit: million US dollars)

Recipient Region	FY2006	FY2007	FY2008	FY2006-2008 Total
Africa	809.78	880.24	1,023.47	2,713.49
Latin America	413.88	143.01	81.06	637.95
Asia	3,241.06	3,126.54	5,450.38	11,817.98
Middle East	12.94	20.38	1,927.97	1,961.74
Europe	7.78	24.69	12.15	44.62
Oceania	39.95	105.58	185.19	330.72
Other regions	48.80	46.77	61.44	157.01
Total	4,574.19	4,347.66	8,741.66	17,663.51
Goal	—	—	—	10,000.00

Source: MOFA, *Japan's Official Development Assistance White Paper 2010 – Japan's International Cooperation*, pp. 57-58.

Table 3-2 Japan's Commitment of Technical Assistance Following the Development Initiative

(Unit: people)

Recipient Region	FY2006	FY2007	FY2008	FY2006-2008 Total
Africa	1,237	1,327	1,515	4,124
Latin America	1,451	1,058	1,019	3,528
Asia	9,784	13,715	12,626	36,125
Middle east	519	607	730	1,856
Europe	187	320	253	760
Oceania	230	223	190	643
Other regions	88	65	76	229
Total	13,496	17,360	16,409	47,265
Goal	—	—	—	10,000

Source: Same as above.

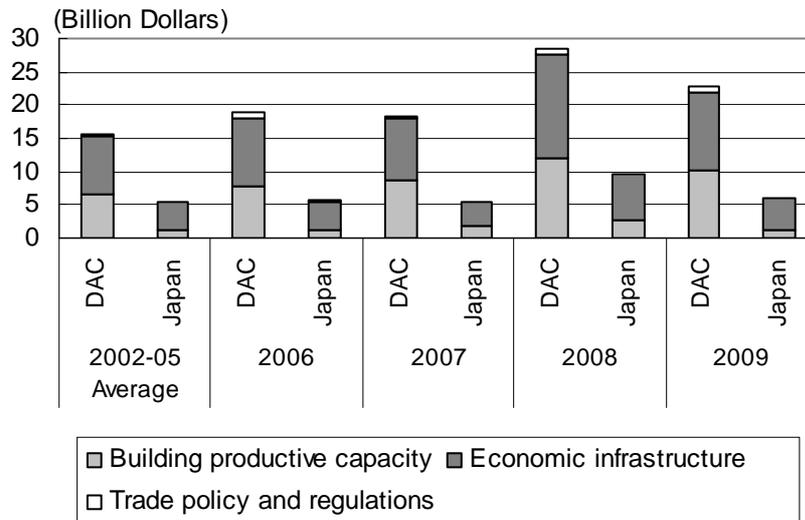


Figure 3-1 DAC and Japan's Aft Commitment by Area

Source: WTO/OECD, *Aid for Trade at a Glance 2011: Showing Results*, pp. 360-361.

Note 1: The amount of the "trade-related adjustment" area is so small that it was omitted.

Note 2: Amounts are based on 2009 prices.

3-2-2 Evaluation of Outputs

Measuring Aft output in its entirety in all the recipient countries would be impossible, as Aft is an aggregate of various ODA projects, and there are many different units for measuring these output amounts. Therefore, confirmations were made through the field survey in the two selected recipient countries. As a result, the team concluded that, for the most part, Japan's Aft is being effectively implemented.

Box 1: Hanoi Infrastructure Building Project

Japanese ODA helped to build drainage facilities, peripheral roads, and other infrastructure to create a favorable environment for operating factories in the Thang Long Industrial Park, the largest Japanese industrial park in Viet Nam.

Of the 73 companies occupying the Thang Long Industrial Park, 71 are Japanese, and overall their production is large-scale. Most of the products and parts produced in this industrial park are exported to other countries, and the total amount in fiscal 2010 accounted for 3.2% of all exports from Viet Nam.



Box 2: The Second Mekong International Bridge

Through ODA loans provided to Lao PDR and Thailand, the Second Mekong International Bridge was completed in 2006, linking Savannakhet, Lao PDR with Mukdahan, Thailand, which opened up almost the entire East-West Corridor for traffic.



