

Third Party Evaluation Report 2013
Ministry of Foreign Affairs of Japan

Evaluation of Grant Aid for Poverty Reduction Strategy

February 2014

Mitsubishi UFJ Research and Consulting Co., Ltd.

Preface

This report under the title of “Evaluation of Grant Aid for Poverty Reduction Strategy” was undertaken by Mitsubishi UFJ Research and Consulting Co., Ltd., entrusted by the Ministry of Foreign Affairs (MOFA) in fiscal 2013.

Since its commencement in 1954, Japan's Official Development Assistance (ODA) has contributed to the development of partner countries and to finding solutions to international issues which vary with the times. Recently, more effective and efficient implementation of ODA has been required not only in Japan but also in the international community. MOFA has been conducting ODA evaluations every year mainly at the policy level with two main objectives: to improve the management of ODA; and to ensure its accountability. The evaluations are conducted by third parties to enhance their transparency and objectivity.

This evaluation study has been conducted, while taking into account the meaning of Grant Aid for Poverty Reduction Strategy (PRS Grant Aid), with the objectives of comprehensively reviewing Japan's PRS Grant Aid programs conducted so far; drawing on lessons from this review to make recommendations for reference in policy planning on future PRS Grant Aid by the Government of Japan and its effective and efficient implementation; and ensuring accountability by making the evaluation results widely available to the general public and presenting the evaluation results to parties concerned with the governments of partner countries and other donors.

Motoki Takahashi, Professor at Graduate School of International Cooperation Studies of Kobe University, served as a chief evaluator to supervise the entire evaluation process, and Juichi Inada, Professor at Department of International Economics of Senshu University, served as an advisor to share his expertise on international aid coordination. Both have made enormous contributions from the start of this study to the completion of the report. In addition, in the course of this study both in Japan and in field surveys, we have benefited from the cooperation of MOFA, the Japan International Cooperation Agency (JICA), and the local ODA Task Force, as well as government agencies in Tanzania, donors, and non-governmental organizations (NGOs). We would like to take this opportunity to express our sincere gratitude to all who were involved in this study.

Finally, the Evaluation Team wishes to note that the opinions expressed in this report do not necessarily reflect the views or positions of the Government of Japan.

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Note: This English version of the Evaluation Report is a summary of the Japanese Evaluation Report of “Evaluation of Grant Aid for Poverty Reduction Strategy”.

Evaluation of Grant Aid for Poverty Reduction Strategy (Brief Summary)

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Period of the Evaluation Study

July 2013 – February 2014

Field Survey Country

Tanzania

Background, Objectives and Scope of the Evaluation

This evaluation study was conducted with the aims to comprehensively review Japan's PRS Grant Aid programs conducted, to make benchmark recommendations in policy planning and implementation of future implementation of PRS Grant Aid, and to ensure accountability by making the evaluation results widely available to the general public. This evaluation has addressed PRS Grant Aid implemented by the Government of Japan between FY2007 and FY2011 (14 programs in five countries). The evaluation team has evaluated Japan's PRS Grant Aid in terms of relevance of policies, effectiveness of results, appropriateness of processes as well as from diplomatic viewpoints – according to the ODA Evaluation Guidelines (8th edition) published by the Ministry of Foreign Affairs of Japan.

Brief Summary of the Evaluation Results

PRS Grant Aid is a form of budget support used to reinforce the policies of recipient countries, providing an added value unique to the scheme. In terms of recipient countries' need for their nation building and policy and institutional reforms, it is expected to leverage PRS Grant Aid as a strategic tool, and expand the scale of support in the medium- to long term.

•Development Viewpoints

(1) Relevance of Policies

Relevance of policies is high from the perspectives of (i) consistency with the development needs of recipient countries, (ii) consistency with Japan's Official Development Assistance policies (the ODA Charter and the Mid-Term Policy on ODA), Japan's assistance policy for Africa and Country Assistance Policies for the relevant countries, (iii) consistency with global priority issues (U.N. Millennium Development Goals (MDGs)) and trends in international cooperation involving budget support, (iv) Japan's comparative advantages, and (v) Japan's participation in budget support.

(2) Effectiveness of Results

Overall, although the extent to which the development program objectives had been achieved was not yet quantitatively measured, the evaluation team concluded that a certain effect had emerged in the case of Tanzania. As for the three reform facilitation effects of PRS Grant Aid, budget support appears to have a “pushing effect” from a perspective whereby budget support helped accelerate national reform whereas more time is necessary to observe “symbolizing effect”. As for the “coordination effect”, the evaluation team has confirmed that the Government of Tanzania has promoted consultations and shared the direction of its policy reforms both internally and jointly with donors.

(3) Appropriateness of Processes

PRS Grant Aid appears more or less appropriate in terms of the process of formulating this scheme (scheme design), and the implementation and monitoring processes. However, there are points for future improvement to ensure the relevance of policies and effectiveness of results.

●Diplomatic Viewpoints

PRS Grant Aid promoted development coordination among donors and between donors and the governments concerned, and allowed them to engage in consultations over policy reform and share directions. Moreover, Japan’s participation in budget support enhanced a support to the government concerned at policy level. In addition, the evaluation team confirmed the PRS Grant Aid has a positive meaning in that Japan, through its technical cooperation, disseminated and expanded the knowledge, technologies and skills necessary for recipient countries to implement prioritized policies and administrative financial reform. This means that it maximizes not only the effects of Japanese diplomacy but also unique features of Japan’s approach to assisting nation building of recipient countries that increase development effects by linking PRS Grant Aid to technical cooperation.

Main Recommendations

(1) Promotion of Information-sharing on the Decision-making Process in Countries subject to PRS Grant Aid

Currently, there are certain directions and viewpoints which present the decision about the countries to which PRS Grant Aid should be granted, but the parties concerned with aid in Japan have not shared information concerning the decision-making process on countries subject to the PRS Grant Aid. In light of the experience to date, the decision-making process of selecting recipient countries should be clarified and shared with the parties concerned.

(2) Review of the Scale and Timing of PRS Grant Aid, and Commitment at the Policy Level Extending more than One Fiscal Year

The scale of PRS Grant Aid is expected to expand in the medium- to long term considering the significance of its roles.

As for timing, Japan should consider to arrange disbursement to meet the needs of the recipient countries such as disbursing at an early stage of the fiscal year of recipient countries in light of the budget system. The timing should be determined flexibly

At policy level, Japan should consider officially expressing its commitment to programs extending over multiple fiscal years. The official announcement of the continuous provision of PRS Grant Aid signals that Japan highly prioritizes assistance in nation building and reform in the recipient countries and supports the direction of reform, with moves expected to enhance mutual credibility in bilateral diplomatic relations.

(3) Development of a Strategic Field System and Functions based on “Selection and Concentration”

Inputs for PRS Grant Aid (such as development of field systems and functions, and personnel allocation) should be set out the priority order of recipient countries in accordance with the principles of “selection and concentration” in the short term. In the medium to long term, various human resources with enthusiasm and capacity for PRS Grant Aid and budget support, as well as those who are enthusiastic about and capable of providing support for administrative and financial reform in developing countries should be developed.

(4) Monitoring of Effects Unique to Japan/Diplomatic Effect

Japan should establish a framework to monitor PRS Grant Aid effects unique to Japan and the diplomatic effects, perform regular monitoring based on the framework and publish the results. Monitoring the effects of Japanese diplomacy does not suit joint monitoring with other donors which is the usual practice for budget support type aid. In this respect, the evaluation team recommends that Japan should establish an original framework to monitor progress towards the objectives of PRS Grant Aid programs, regularly review them under the framework, and publish the results to the general public.

(5) Disseminating Japan’s Development Approach in line with Rules in International Cooperation Society

Japan should actively signal, via PRS Grant Aid and budget support, its development approaches. Such an action is expected to pave the way to establish rules against emerging countries and donors that engage in assistance with ultimately adverse effects. Such regulations should be jointly established with the governments of recipient countries via the budget support framework.

* The evaluation team recommends that the title of this scheme “PRS Grant Aid” should be reconsidered on this occasion. Taking into consideration the recent trend in international aid, the term “PRS Grant Aid” should be desirably renamed before it becomes outdated.

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Chapter 1. Purpose and Implementation Policy of the Evaluation

1-1 Background and Purpose of this Evaluation

This evaluation study was conducted taking into account the meaning of Grant Aid for Poverty Reduction Strategy (PRS Grant Aid) and comprehensively review of several cases of Japan's PRS Grant Aid programs executed, to draw on the policy lessons to make benchmark recommendations in planning and effective and efficient implementation on future PRS Grant Aid by the Government of Japan. It also aims to ensure accountability by making the evaluation results widely available to the general public and presenting the evaluation results to the parties concerned with the governments of partner countries and other donors.

