

## *The Economics of ODA by Local Authorities: Possibilities for Yen Loans in Collaboration with Local Authorities (Summary)*

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The aim of this article is to evaluate from the perspective of development economics the program of collaboration with local authorities being implemented by the Japan Bank for International Collaboration (JBIC), in order to identify ways in which local authorities can collaborate in providing ODA. We outline trends in ODA reforms relating to local authorities, which began in the latter half of the 1990s, and analyze JBIC's local authority cooperation program in terms of the five evaluation criteria designated by the Development Assistance Committee of the Organization for Economic Cooperation and Development, viz. 1) relevance; 2) effectiveness; 3) efficiency; 4) impact; and 5) sustainability, as well as examining the programs achievements and relevant issues.

Since the late 1990s, attitudes within the Japanese government towards cooperation with local authorities have become increasingly positive, and a policy turnaround can be seen in the Medium-Term Policy on ODA, which is ultimately determined by the cabinet. In 1999, in response to this u-turn, the Japan International Cooperation Agency (JICA) embarked upon a major reorganization program in order to strengthen its collaboration with regional governments and other bodies, establishing a new section in the form of the Domestic Partnership and Training Department. At the same time, it also initiated a new program of collaboration with local authorities and is boosting the number of its collaborative projects with such administrations as Kitakyushu City, Saitama Prefecture, Tokyo Metropolitan Government, Oita Prefecture and Okinawa Prefecture, in fields that include environmental protection, medical and health services, education and the nurturing of human resources.

Although JBIC started somewhat later, in 2002, it is also strengthening its cooperation with regional authorities,

having initiated yen loans through its collaboration with Gifu Prefecture and Kitakyushu City. More specifically, it has undertaken collaboration in the following four categories: A) special assistance for project implementation (for a regional development support project undertaken by Gifu Prefecture); B) pilot study contracts for ODA loans (for an environmental conservation project undertaken by Kitakyushu City); C) other commissioned studies (for environmental conservation projects undertaken by Osaka Prefecture, Shiga Prefecture, Kumamoto Prefecture, Osaka City and Kobe City, and a water supply development project conducted by Kyoto Prefecture); and D) seeking projects for local authorities and undertaking PR activities (holding such events as the JBIC-Local Government Collaboration Forum).

Various issues arose in evaluating JBIC's activities according to the aforementioned five criteria. The final analysis is that sufficient relevance was discerned in the program, and it is also likely to bear fruit in terms of effectiveness, impact and sustainability. In other words, at this point in time, JBIC's program of collaboration with local authorities is consistent with the worldwide trend towards the diversification of international cooperative actors and we can conclude that this is a form of cooperation that can be expected to yield sufficiently effective assistance.

One issue to be tackled by JBIC in the future is the formulation of a strategy for its collaboration with regional administrations. In the event that it embarks upon this, it is likely to become necessary for JBIC to clarify its stance vis-a-vis local authorities and gain their understanding, while paying attention to A) the organization of the JBIC, JICA and CLAIR (Council of Local Authorities for International Relations) joint study group; B) developing a program aimed at local authorities; and C) creating a framework within JBIC for cooperation with local authorities.