The corridor brought about positive economic effects on Savannakhet, the country's third-largest city, although the corridor is far from Vientiane, the Lao PDR capital.

3-2-3 Evaluation of Outcomes

Focusing on 19 Asian countries, the team measured and confirmed the outcome of Japan's AfT by referring to such indicators as: growth rates of exports to the world and to Japan; the inflow of foreign direct investments; and export climate and investment climate indicators. These indicators were generally all favorable in the 19 countries, in terms of time-series trends and in comparison with global levels.

It goes without saying that we cannot jump to the conclusion that the good conditions expressed by these indicators are due solely to the contributions made by Japan's AfT. In fact, measuring and verifying the exact degree of the contribution made by Japan's AfT is quite difficult. Economic conditions in many Asian countries have been improving since the end of the last century. Aside from the Asian currency crisis in the late 1990s, these conditions have remained relatively good. However, considering the high levels of the amounts of Japan's AfT inputs, and that conditions in these Asian countries look favorable even when referring to export climate and investment climate indicators, which appear to have a relatively direct link with Japan's AfT projects, it would not be unreasonable to assume that Japan's AfT was a factor contributing to these good economic conditions.

**Table 3-3 Growth in Exports to the World from Selected Asian Countries Receiving Japan's Aft
(2002-2010)**

(Unit: %)

	2002	2003	2004	2005	2002-05 average
(1) India	14.2	18.5	27.9	32.2	23.0
(2) Viet Nam	11.2	20.6	31.4	22.5	21.2
(3) Indonesia	1.5	6.8	17.2	19.7	11.1
(4) Thailand	4.9	17.9	19.8	14.4	14.1
(5) Bangladesh	N.A.	18.2	29.1	12.9	19.9
(6) Pakistan	N.A.	N.A.	12.1	20.0	16.0
(7) Sri Lanka	1.1	3.1	12.3	12.7	7.2
(8) Philippines	9.5	2.9	9.5	4.0	6.4
(9) Mongolia	N.A.	N.A.	39.0	24.3	31.5
(10) Cambodia (LDC)	28.3	10.2	32.1	7.9	19.1
(11) China	22.4	34.6	35.4	28.4	30.1
(12) Nepal (LDC)	N.A.	N.A.	N.A.	N.A.	N.A.
(13) Bhutan (LDC)	N.A.	N.A.	N.A.	N.A.	N.A.
(14) Lao PDR (LDC)	1.9	9.8	19.9	38.2	16.7
(15) Papua New Guinea	-10.0	39.1	20.4	28.3	17.9
(16) Malaysia	6.9	11.3	20.9	11.8	12.6
(17) East Timor (LDC)	N.A.	N.A.	N.A.	-58.9	-58.9
(18) Myanmar (LDC)	0.5	-1.2	15.9	17.8	7.9
(19) Maldives	18.3	24.5	50.3	-9.2	19.1
World	4.9	16.4	21.8	14.1	14.1

	2006	2007	2008	2009	2010	2006-10 average
(1) India	20.8	20.4	24.6	-2.8	24.7	17.0
(2) Viet Nam	22.7	21.9	29.1	-8.9	32.4	18.4
(3) Indonesia	17.7	13.2	20.1	-15.0	35.4	13.0
(4) Thailand	18.6	17.6	14.5	-13.3	28.1	12.1
(5) Bangladesh	25.3	12.4	28.0	2.1	17.6	16.7
(6) Pakistan	5.5	5.3	13.7	-13.4	22.0	5.9
(7) Sri Lanka	9.7	13.3	6.7	-12.9	16.6	6.2
(8) Philippines	14.9	6.4	-2.8	-21.7	34.0	4.5
(9) Mongolia	44.9	22.3	9.0	-18.8	83.7	23.6
(10) Cambodia (LDC)	18.1	-1.0	23.4	14.5	12.0	13.1
(11) China	27.2	25.9	17.3	-16.0	31.3	15.7
(12) Nepal (LDC)	N.A.	N.A.	N.A.	N.A.	-5.9	-5.9
(13) Bhutan (LDC)	60.2	63.0	-22.7	-4.9	-16.6	9.9
(14) Lao PDR (LDC)	78.4	7.2	21.3	-4.7	30.8	23.6
(15) Papua New Guinea	21.7	15.5	22.8	-15.6	24.4	12.6
(16) Malaysia	13.4	9.5	12.9	-20.9	26.5	7.0
(17) East Timor (LDC)	-14.4	-17.4	452.6	-38.4	-31.2	10.6
(18) Myanmar (LDC)	22.5	6.9	30.0	-7.2	1.4	9.9
(19) Maldives	-12.0	-20.2	16.8	-39.3	-3.2	-13.6
World	15.9	14.9	15.5	-23.0	22.0	7.7

Source: Compiled from the World Trade Organization, International Trade Center Database.