To date, Japan has focused on project-based assistance. Conversely, in recent years, donors, particularly European, have been introducing budget support to partner countries, mainly in Africa. These donors join the partner countries in setting out development goals and provide financial assistance, while having the partner countries take the responsibility to attain the goals. As continuous policy dialogue between donors and partner countries and joint progress monitoring at the country level have become crucial elements of the budget support, participating in the budget support has resulted in assuring the influence of donors in formulating development goals.

Against this background, it was necessary for Japan to seize the opportunity to make an active commitment to developing countries at the stage of their formulating development goals. This was to ensure that Japan's project-based assistance would have a considerable effect on the development of partner countries. Under such circumstances, Japan started budget support in the form of PRS Grant Aid in FY2007. During the period from FY2007 to FY2011, it established 14 programs in five countries, with a total amount of 4,783.5 million yen (see Table 1-1). PRS Grant Aid is a grant aid cooperation scheme aiming to comprehensively support work to implement and achieve poverty reduction strategies in developing countries by, for example, strengthening the ownership of developing countries, improving their capacity for public financial management and alleviating the burden of administrative work.

Important aspects of PRS Grant Aid include clearly determining the goals to be achieved and ensuring a mechanism to monitor progress toward the achievement (i.e. planning, doing, checking and assessing aid programs, and establishing a follow-up cycle (PDCA)). The review of administrative programs in June 2012 also emphasizes the importance of enhancing the transparency of evaluations and establishing a PDCA cycle, referring to aid cooperation of international and non-governmental organizations (NGOs). To that end, a scheme of conducting and publishing ex-ante evaluations was adopted in FY2012. The review also requests continuous improvements in involvement in procedures of program formulation, joint monitoring and evaluation in partner countries.

In light of the above background, this evaluation study has been performed to comprehensively assess Japan's PRS Grant Aid via a well-balanced analysis with regard to development effectiveness and diplomatic significance, and obtain useful lessons and constructive recommendations that can contribute to future assistance policy planning, and effective and efficient implementation of assistance policies.

1-2 Scope of this Evaluation

This evaluation has addressed PRS Grant Aid implemented by the Government of Japan between FY2007 and FY2011 (14 programs in five countries) and the overall PRS Grant Aid scheme (Table 1-1).

Table 1-1 PRS Grant Aid (FY2007-FY2011)

Country (Total provision)	FY	Provided amount (100 million yen)	Support type	Purpose and main activities
Ghana (1814 million yen)	2007	3.375	General Budget Support	The budget support provided to implement Growth and Poverty Reduction Strategy II. It is expected to increase the development effects of Japan's individual projects, including developing the capacity of government administration and public financial management, and helping enhance administrative capacity in Ghana.
	2008	3.50		
	2009	3.36		
	2010	3.40		
	2011	3.50	Sector support (Health)	The budget support provided for activities addressing issues indicated in the health sector development plan. It is expected to enhance the development effects of Japan's past projects, such as strengthening maternal and child health, as well as helping improve Ghana's health policy and indicators.
	2010	2.00		
Tanzania (1,770 million yen)	2007	6.30	Common fund type	The budget support provided for Agriculture Sector Development Program, Public Finance Management Reform Program, Local Government Development Grant, and Poverty Monitoring.
	2008	5.20		The budget support provided for Agriculture Sector Development Program, Public Finance Management Reform Program, Local Government Development Grant, and Local Government Reform Program. This support is provided particularly with the aim of promoting capacity development in the former two programs.
	2010	4.70		The budget support provided for Agriculture Sector Development Program, Local Government Development Grant, and Local Government Reform Program. It also helps "increase agricultural production, including doubling rice production", the focused area of TICAD IV.
	2011	1.50		The budget support provided for Local Government Development Grant and Local Government Reform Program.
Bangladesh (500 million yen)	2010	5.00	Sector support (Education)	The budget support provided for the education sector to support the Primary Education Development Program and the overall goal of "Quality education for all our children" comprehensively.
Zambia (300 million yen)	2011	3.00	Sector support (Education)	The budget support provided to implement education policy targeting enhanced quality of education. To further boost the quality of education in Zambia by extending the outcomes of Japan's technical cooperation for teacher training in science and mathematics education, the necessary budget is channeled to the Education Sector Pooled Fund. The outcome of this cooperation is expected to help increase the learning level of Zambian students and foster human resources who will play key roles in socioeconomic development in Zambia.
Samoa (100 million yen)	2011	1.00	Sector support (Education)	The budget support provided in striving to "achieve high quality education" which is the priority area of the national development strategy. As Japan has been cooperating to improve science and mathematics education, a synergistic effect alongside this cooperation and a high development effect on improving education are expected.
Total		47.835		

(Source) Prepared by the evaluation team

As a case study, the evaluation team conducted a field survey in Tanzania to which Japan introduced the PRS Grant Aid scheme for the first time, and a specific analysis on the findings. On the way back from Tanzania, the team stopped by London and conducted interviews with the Department for International Development (DFID) of the U.K. Government and the Overseas Development Institute (ODI), the U.K.'s independent think tank on international development. (The field survey was conducted during September 17-27, 2013.)

1-3 Methodology and Framework of this Evaluation

In this study, the evaluation team has evaluated Japan's PRS Grant Aid from development viewpoints in terms of three areas – relevance of policies, effectiveness of results and appropriateness of processes – according to the ODA Evaluation Guidelines (8th edition) published by the Ministry of Foreign Affairs of Japan. From the perspective of securing Japan's national interests, the team also conducted evaluations from diplomatic viewpoints and took the following into account when conducting this evaluation:

(1) Because internationally established evaluation methodology has not been in place to measure the effects of budget support, the evaluation team evaluated in line with global trends for budget support evaluations, focusing on the significance and objectives of PRS Grant Aid.

(2) As for analyses, with the following logic tree in mind, the team analyzed how the targeted budget support programs could theoretically respond to the logic tree and the kind of effects they have produced (or are about to produce) to the utmost extent. It also evaluated and analyzed the programs concerned having fully understood the context of the partner countries – namely, the inherent economic, social and political situations in the targeted countries and the characteristics and actual circumstances of the targeted sectors.

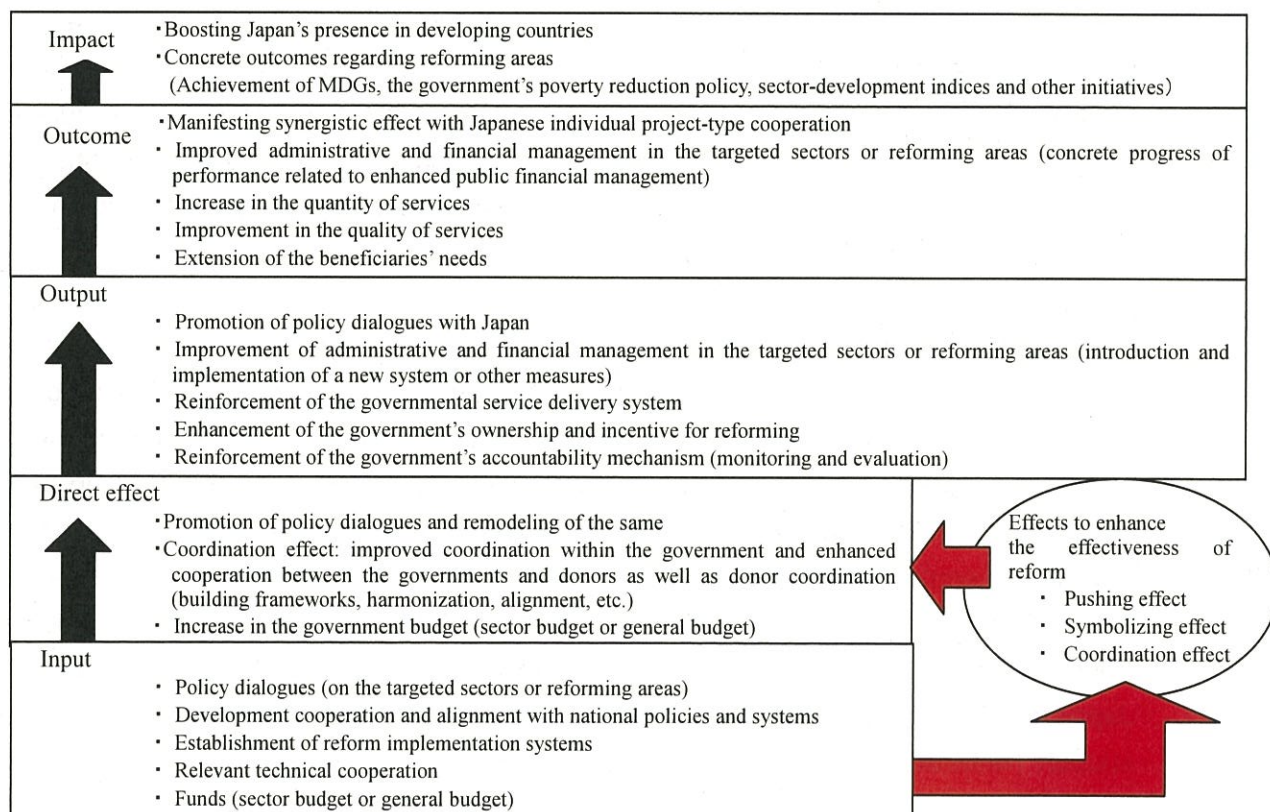


Figure 1-1 Logic Tree

(Source) Prepared by the evaluation team

(3) The evaluation team assumed that the budget support functioned as a means of indirect support for the reform process in the above logic tree, encouraging partner countries to participate in policy dialogues and development coordination, align themselves with their national policies and systems, and build and enhance their reform implementation mechanisms. Based on this assumption, the evaluation team considered that the inputs of budget support would produce the “pushing effects”, “symbolizing effects” and “coordination effects” indicated in Figure 1-1 – namely, to enhance the effectiveness of reform – and contribute to and promote the implementation of policy actions formulated in the budget support implementation process (see Table 1-2).

Table 1-2 Effects to Enhance the Effectiveness of Reform,
as Generated by the Inputs of Budget Support

Pushing effect	Effect of supporting reform promoters in the government of a partner country and “pushing” reform of the government itself
Symbolizing effect	Strong ownership and commitment of a partner country government toward reform, and the effect of symbolically announcing ownership and commitment in and outside the country
Coordination effect	Effect of facilitating and enhancing the building of the reform implementation mechanism and “coordination” within government and between the government and donors (including promoting dialogues on policy reform and sharing of direction), and coordinating development coordination

(Source) Prepared by the evaluation team

Where the relevance of policies is concerned, the evaluation team has examined (i) consistency with the policies and development needs of partner countries (such as national development plans, poverty reduction strategies and sector development plans), (ii) consistency with the overall ODA policies and Japan’s diplomatic objectives in Africa (assistance policies and lines for Africa, which the Government of Japan manifested in the G8 Gleneagles Summit in 2005 and a series of the Tokyo International Conference on African Development (TICAD) previously), (iii) consistency with global priority issues and trends (MDGs and trends in international cooperation involving budget support), (iv) Japan’s comparative advantages, and (v) relevance of Japan’s participation in budget support (whether, having chosen budget support as a support tool was appropriate to fulfill Japan’s needs or not, taking into consideration its assistance environment).

As for the effectiveness of results, the evaluation team has examined (i) the effect of the inputs in the scheme concerned on development programs in the targeted sectors

and the degree of achievements (while focusing on the benefits to Japan elicited from participation in policy dialogues on the initiative of partner countries), (ii) the nature of effects at the macro-level, (iii) whether means of enhancing the effectiveness of reform and its facilitation have been realized (“pushing”, “symbolizing” and “coordination” effects) are generated (examined in the Tanzania case study), and (iv) the complementary effect, compatibility and comparative advantages in relation to Japan’s traditional project-type assistance.

As for the appropriateness of processes, the evaluation team examined (i) the appropriateness of the formulation process (scheme design) (appropriateness of the scheme design process in line with the background as required to establish a PRS Grant Aid program) and (ii) the appropriateness of implementation and monitoring processes. The primary focuses of the examination included how to determine the need of partner countries (or targeted sectors) and to formulate the implementation plans at the policy dialogues and sectoral meetings, the kind of functions entities in Japan (MOFA and JICA Headquarters) and ODA Task Forces in partner countries served when providing assistance, whether the development coordination and partnerships with recipient countries, international organizations, other donors and NGOs were appropriate (namely, whether appropriate discussions were made for cooperation with the governments of partner countries, other donor countries and organizations and to facilitate partnerships with NGOs), whether a process (PDCA cycle) was established to regularly monitor the implementation progress, and whether appropriate steps were taken to ensure the transparency of the policies and implementation processes, and accountability of the same.

In addition, the evaluation team also evaluated the budget support programs from diplomatic viewpoints to consider Japan’s national interest. More specifically, it evaluated (i) the importance of the programs in a diplomatic context (the importance of ODA in bilateral relations with partner countries, the importance of assistance in line with Japan’s diplomatic principles, etc.); and (ii) spillover effect on diplomatic relations (enhancement of friendly relations such as an increase in the number of pro-Japanese people, a more in-depth understanding of Japan’s position in the international community, enhancing the presence of Japan, etc.).

1—4 Constraints on the Implementation of Evaluation

The evaluation team faced certain limitations in the evaluation study process, which may be summarized as follows:

This evaluation is classifiable as a scheme evaluation in the sense that it did not evaluate a particular project, and the evaluation team did not make uniform evaluations on any of the budget support programs concerned, since the significance and roles of PRS Grant Aid differ among different countries. As stated earlier, the team engaged in

evaluations recognized that the meaning of PRS Grant Aid differs among different countries and were convinced of the relevance of analyzing the budget support programs based on the specific circumstances of each partner country. However, because a field survey was conducted in only one case study country, namely Tanzania, the evaluation team faced limitations in sufficient understanding of the actual implementation, effects and other facts about the PRS Grant Aid programs in the remaining targeted countries (Ghana, Zambia, Bangladesh and Samoa), where circumstances differed considerably from those in Tanzania. The evaluation team strove to avoid biased information by holding interviews with relevant parties in Japan and collecting information through literature and the Internet, but the scope of examinations and analyses, on which evaluations should rest, remains limited. The section concerning the appropriateness of processes, in particular, refers to these countries with limited information available to the team but focuses on the Tanzania case.

Among the targeted countries, PRS Grant Aid was provided relatively recently to Bangladesh, Zambia and Samoa (to Bangladesh in FY2010, and Zambia and Samoa in FY2011. For Ghana, the sector assistance (health) was given in FY2010 and FY2011), and more time would be inevitably required to see the outcomes of the aid. Accordingly, the evaluation of the outcomes of grant aid programs in countries other than Tanzania had to be limited: the evaluation team examined them as far as possible at the time of evaluation. The team checked quantitative data, exploited qualitative information from literature and hearings with the parties concerned in full, and made comprehensive judgment on the effectiveness of results. In light of the time required for the grant aid programs to produce outcomes, it may be fair to view the evaluations on the above three countries as an interim review of the grant aid programs.

PRS Grant Aid for policy and institutional reform is normally embedded in poverty reduction strategies and development programs of the government of a recipient country, making it difficult to separate policy actions prompted by such grant aid from programs led by the government itself. Moreover, the pathway of outcomes from policy and institutional reform funded by PRS Grant Aid is complicated due to the influence of external factors and time lag involved. In budget support, where a number of donors provide funds, discuss policies to solve and reform, share development issues, and jointly monitor the progress of reform, it is difficult to separate PRS Grant Aid from other factors and quantitatively measure the extent to which it contributes to reform. Because of these restrictions uniquely arising from the nature of budget support, the evaluation team has concluded that it would be unrealistic and make no sense to evaluate the effects of PRS Grant Aid alone as a means of viewing the outcomes and impact of the effectiveness of results. Accordingly, it analyzed the PRS Grant Aid programs from the perspective of the progress of reform in overall sectors, including the financial standing of the recipient countries.

Chapter 2. Summary of the Evaluation

2-1 Relevance of Policies

The implementation of PRS Grant Aid is considered highly relevant from the perspectives of (i) consistency with the development needs of recipient countries, (ii) consistency with Japan's ODA policies (the ODA Charter) and the Mid-Term Policy on ODA, Japan's assistance policy for Africa and Country Assistance Policies for the relevant countries, (iii) consistency with global priority issues (MDGs) and trends in international cooperation involving budget support, (iv) Japan's comparative advantages, and (v) Japan's participation in budget support.

(1) Consistency of Japan's Assistance Policies with the Development Needs of the Recipient Countries

PRS Grant Aid is consistent with the development needs of the recipient countries from the perspectives of both assistance modality (budget support) and the targeted sectors. As for assistance modality, the governments of the targeted African countries (Tanzania, Ghana and Zambia) indicate that budget support is an ideal modality. The Government of Bangladesh adopted no particular stance on whether or not they found budget support an ideal assistance modality, but adopted Sector-Wide Approaches (SWAPs). In this sense, the country requires sector budget support. Samoa also requires sector budget support because the government requested the introduction of a pooled fund system when the assistance modality shifted from project-based to budget support. Targeted sectors of PRS Grant Aid are agriculture, local administration, public financial management and poverty monitoring in Tanzania, administrative capacity improvement and establishment of administrative systems, public financial management, and health in Ghana, and education in Bangladesh, Zambia and Samoa. The assistance is consistent with the development needs of each country.