**Table 3-4 Growth in Exports to Japan from Selected Asian Countries Receiving Japan's AFT
(2002-10)**

(Unit: %)

	2002	2003	2004	2005	2002-05 average
(1) India	15.2	-4.3	8.1	32.9	12.2
(2) Viet Nam	-2.9	19.4	21.8	22.5	14.7
(3) Indonesia	-7.4	12.9	17.3	13.1	8.5
(4) Thailand	0.5	14.6	18.1	11.7	11.0
(5) Bangladesh	N.A.	28.9	5.8	0.5	11.1
(6) Pakistan	N.A.	N.A.	15.4	-10.8	1.5
(7) Sri Lanka	-24.5	13.1	-2.7	-7.7	-6.4
(8) Philippines	4.7	8.9	38.4	-9.7	9.3
(9) Mongolia	N.A.	N.A.	132.7	-70.7	-17.4
(10) Cambodia (LDC)	41.8	14.8	15.6	151.0	47.4
(11) China	7.8	22.7	23.7	14.3	16.9
(12) Nepal (LDC)	N.A.	N.A.	N.A.	N.A.	N.A.
(13) Bhutan (LDC)	N.A.	N.A.	N.A.	N.A.	N.A.
(14) Lao PDR (LDC)	-3.2	10.3	8.0	0.4	3.7
(15) Papua New Guinea	-98.5	7996.4	7.3	-100.0	8.4
(16) Malaysia	-10.8	7.1	14.1	4.5	3.3
(17) East Timor (LDC)	N.A.	N.A.	N.A.	-99.5	-99.5
(18) Myanmar (LDC)	7.6	26.5	29.4	13.2	18.8
(19) Maldives	196.0	12.2	23.0	56.8	59.1
World	-3.3	13.6	18.7	13.3	10.2

	2006	2007	2008	2009	2010	2006-10 average
(1) India	14.2	16.4	11.1	-11.3	49.4	14.4
(2) Viet Nam	20.7	16.2	39.0	-25.2	N.A.	9.9
(3) Indonesia	20.4	8.7	17.4	-33.0	38.8	7.4
(4) Thailand	10.1	9.6	9.6	-20.9	29.8	6.3
(5) Bangladesh	9.0	20.3	N.A.	N.A.	N.A.	14.5
(6) Pakistan	-6.6	-7.1	25.1	-36.8	25.5	-3.0
(7) Sri Lanka	14.2	-0.7	0.4	-13.3	20.4	3.5
(8) Philippines	9.9	-7.8	5.5	-19.4	26.3	1.7
(9) Mongolia	22.7	103.0	N.A.	N.A.	N.A.	57.8
(10) Cambodia (LDC)	-45.8	-1.4	-4.5	148.5	12.1	7.3
(11) China	9.1	11.4	13.8	-15.7	23.6	7.6
(12) Nepal (LDC)	N.A.	N.A.	N.A.	N.A.	2.5	2.5
(13) Bhutan (LDC)	13.8	181.9	196.9	-96.3	4980.7	78.5
(14) Lao PDR (LDC)	53.4	-2.7	50.7	49.2	39.9	36.3
(15) Papua New Guinea	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
(16) Malaysia	6.8	13.8	30.7	-27.0	33.3	9.1
(17) East Timor (LDC)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
(18) Myanmar (LDC)	20.8	19.9	6.9	8.2	12.9	13.6
(19) Maldives	-9.5	-75.9	-26.6	-15.7	-57.7	-43.6
World	12.3	7.5	22.5	-27.6	25.5	6.1

Source: Same as above.