(2) Consistency of Japan's Assistance Policies with its Overall Policies

PRS Grant Aid is consistent with Japan's ODA policies, Japan's assistance policy for Africa and Country Assistance Policies for the relevant countries. Its purpose is also consistent with the basic policies of the ODA Charter and the Mid-Term Policy on ODA based on the fact that PRS Grant Aid comprehensively supports the Poverty Reduction Strategy Paper (PRSP). The consistency between PRS Grant Aid and Japan's assistance policy for Africa (assistance policies and lines for Africa, as manifested by the Government of Japan in the G8 Gleneagles Summit in 2005 and a series of the TICAD previously) is secured. PRS Grant Aid is consistent with Country Assistance Policies for the relevant countries in terms of their basic policies, assistance directions, priority areas and sectors and other aspects. No Country Assistance Program is formulated for Samoa,

but PRS Grant Aid is consistent with Japan's actual assistance policy for the country in light of assistance policies manifested by the Government of Japan at the Fifth Pacific Islands Leaders' Meeting in 2009 and assistance policies agreed at the Japan-Samoa Policy Consultation on Economic Cooperation in 2011.

(3) Consistency with Global Priority Issues and Trends in International Cooperation involving Budget Support

PRS Grant Aid chiefly aims to provide comprehensive support to implement PRSP for poverty reduction and can thus be considered fundamentally consistent with MDGs and the agenda of poverty reduction. The evaluation team has confirmed that the respective sectors having received PRS Grant Aid (agriculture, local administration, public financial management, poverty monitoring, education and health) are directly and indirectly consistent with MDGs. PRS Grant Aid also has many objectives that are directly identical to those of important agendas in international cooperation trends related to efforts to enhance aid effectiveness.

(4) Japan's Comparative Advantages

The case study in Tanzania revealed five advantages of Japan's support compared to other countries/donors, namely in terms of (i) a variety of assistance methodology and synergistic effects with PRS Grant Aid, (ii) assistance deeply ingrained in the field, (iii) quality of assistance/direct transfer of knowledge where Japan has comparative advantages, (iv) participatory process aiming to grasp needs, and (v) credibility. Each of these advantages is unique to Japan's assistance, and the evaluation team has confirmed in its field survey that they are highly evaluated by the Government of Tanzania and other donors.

(5) Relevance of Japan's Participation in Budget Support

It appears relevant for Japan to introduce PRS Grant Aid under aid environment surrounding Japan and to respond to issues arising from the same. When Japan introduced this assistance scheme, developing countries and donors were facilitating development coordination. Under such circumstances, it can be assumed that Japan (i) must ensure participation in the budget support framework and ensure its voice is heard during policy dialogues to fulfill its responsibility as a donor country and realize effective support; and (ii) was domestically required to respond to requests for reform on ODA (promotion of internal reform). PRS Grant Aid is expected to help solve the issues and concerns faced by Japan at the time, and this support scheme was considered as a part of the solution at the time of this evaluation.

2—2 Effectiveness of Results

Overall, although the extent to which the development program objectives had been achieved was not yet quantitatively measured, the evaluation team concluded that a certain effect had emerged in the case of Tanzania. The evaluation team also confirmed, with respect to the programs in Tanzania, the need to further enhance the monitoring and evaluation framework to accurately measure the outcomes and impacts in sectors subject to PRS Grant Aid. The quality of the monitoring and evaluation framework is expected to be improved by selecting indicators appropriate for the present state of the country concerned and other measures. As for the reform facilitation effect of PRS Grant Aid, budget support appears to have a “pushing effect” from a perspective whereby budget support helped accelerate national reform, whereas “symbolizing effect” was not clearly observed in interview surveys conducted in the country. To ensure that support continues to generate this symbolizing effect in future, the Government of Tanzania must promptly resume the process of reviewing public expenditure and actively broadcast the message that it will strive to continue improving the national system. As for the “coordination effect”, although various opinions have been presented, the evaluation team has confirmed that the Government of Tanzania has promoted consultations and shared the direction of its policy reforms both internally and jointly with donors.

(1) Achievement Status of Development Program Objectives in the Targeted Areas A) Tanzania

The evaluation team confirmed the emergence of the following effects from PRS Grant Aid in development of the injected targeted areas – namely, agriculture, local administration, public financial management and poverty monitoring. In the field of agriculture, for example, the support program achieved tangible outcomes: District Agricultural Development Plans (DADP), where 75% of the common fund of the Agricultural Sector Development Program (ASDP) is used, were formulated and implemented (or reported) in all districts. This is also attributable to Japan's technical cooperation project, through which DADP guidelines were formulated and training was held for district officers to learn how to formulate plans according to guidelines. In the local administration field, the evaluation team observed that a “model” approach to Opportunities and Obstacles to Development (O&OD) was formulated, and that the institutional framework was about to be formulated to disseminate the model approach nationwide through the common fund of the Local Government Development Grant (LGDG). Public financial management also enjoyed the outcomes of budget support: the quality of audit reports of central and local governments has been improved, the capacity of accounting auditors enhanced, and the relevant facilities developed. As for poverty monitoring, various sector surveys, including on household budgets, have been conducted to date and the quality of data and capacity of monitoring officers have been

improved.

B) Ghana

According to evaluations under the Progress Assessment Framework in 2011, 11 of a total 12 triggers related to all ministries and governmental agencies and 16 of a total 20 sector specific targets have been achieved. The trigger not achieved in relation to all the ministries and governmental agencies was establishing a mechanism of community-based common goals for health, education and other cross-sectoral fields, although most of the other triggers related to all ministries and governmental agencies were achieved.

As for the health sector, the major project subject to budget support remains underway, and it is too early to measure PRS Grant Aid achievements. However, indicators related to maternal and child health, the targeted assistance area of PRS Grant Aid, have shown improvement.

C) Bangladesh

Because the relevant development program remains ongoing, the budget support program has not completely achieved its objectives yet. However, according to monitoring of progress by DLI, five of a total nine Disbursement Linked Indicators have been achieved.

Where expansion in technical cooperation project achievements is concerned, the evaluation team confirmed that the contribution of Japan's technical cooperation had been reflected and implemented in the Third Primary Education Development Program (PEDP3). For example, PEDP3 clearly stipulates the launch of training programs for science and mathematics nationwide, which is an output of JICA's technical cooperation project. At the same time, activities provisionally introduced under the project were officially adopted and performed as activities under PEDP3.

D) Zambia

Following the withdrawal of a number of donors from the education sector, PRS Grant Aid contributes significantly to the financial aspect of services delivered by the Ministry of Education, Science, Vocational and Early Education. Against this background, Japan's technical cooperation project, which is currently underway nationwide, is expected to be further promoted by PRS Grant Aid.

E) Samoa

Development programs subject to PRS Grant Aid are currently underway. In the field of access to education, to which Japan's PRS Grant Aid has been particularly contributing, various programs including a program to renovate eight primary school buildings are being implemented.

(2) Reform Facilitation Effect

The evaluation team has reviewed the case in Tanzania to examine the three effects of budget support expected to emerge through policy dialogues and development coordination, alignment with national policies and systems, and building and enhancement reform implementation structures, all of which were implemented in the process of reforms in the targeted areas of PRS Grant Aid. As for the “pushing effect”, it seems that the progress of reforms in the targeted areas would not have been as rapid as actually achieved without budget support. As for the “symbolizing effect”, the evaluation team has not been able to clearly confirm, from field-level feedback, whether budget support helped the Government of Tanzania show its commitment to reform at home and to the international society, and thus helped enhance the government’s credibility. To ensure the support generates a symbolizing effect in future, the Government of Tanzania must promptly resume the process of reviewing public expenditure and actively broadcast the message that it is striving to continue improving the national system. Conversely, Japan must steadily strive to encourage the government of the partner country to push for reform and continue its support. As for the “coordination effect”, although various opinions have been presented, the evaluation team has confirmed that the Government of Tanzania promoted consultations and shared the direction of its policy reform internally and jointly with donors.

2—3 Appropriateness of Processes

PRS Grant Aid appears generally appropriate in terms of the process of formulating this scheme, and the implementation and monitoring processes. However, there are points for future improvement to ensure the relevance of policies and effectiveness of results.

(1) Appropriateness of the Formulation Process (Scheme Design)

The process of establishing the PRS Grant Aid scheme (the process of scheme designing in line with the background necessitating the establishment of such schemes) and the structure of assistance programs are appropriate. There is room, conversely, to improve the process of deciding countries and the contents of support (sectors) subject to PRS Grant Aid.

It was appropriate for the Government of Japan to establish this scheme, while considering the strong awareness and requests from those working at the field level and also incorporating the opinions of those on the front line. The timing of the establishment was also appropriate. Many of the officers involved in the scheme designing had considerable experience in countries where development coordination was actively taking place and were thus able to share awareness of field level issues. It can be said that competent persons with the ability to design a realistic scheme were engaged in

drafting the same.

As for the mechanism of PRS Grant, opinions and views at the country level such as through questionnaire (sheets) and the opinions of Japanese diplomatic establishments abroad are prioritized as materials for decision-making from the perspective of enhancing the field function. Field-oriented decision-making is fairly important for PRS Grant Aid, which is based on continuous policy dialogues and development coordination with the governments of recipient countries and donor community at field level, based on which the evaluation team considers the structure of the assistance mechanism as appropriate.

In selecting countries subject to PRS Grant Aid, the parties concerned with the aid in Japan do not share information about the decision-making process over the countries to be selected and excluded, though they have certain directions and viewpoints concerning the choice of countries to which assistance should be provided.

As for the decision-making process over the contents (sectors) in Tanzania, Ghana, Zambia and Bangladesh, PRS Grant Aid has been provided to sectors with knowledge (knowledge, technologies and skills) acquired through Japan's technical cooperation, or sectors on which Japan wishes to focus and in which Japan wishes to contribute to intellectual policies. In the case of Samoa, conversely, the targeted sectors appear to be selected as those from the perspective of promoting policy dialogues with the government and development coordination with other donors, which meant the decision was made in a different manner. Accordingly, personnel at the field level and at the headquarters in Japan are expected to share the decision-making process and improve the prospects, predictability and planning capacity for field-level assistance activities, so that assistance can be efficiently and effectively provided.

(2) Appropriateness of Implementation and Monitoring Processes

Article 13 of the Act of Japan International Cooperation Agency (JICA Act) stipulates that JICA is in charge of implementing PRS Grant Aid and that the Ministry of Foreign Affairs is responsible for managing the relevant budgets and systems. The case of Tanzania raised the issue of a potential gap between the timing of disbursement and the timing expected by the Tanzanian side. It is important to take into account the budget system of recipient countries and proceed with disbursement at an early stage of the fiscal year of the countries.

As for the monitoring process in the case of Tanzania, the government and donors shared performance indicators and had the monitoring implementation system and mechanism. The evaluation team confirmed that Japan actively participated in the system which monitored and evaluated the usage of funds disbursed and the overall achievements of the targeted sectors. However, although processes (systems and mechanisms) of regularly grasping and checking progress exist, the process itself is insufficient. The issue in the monitoring process concerns improvements in quality, which may be realized by, for example, selecting indicators that are available and suitable for

the present state of recipient countries, improving quality of reports, and setting appropriate targets.

As for enhancing the PDCA cycle, which the review of administrative programs in FY2012 proposed to improve via (i) more active participation in formulating programs at field level and joint monitoring and evaluations and (ii) implementing and publishing “ex-ante evaluations”, the evaluation team has confirmed that the aspect has been already implemented in Tanzania. Discussion with the relevant parties in Japan has revealed that JICA technical cooperation experts and policy advisors provided practical advice on the formulation of Third Primary Education Development Program (PEDP3), as well as its performance indicators in Bangladesh. Moreover, the evaluation team also recognized that, in Ghana and Zambia, Japanese personnel involved in technical cooperation actively participated in and offered technical advice on formulating programs subject to PRS Grant Aid. In terms of the aspect (ii), conversely, “ex-ante evaluations” have been conducted, and the relevant performance indicators published for Bangladesh, Ghana and Zambia, for which the decision was made to provide PRS Grant Aid after the review of administrative programs by the Government of Japan took place. However, the programs in all three countries observed the conclusion of Exchange of Notes (E/N) after December 2012, and the programs subject to PRS Grant Aid are still underway, meaning that despite no conspicuous impacts yet, the emergence of outputs targeted by the programs has been confirmed.

As for the field-level implementation mechanism, the state of the ODA Task Force is considered important for support implementation given the need to allocate personnel capable of monitoring the progress of development and reform programs from a broader perspective at the field level and engage in specific discussions and provide recommendations in light of progress. In the case of Tanzania, the evaluation team has confirmed that the implementation mechanism is solid compared to those of other targeted countries of PRS Grant Aid.

As for the cooperation with other donors and international organizations, the parties concerned actively share information, both officially and unofficially, concerning the use of funds disbursed and progress toward achieving objectives and collaborating with other donors. In the case of Tanzania, the provision of PRS Grant Aid allowed the Japanese parties to collaborate with other donors and international organizations, which boosted development coordination. Meanwhile, the assistance to Samoa is a case where PRS Grant Aid was provided to elicit donor cooperation with New Zealand.

As for the coordination with other ODA schemes of Japan, since PRS Grant Aid aims to enhance the effects of technical cooperation projects that Japan has long implemented, it is basically provided to countries and sectors where quality technical cooperation projects are implemented. The evaluation team has also confirmed that PRS Grant Aid programs are carried out via a “program approach”, where various assistances are combined with not only technical cooperation projects but also Japan Overseas Cooperation Volunteers

(JOCV), training in Japan, other technical cooperation schemes and the dispatch of experts such as policy advisors.

As for the use of public relations, in Tanzania, the evaluation team has confirmed that Japan's budget support for the sectors concerned via PRS Grant Aid is widely known among the parties concerned with the government and donors. The Embassy of Japan in Tanzania issued press releases when PRS Grant Aid was provided, and English and Swahili press and TV programs in Tanzania widely covered the story of the signing ceremony. Conversely, in Japan, while the effects of projects are widely published to the general public as the achievements of Japan's cooperative activities, no particular PR activities are observed as part of "programs" linked to PRS Grant Aid, which seems insufficient. The evaluation team has concluded that there is room to make further commitment to improving publicity activities.

2-4 Evaluation from the Diplomatic Viewpoints

The approach adopted by Japan when assisting with nation building of recipient countries, involving coordination between budget support (PRS Grant Aid) and technical cooperation and expanding the achievements of integrated assistance, has two advantages: one of which is to help promote reform in the recipient countries, and the other is to help improve the effects of Japanese diplomacy.

A) Tanzania

The evaluation team has confirmed that, at policy level, budget support, including PRS Grant Aid, promoted development coordination among donors and between donors and the governments concerned and allowed them to engage in consultations over policy reform and share directions. Japan has actively participated in the development coordination framework so that the improvements have been realized in these countries because of Japan's budget support in the form of PRS Grant Aid and indirect support in the form of technical cooperation to reforms of public financial management and local governments. In this sense, PRS Grant Aid, together with budget support, had a positive meaning in that it expanded the knowledge, technologies and skills cultivated by Japan's technical cooperation.

PRS Grant Aid can be evaluated from the diplomatic viewpoints according to the following four aspects:

(a) Expansion of Japan's Knowledge, Technologies and Skills

The most sophisticated diplomatic effect that can be produced through assistance involves disseminating Japan's knowledge, technologies and skills nationwide as achievements of technical cooperation projects, and enhancing the effective functions of the relevant institutions. In Tanzania, funds in the targeted sectors' common funds

provided by PRS Grant Aid have been successfully used to institutionalize, disseminate and expand the achievements of Japan's technical cooperation. Such achievements include, for example, nationwide deployment of DADP and irrigation development in the agricultural sector, and institutionalization and dissemination of the O&OD Approach and training schemes for local administrative officers in the local administration sector. In this regard, the evaluation team has confirmed the emergence of outputs beyond the framework of project-based cooperation as a result of PRS Grant Aid.

(b) Securing the Position to be Able to Provide Policy Input

To reduce transaction cost, a number of donors coordinate views in each sector, and the lead donor representatively consults with high-level officials of the governments of recipient countries. This means that party has limited opportunity for direct dialogue with high-level officials unless it is assumed the lead donor, or that any party, has scope to directly provide high-level officials with policy inputs and can enhance the diplomatic effect between the countries concerned and Japan if it became the lead donor. To enable this, a donor party must make a financial contribution to the common fund of the sector concerned. A Lead donor and other main donors having a certain initiative can enhance relationships of mutual trust with and facilitate access to the governments of recipient countries and other donors. The comment of the official of the Tanzanian Ministry of Foreign Affairs has proved, in particular, that the relationship of trust between Japan, and the Government of Tanzania and other donors was enhanced because of Japan's PRS Grant Aid. The evaluation team confirmed that the Japan's cooperation in the areas of agriculture and local administration managed to secure positions to reflect Japan's policies in these sectors.

(c) Enhancement of Japan's Growth Strategy (Assistance to the Private Sector)

Building and enhancing institutional mechanisms in agriculture, local administration and public financial management subject to PRS Grant Aid impacts on efforts to develop and improve the investment environments for the private sector, meaning the assistance has a diplomatic impact helping realize Japan's growth strategy from the perspective of development facilitation in developing countries through the private sector.

(d) Building of Human Networks and Developing Relationships of Trust

In sectors subject to PRS Grant Aid, the parties concerned engage in close consultations with government officials and donors on policy dialogue and coordination, which helps the parties build and enhance human networks and relationships of trust, which will boost their understanding of Japan's development cooperation and enhance support for Japan's activities. This cannot be achieved by a single cooperation project. Officials of the Ministry of Foreign Affairs of Tanzania state: "it took time for Japan to participate in budget support, but the Japanese cooperation is very careful and strategic. We understand that Japan is a reliable partner", and "Japan's participation in budget support has played a role in providing assurance to other donors". The evaluation team has thus confirmed that the introduction of PRS Grant Aid further enhanced relationships

of trust between Japan and the Tanzanian government and other donors. The team has also received the comment that people at grassroots level to high-level officials in Tanzania recognized that Japan's cooperation was based on goodwill and good faith, reflecting the strong relationships of trust.