3-2-4 Evaluation of Impacts

Evaluating impacts on poverty reduction can also be difficult, as data in this area are not frequently collected and released. There have been improvements in indicators for various countries, but, as was the case with outcome indicators, we cannot jump to the conclusion that the improvements are mainly due to the contributions of Japan's AfT. Measurement and verification of the actual degree of Japan's contribution are also difficult. There is insufficient data available to accurately evaluate the impact of Japan's AfT on overall poverty reduction.

3-3 Evaluation of Appropriateness of Process

3-3-1 Evaluation of Policy Formulation Process

The process to formulate the "Development Initiative for Trade" has its roots in a proposal from MOFA's Economic Affairs Bureau, which indicated a desire to work out a commitment. Discussions were then held within MOFA and inquiries were sent to related ministries and agencies, such as Ministry of Economy, Trade and Industry (METI), Ministry of Agriculture, Forestry and Fisheries, other related ministries, and so on. JICA also participated in this process, submitting comments on the "Development Initiative for Trade" drafted by MOFA. The process to formulate the "Development Initiative for Trade" is deemed to have been appropriate, as it proceeded quickly, and involved a wide range of related ministries and agencies within the Japanese government.

3-3-2 Evaluation of Policy Promotion Process

The process to promote awareness of the two initiatives was considered to be appropriate, in that both initiatives were announced at WTO/OECD international meetings that were attended by representatives of a wide range of donors and recipient countries from all over the world. The two initiatives were then repeatedly cited in many subsequent review meetings. The announcement of the "Development Initiative for Trade" was particularly effective, as it preceded the WTO/OECD's AfT initiative and was announced by the Japanese Prime Minister at the time.

However, in both Viet Nam and Lao PDR, where the team conducted the field survey, reference was being made to neither the WTO/OECD's AfT initiative nor Japan's two initiatives. It seems that both the AfT initiative and Japan's two initiatives are not being fully consciously implemented in the recipient countries.

In terms of promoting awareness within the AfT recipient countries, there are inherent structural difficulties. Within the government agencies of the recipient countries, the sections in charge of ODA projects are usually not those responsible for the country's involvement

with the WTO, which is the site of most of the discussion on AfT. Nonetheless, further efforts should be made to promote more awareness of the two initiatives so that the implementation process in the recipient countries can be more consistent with policies.

3-3-3 Evaluation of Implementation Process

The implementation process was evaluated for both headquarters (in Japan) and on the ground in the recipient countries.

Headquarters have implementation/operation systems for the two initiatives and AfT projects. Within MOFA, the Economic Affairs Bureau is responsible for pledges made at WTO/OECD AfT global review meetings and other venues, while the International Cooperation Bureau is responsible for the ODA aspects of AfT and for compiling ODA statistics. Meanwhile, within JICA, the Private Sector Development Division monitors links of other divisions directly in charge of implementing ODA projects. Considering that such role sharing exists within and between MOFA and JICA, the implementation process in Japan can be evaluated as largely appropriate.

Japan's AfT implementation process in the recipient countries was evaluated through the field survey in Viet Nam and Lao PDR. In both countries the team regarded the cooperation and coordination as being appropriate, as close communication was observed between Japanese embassies and JICA.

Japan's cooperation and coordination with the governments of these countries are also appropriate. Particularly in Viet Nam, issue-based working teams were formed under the "Viet Nam-Japan Joint Initiative", involving broad and close cooperation and coordination that engages not only government agencies but also Japanese corporations. On the other hand, in Lao PDR it was noted that Japan's three aid frameworks ("CLMV Support", "CLV Support" and "Mekong-Japan") have different procedures, which can be complicated and hard for the counterparts to understand.

In terms of cooperation with other donors, Japan has been working hard to actively promote cooperation and coordination through formal donor meetings. However, emerging donors that have made striking economic advances, such as the Republic of Korea, do not necessarily participate in formal donor meetings, which limit Japan's opportunities for cooperation and coordination with them. From now on, it will be important for Japan to consider ways to team up with these emerging donors.

Maps

1. Country Case Study 1: Socialist Republic of Viet Nam



Source: United Nations, Map Ref: OCHA_VNM_Country_v2_080311, 11 March 2008.