B) Ghana

The diplomatic effect of PRS Grant Aid on the public policy is that the assistance allowed the Japanese party to directly call for improvements in the financial standing of the country. In PRS Grant Aid to the health sector, the Japanese party examined the potential for financial assistance to the sector as a component of the program approach, and the Minister of Health expressed his gratitude for the same, which proves that such assistance has a diplomatic effect.

C) Bangladesh

Bangladesh welcomes budget support as an ideal cooperation modality. However, unlike countries in Africa, it does not render other modalities subordinate to budget support. Accordingly, the evaluation team was unable to clearly confirm any direct diplomatic effect of participation in PRS Grant Aid. However, PRS Grant Aid allowed Japan to participate in consortiums with development partners and smoothly exchange opinions with other donors. It also made it possible to provide inputs at policy level, while Japan's participation itself enhanced support at policy level, which can be considered a diplomatic effect.

D) Zambia

Although specific program achievements were uncertain at the time of evaluation, given that education is a crucial sector for the Government of Zambia, it can be concluded that Japan's provision of PRS Grant Aid has had the effect of reinforcing the symbolizing effect, which reflects support for commitments made under government reforms.

E) Samoa

The introduction of PRS Grant Aid enabled Japan to participate in donor meetings in the education sector, which was formerly excluded, and also gave Japan opportunities to gather information and participate in discussions on policy making. PRS Grant Aid also spawned enhanced development coordination with New Zealand and Australia which are main donors of education sectors in Samoa. Thus, the introduction of PRS Grant Aid enhanced the relationships with New Zealand and Australia as a secondary effect.

Chapter 3. Recommendations Based on the Evaluation

3-1 Basic Approach to Recommendations in this Evaluation

Recommendations are made to further enhance Japan's future assistance in line with the PDCA cycle, while bearing in mind efforts to enhance the PDCA cycle and streamline cooperation programs in response to recommendations for improvements made by the review of administrative programs in the fiscal year (FY2012), which is before implementing this evaluation.

3-2 Recommendations

Recommendations for Plan (PRS Grant Aid Formulation)

(1) Promotion of Information-Sharing on the Decision-making Process in Countries Subject to PRS Grant Aid

Currently, there are certain directions and viewpoints (see the box below) which present the decision about the countries to which PRS Grant Aid should be provided. However the parties concerned with aid in Japan have not shared information concerning the decision-making process on countries subject to the PRS Grant Aid. In light of the experience to date, Japan should clarify the decision-making process of selecting recipient countries and share it with the parties concerned.

[The Present Directions and Viewpoints Concerning the Selection of Recipient Countries of PRS Grant Aid]

- Whether or not a PRSP has been prepared. However, decisions will be made according to not just whether the plan is formulated but also whether it is actually in practice. The presence of a medium-term implementation framework will be checked
- The state of economic and political stability (including the perspective of whether assistance is highly likely to contribute to stability)
- The state of commitment to administrative and financial reforms (including the perspective of whether the actual actions have been taken and whether providing PRS Grant Aid is expected to facilitate such efforts)
- Whether the budget support framework including participation of the World Bank and the International Monetary Fund (IMF) already exists (whether the country concerned has already accepted budget support)
- Whether a monitoring system has been established
- Whether any quality technical cooperation project is available, which can be linked to PRS Grant Aid

- Whether the Japanese side has established a mechanism of assistance in the country concerned (ODA Task Force system)

(Source) "ODA White Paper", "Statistics and Reference Materials of ODA White Paper" and interviews with the Development Assistance Policy Coordination Division, International Cooperation Bureau, Ministry of Foreign Affairs of Japan

Judging comprehensively from the results of hearings with the parties concerned, it seems that countries other than the current recipients of PRS Grant Aid also have shown interest, even if unofficially, in implementing the assistance from the perspective of improving development effects. It can be assumed, conversely, that the provision of PRS Grant Aid to Samoa was determined somewhat sporadically from the perspective of promoting policy dialogues with the Government of Samoa and donor cooperation with New Zealand, rather than with development effects in mind. In other words, following the establishment of the PRS Grant Aid scheme, the decision was made to provide Samoa because of focus on a factor (the diplomatic effect) which differed from the development effect, on which other countries normally focus. As stated above, recipient countries were selected in line with the relevant directions and viewpoints, but discussion with the parties concerned suggest that the relevant parties involved with aid in Japan did not share information on the decision-making process concerning the countries to be selected and excluded. Sharing the decision-making process between the field level and headquarters in Japan, improving prospects and predictability and the planning capacity for field-level assistance activities and implementing aid efficiently and effectively will certainly meet the requirement cited in the review of administrative programs. This process will also allow Japan to establish its position in relation to the government of recipient countries and other donors.

As for the perspective taken when selecting recipient countries, the evaluation team recommends prioritizing "countries, where the transfer of knowledge, technologies and skills will be effective to implement priority issues incorporated in their PRSP and development strategies and administrative and financial reform from a broader standpoint, and for which Japan can provide assistance to meet their needs". This should be on the premise that development issues crucial to the developing country concerned are identified, and that the government of the country concerned and donors are comprehensively committed to improving the issues and facilitating reform while collaborating for development coordination. This means that "the government of the country concerned has sector programs which can establish, disseminate and expand the knowledge of more matured technical cooperation, and Japan will provide the country concerned with assistance through PRS Grant Aid". In other words, the evaluation team recommends that the development effects should be further enhanced by linking PRS Grant Aid more closely to technical cooperation and demonstrating its assistance deeply ingrained in the field in which Japan has comparative advantages. It is desirable to

leverage the advantage of PRS Grant Aid as a strategic tool to enhance the effect of the program approach. This has two advantages: one of which is to help promote reform in recipient countries, and the other is to help improve the effects of Japanese diplomacy. For this, recipient countries must have frameworks to receive budget support, ownership and commitment to reform, and the support of major donors for their directions of reform. Conversely, the Japanese side must have the capacity to use PRS Grant Aid to incorporate the achievements of policy dialogues with governments of the recipient countries and technical cooperation into their country systems (important core government functions such as planning and budget control), and expand the effect of assistance sustainably. This literally means that “If the provision of PRS Grant Aid helps a certain country enhance its fiscal administration focusing on public financial management, the country concerned could be a future candidate for a recipient country provided the significance to implement PRS Grant Aid (see the box below) is satisfied”.

[Significance of Implementation of PRS Grant Aid]

- Continuing project-based assistance as a means of primary assistance and further expanding the assistance effect by implementing budget support as a supplementary tool
- Establishing and disseminating knowledge (knowledge, technologies and skills) in the country system of recipients
 - Participating in the consultation framework at a higher-level policy decision-making position, enhancing Japan's influence in its priority fields, further strengthening the presence of Japan, and supporting the steady self-reliance of recipient countries by combining grant aid, policy dialogues and support for capacity development
 - Reflecting Japan's direction and viewpoints in the development plans of recipient countries, accurately understanding the development needs of the governments of recipient countries, fully understanding the overall picture, and conducting program formulation, implementation and monitoring
- Supporting the budget of operating expenses which are keys to ensuring effective and sustainable effects of individual projects emerge (supplementing their fiscal budget)
- Aiming to enhance the ownership of recipient countries by providing assistance based on their development strategies and utilizing their country systems and procedures as far as possible (improving alignment)
- Aiming to reduce transaction costs of recipient countries

(Source) Compiled by the evaluation team comprehensively based on interviews with the parties concerned

(2) Review of the Scale and Timing of PRS Grant Aid, and Commitment at the Policy Level Extending more than One Fiscal Year

A) Scale of PRS Grant Aid

The scale of PRS Grant Aid is expected to expand in the medium- to long term considering the significance of its roles. This recommendation means both expansion in terms of the overall scale of assistance modality and the amount of assistance per program. In light of TICAD V, where Japan expressed its intention to increase financial assistance to countries in Africa, to make development assistance an effective activity that Japan can adopt externally, it will be increasingly important to improve country systems of developing countries such as public financial management and procurement management. The evaluation team considers it increasingly crucial to improve development by establishing, disseminating and expanding knowledge (knowledge, technologies and skills) through technical cooperation in response to assistance needs. Moreover, funding to cover operating expenses will also be required arise to enhance the effectiveness and sustainability of Japan's project-based assistance. The evaluation team is convinced that PRS Grant Aid has unique features lacking in other assistance modalities and there will be room to exploit such uniqueness. Under such circumstances, Japan should strategically leverage PRS Grant Aid in future. The number of countries facing various development issues in Africa is set to increase, including countries requiring assistance with administrative and financial reform compared to overall development assistance needs (i.e. countries with underdeveloped administrative and financial systems). Increasing the amount of grant aid will help send a message that Japan highly values such countries and intends to collaborate to enhance their systems. Continuously providing PRS Grant Aid will also signal that Japan acknowledges the importance of supporting their administrative and financial reform and sees reform as heading for an ideal direction. These signals will help Japan consolidate its position in these countries. If there is any change in circumstances affecting development issues that Japan finds important in developing countries, Japan should take this into account when considering the size of grant aid.

B) Timing of PRS Grant Aid

As for timing, Japan should consider to arrange disbursement to meet the needs if the recipient countries such as disbursing at an early stage of the fiscal year of recipient countries in light of the budget system. The timing should be determined flexibly, based not just on the budget system but also any common rules in the programs to meet their circumstances. The impact of PRS Grant Aid funds will be greater with equivalent disbursement if the aid is provided when most required in line with the budget cycle or programs of recipient countries. This will also make a better impression on the recipient countries and relevant donors. In the case of Tanzania, the disbursement of PRS Grant

Aid has been in the third quarter of the fiscal year at earliest and no later than the fourth quarter in recent years. Local parties concerned have cited the gap between disbursement and when the Tanzanian side actually wanted to receive the funding, urging improvements. To effectively disburse funds to meet the needs of recipient countries, Japan should consider accelerating the procedures (receiving questionnaire sheets and application forms, appraising and making decisions on the same, cabinet meetings, E/N and Grant Agreement (G/A), and disbursement) or introducing “fast-track” procedures.

C) Policy Level Commitment to Extend over Multiple Year

Japan may find it difficult to make a pledge over multiple years because it adopts a single-year budget scheme, but it should, at policy level, consider officially expressing its commitment to programs extending over multiple fiscal years. Budget support, including PRS Grant Aid, basically reflects commitment by the governments of recipient countries and donors to collaborate in tackling the development issues of the countries, improve their country systems in accordance with their development strategies and optimally exploit their systems and procedures. Budget support itself is a continuous commitment made by said governments and donors to collaborate and monitor the progress of reform and reflect the findings in subsequent policies and programs. In practice, Japan has continued to provide PRS Grant Aid until the programs in the sectors concerned were completed, and has never stopped such provision halfway through programs. Focusing on the “unique features of budget support”, Japan should officially express its commitment at policy level unless there is a specific reason to cease aid. This will improve the predictability and planning capacity of the governments of the recipient country, and the assistance activities of Japanese parties at the field level, and facilitate effective assistance. The official announcement of the continuous provision of PRS Grant Aid signals that Japan highly prioritizes assistance in nation building and reform in the recipient countries and supports the direction of reform, with moves expected to enhance mutual credibility in bilateral diplomatic relations. Conversely, failure to make such commitment over multiple years could leave Japan isolated situation in the development coordination framework at the field level.

Recommendations for “Do” (Implementation)

(3) Development of a Strategic Field System and Functions based on “Selection and Concentration”

Since Japan has only limited resources (such as development of field systems and functions, and personnel allocation) for PRS Grant Aid, it should set out the priority order of recipient countries in accordance with the principles of “selection and concentration” in

the short term.

The implementation mechanism and personnel allocation are crucial factors for PRS Grant Aid, which is a form of budget support used to reinforce the policies of recipient countries. To take the initiative in areas in recipient countries prioritized by Japan, Japan should not simply inject money but also engage in dialogues and send out messages concerning “the kinds of commitments specifically needed, the kind of support actually provided and the kind of achievements produced” in areas to which prioritized by recipient countries, and gain a high evaluation from the recipient countries and major donors. In Tanzania, where the evaluation team conducted a field survey, the JICA Office is staffed by a number of quality officers and thus has a well-established field system to optimally exploit PRS Grant Aid. However, in the short term, it is practically difficult to allocate a reasonable number of quality officers and deploy equivalent field systems and functions in all recipient countries as the JICA Tanzania Office. Resources should be strategically allocated according to “selection and concentration” first so that Japan can maximize the development effect of PRS Grant Aid in such priority countries. In the medium to long term, however, various human resources with enthusiasm and capacity for PRS Grant Aid and budget support as well as those who have interest and knowledge about and capable of providing support for administrative and financial reform in poor developing countries should be developed. To strategically develop the field system and functions, “institutional” aspects should be enhanced first, including more thorough information-sharing within ODA Task Force and sharing good practice among the parties concerned at the field level. Moreover, it is effective to extract requirements to enable ODA Task Force to work effectively, and compile and actually use guidelines for better management. The headquarters in Japan, conversely, should enhance its system to support the field by, for example, providing local offices with immediately useful information and advice on sectors, development issues, schemes and other matters in a timely manner. In terms of “personnel”, it is crucial to systematically hire and place a greater number of persons well versed in development issues and experts than ever in priority countries. Japan should strategically dispatch competent personnel capable of assuming leadership in priority areas in developing countries. The evaluation team believes that the recommendation for the “institutional” aspects can be implemented without much difficulty, both at field level and in the headquarters. The recommendation for the “personnel” aspect is closely related to personnel affairs and budget, so this may require time to be promptly performed. However, the parties concerned are requested to start considering it forthwith.

As for human resources development, as a countermeasure in the medium to long term, the evaluation team considers it effective to promote personnel exchange or work experience in international organizations and improve training schemes at relevant organizations in Japan and abroad.

(4) **Monitoring of Effects Unique to Japan/Diplomatic Effect**

The evaluation team recommends that Japan should establish a framework to monitor effects unique to Japan/the diplomatic effects, perform regular monitoring based on the framework and publish the results. Japan has introduced project-based assistance as the chief modality to support developing countries, and budget support is quite new and unfamiliar. Few people have engaged in operation or research on budget support at the moment. The outputs of budget support, such as PRS Grant Aid which backs up policies of recipient countries, are less tangible than those of infrastructure projects, and highly sophisticated knowledge is required to understand their significance and purposes and grasp the achievements. Japan should monitor the effects of PRS Grant Aid unique to itself and publish the results not just to achieve accountability to the general public in Japan but also to gain active support for the significance and importance of grant aid.

Following recommendations in the review of administrative programs, Japan has already started enhancing the PDCA cycle for PRS Grant Aid. As for monitoring, the review suggests that “recipient countries, and Japan and other donors should establish a budget support framework, based on which donors should conduct monitoring and evaluations through donor meetings, while Japan should actively participate in these activities”. In other words, “joint reviews by the parties concerned” are assumed to be the basis for monitoring and thus do not aim to review effects unique to Japan. Monitoring of the development effects on recipient countries should basically be conducted jointly by the parties concerned within the development coordination framework because this is smooth and efficient. However, the evaluation team considers monitoring the effects of Japanese diplomacy to be irrelevant to joint monitoring with other donors and something which should be performed independently by Japan. In this respect, the evaluation team recommends that Japan should establish an original framework to monitor progress towards the objectives of PRS Grant Aid, regularly review them under the framework, and publish the results to the general public.

The evaluation team recommends that Japan should hear opinions from recipient countries on PRS Grant Aid and use them as an indicator of the “effects unique to Japan”. Possible matters that may be asked to recipient countries include “the voices of Japan on its priority areas”, “the state of establishment, dissemination and expansion of the achievements of Japan’s technical cooperation in the country systems of recipients”, “Japan’s presence in development coordination”, “the state of building human networks with officials concerned with ministries responsible for macroeconomic policy issues” and “Japan’s contribution to administrative and financial reform in recipient countries”. These candidate indicators themselves include diplomatic effects and spawn evaluations in support of nation building of recipient countries at the “cooperation program” level, including coordination with technical cooperation. Since PRS Grant Aid is designed to be combined with technical cooperation implemented, it appears possible to gather opinions

and evaluations about the diplomatic effect, cooperation programs and PRS Grant Aid from recipient countries through the Japanese embassies there. Regular monitoring of the effects unique to Japan, independently of joint monitoring, and publishing of the results will help deepen understanding and enhance support from the general public in Japan for PRS Grant Aid.

(5) Disseminating Japan's Development Approach in line with Rules in International Cooperation Society

Japan should actively signal, via PRS Grant Aid and budget support, that it has contributed to the nation building of developing countries in line with rules in the international cooperation community. This action is expected to pave the way to establish rules against emerging countries and donors that engage in assistance with ultimately adverse effects. Such rules should be jointly established with the governments of recipient countries via the budget support framework. If Japan takes the initiative here, it will be recognized as a reliable donor by recipient countries and other donors, which will boost Japan's national interest at the higher level.

Compared to the first half of the 2000s, when people were promoting mainstreaming of budget support, the assistance trend is now changing and, at the same time, an increasing number of independent projects are being launched by emerging donors or countries newly starting cooperation as development partners. However, information on activities of emerging donors is not necessarily shared in donor meetings or policy consultations. This new trend opposes the direction of development assistance and cooperation cultivated by traditional donors.

Discussions concerning "aid effectiveness" long provided by traditional donors are emerging at international level. One reason is that the concept of development coordination is now widespread. Development coordination is a form of development assistance whereby recipient countries and donors share development goals and strategies and harmoniously collaborate for effective and efficient development cooperation. Japan has also been actively committed to "improving aid effectiveness" to realize effective and efficient assistance. Japan's development approach has been formed through its commitment and centers on the question of "how Japan's assistance can be effectively useful to develop developing countries". For example, focused on medium and long-term development, Japan has prioritized the importance of the development process, shared problem awareness of specific development issues with governments of recipient countries, and mutually cooperated for improvement. This is a development approach that respects the ownership of the partner governments. These accumulated efforts have helped recipient countries acquire knowledge (knowledge, technologies and skills) and deepen their mutual relations of trust with Japan. PRS Grant Aid is an assistance modality which enables recipient countries not just to establish the

knowledge in a certain system but also disseminate and expand it widely across the countries. Japan should advertise its development approach based on its long experience to the general public through the framework of PRS Grant Aid and budget support.

Finally, the evaluation team recommends that the title of this scheme “PRS Grant Aid” should be reconsidered on this occasion. This reflects the various development issues arising in developing countries in recent years, in terms of needs other than support for poverty reduction on the one hand and a shift in the stance of European donors, previously spearheading efforts to mainstream budget support, from full commitment to poverty reduction on which they initially focused when introducing budget support now discussing post-MDG international development objectives. Moreover, the recent international trend acknowledges the fact that poverty reduction strategies are embedded in national development plans and the strategies of development countries themselves. The evaluation team recommends that the term “PRS Grant Aid” be renamed before it becomes outdated as an important signal that Japan flexibly and appropriately responds to changes in international development trends. More specifically, the evaluation team suggests, for example, rephrasing it as “Grant Aid for Development Strategies and Poverty Reduction”.

Chapter 4. Classification of Recommendations and Timing for their Consideration and Implementation

(1) Classification of Recommendations

The following table summarizes the five recommendations described above, which are classified according to “recommendations for improvements to improve the quality of recommendations” proposed in the “Ministry of Foreign Affairs, Third Party Evaluation: Review of Japan's ODA Evaluations Between FY2000-2007, FY2009” published in March 2010. The table classifies these recommendations as either “recommendations related to policy, strategy direction level” or “recommendations related to aid scheme/procedure level”, and also indicates which organizations should play the leading role in responding to each recommendation.

Table 4-1 Classification of Recommendations

	Japan HQ level (directed to head offices of MOFA and JICA)	Field level (directed to the Embassies of Japan and the JICA overseas offices)
Policy, strategy direction level	(1) Promotion of information-sharing on the decision-making process in countries subject to PRS Grant Aid (2) (A) Review of the scale of PRS Grant Aid and (C) Commitment at the policy level extending more than one fiscal year (3) Development of a strategic field system and functions based on “selection and concentration”	(3) Development of a strategic field system and functions based on “selection and concentration” (5) Disseminating Japan's development approach in line with rules in the international cooperation community
Aid scheme/procedure level	(2) (B) Review of the timing of PRS Grant Aid	(2) (C) Commitment at the policy level extending more than one fiscal year (4) Monitoring of effects unique to Japan/diplomatic effect

(Source) Prepared by the evaluation team

Recommendation (1) “Promotion of information-sharing on the decision-making process in countries subject to PRS Grant Aid” concerns the policy and strategy direction of PRS Grant Aid and is addressed to the head offices of the Ministry of Foreign Affairs.

Recommendation (2) “Review of the scale and timing of PRS Grant Aid, and commitment at the policy level extending more than one fiscal year” falls under three areas in the table above. Recommendation (A) “Review of the scale of PRS Grant Aid” and Recommendation (C) “Commitment at the policy level extending more than one fiscal year” concern the policy and strategy direction of PRS Grant Aid and are addressed to

the head offices of the Ministry of Foreign Affairs. Recommendation (B) "Review of the timing of PRS Grant Aid" is addressed to the head offices of the Ministry of Foreign Affairs and JICA headquarters, reflecting a wish for assistance procedures to be reconsidered strategically at the headquarter level in Japan. Recommendation (C) "Commitment at the policy level extending more than one fiscal year" concerns the assistance procedures at the field level from the perspective that the field (Japanese embassies and JICA overseas offices) should officially announce its commitment in line with the policy decided by the head offices of the Ministry of Foreign Affairs.

Recommendation (3) "Development of a strategic field system and functions based on 'selection and concentration'" falls under two areas in the table above. It refers to the policy and strategy direction of PRS Grant Aid and is addressed to both the head offices in Japan and the field level from the perspective that both should appropriately allocate personnel and establish appropriate systems.

Recommendation (4) "Monitoring of effects unique to Japan/diplomatic effect" refers to the implementation of field-level monitoring and is addressed at the field level (Japanese embassies and JICA overseas offices).

Recommendation (5) "Disseminating Japan's development approach in line with the rules in the international cooperation community" refers to the policy and strategy direction of PRS Grant Aid and is addressed at the field level (Japanese embassies and JICA overseas offices) from the perspective that disseminating messages at the field level is important.

(2) The Timing for Consideration and Implementation of the Recommendations

Recommendations (1) "Promotion of information-sharing on the decision-making process in countries subject to PRS Grant Aid", (2)(C) "Commitment at the policy level extending more than one fiscal year" and (3) "Development of a strategic field system and functions based on 'selection and concentration'" (particularly, the "institutional" aspects) should be prioritized, so the evaluation team recommends that the relevant parties should start to consider and take actions in a short term (within 1-2 years). These are keys to both the strategic and practical aspects in terms of the future aims of PRS Grant Aid and have diplomatic impact on recipient countries and assistance communities at the field level. The team believes that these recommendations should be handled forthwith.

Recommendations (2)(A) "Review of the scale of PRS Grant Aid", (B) "Review of the timing of PRS Grant Aid", (3) "Development of a strategic field system and functions based on 'selection and concentration'" (particularly, the "personnel" aspect), (4) "Monitoring of effects unique to Japan/diplomatic effect" and (5) "Disseminating Japan's development approach in line with the rules in the international cooperation society" should be implemented in the medium term (within 3-4 years).

Table 4-2 Timing for Consideration and Implementation of the Recommendations

Recommendations	Timing for consideration and implementation
(1) Promotion of information-sharing on the decision-making process in countries subject to PRS Grant Aid	◎ Short term (within 1-2 years)
(2) (C) Commitment at the policy level extending more than one fiscal year	
(3) Development of a strategic field system and functions based on “selection and concentration” (particularly, the “institutional” aspect)	
(2) (A) Review of the scale of PRS Grant Aid and (B) Review of the timing of PRS Grant Aid	○ Medium term (within 3-4 years)
(3) Development of a strategic field system and functions based on “selection and concentration” (particularly, the “personnel” aspect)	
(4) Monitoring of effects unique to Japan/diplomatic effect	
(5) Disseminating Japan’s development approach in line with the rules in the international cooperation society	

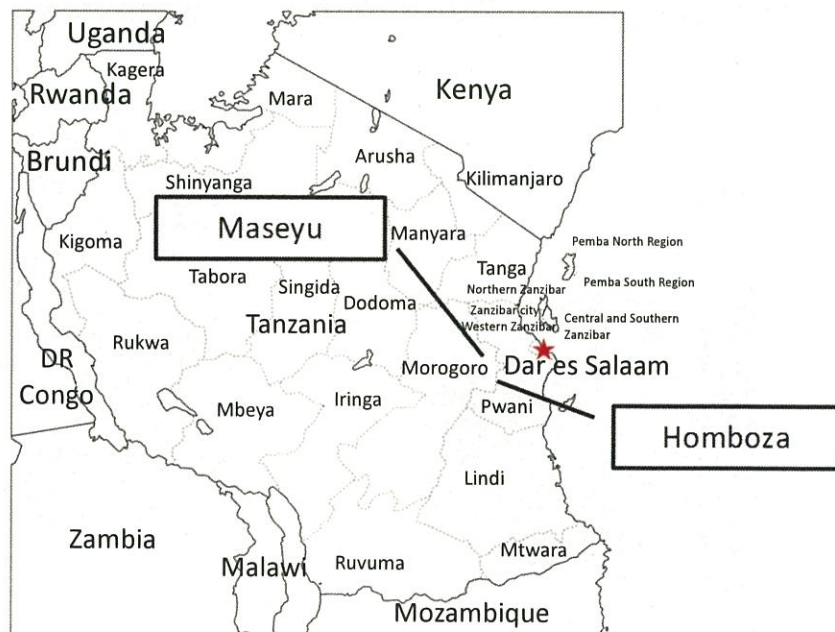
(Source) Prepared by the evaluation team

Recipient Countries of PRS Grant Aids



(Source) University of Texas Libraries

[Location of Tanzania and Villages visited by the Evaluation Team]



Photos of Site Survey

[Technical Cooperation in Strengthening Participatory Planning and Community Development Cycle for Good Local Governance (O&OD)]



A primary school in Maseyu Village being constructed by the village people



A local government authority officer in Maseyu Village



Interview at the village



A dispensary in Maseyu Village constructed by the village people, the roof of which was provided through PRS Grant Aid



The local government authority office in Homboza Village



Homboza Dispensary
A dispensary was constructed through Grant Assistance for Grassroots Human Security Project and its water supply tank provided through PRS Grant Aid