

Third Party Evaluation Report 2014

Ministry of Foreign Affairs of Japan

# Evaluation of Japan's Assistance for the Mekong Region

February 2015

International Development Center of Japan Inc.



## Preface

This report under the title of Evaluation of Japan's Assistance for the Mekong Region was undertaken by International Development Center of Japan Inc.(IDCJ), entrusted by the Ministry of Foreign Affairs (MOFA) in fiscal 2014.

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 was conducted with the objectives of (i) reviewing and evaluating Japan's assistance policy for the Mekong Region from the viewpoint of infrastructure development, soft infrastructure and institutional development and investment through region-wide public-private partnership so that the lessons learned and recommendations based on the evaluation results can be reflected on Japan's assistance policy for the Mekong Region in the coming years, (ii) ensuring the accountability of Japan's ODA to the Japanese people through public disclosure of the evaluation results and (iii) contributing to the publicity of Japan's ODA through the feeding back of the evaluation results to the governments of the countries concerned and other donors.

Kaoru Hayashi, Professor Bunkyo University served as a chief evaluator to supervise the entire evaluation process, and Fukunari Kimura, Professor of Keio University, and Chief Economist of the Economic Research Institute for ASEAN and East Asia (ERIA) served as an advisor to share his expertise on Mekong Region. Both have made enormous contributions from the beginning of this study to the completion of the report. In addition, in the course of this study, we have benefited from the cooperation of MOFA and the Japan International Cooperation Agency (JICA) as well as government agencies in Cambodia and Thailand, 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.

February 2015

International Development Center of Japan Inc.

Note: This English version of the Evaluation Report is a summary of the Japanese Evaluation Report of 'Evaluation of Japan's Assistance for the Mekong Region'.



## Evaluation of Japan's Assistance for the Mekong Region (Brief Summary)

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Period of the Evaluation Study: July 2014 - February 2015

Field Survey Countries: Cambodia and Thailand



Source: The University of Texas at Austin, Perry-Castañeda Library Map Collection<sup>1</sup>

### Background, Objectives and Scope of the Evaluation

The five countries in the Mekong Region (Cambodia, Lao PDR, Myanmar, Thailand and Viet Nam) have long-standing socio-cultural, political and economic ties with each other and Japan. As the economic development and stability of this region are important for the economic stability of Japan, Japan has consistently provided ODA for these countries. This study was conducted to evaluate Japan's ODA policies for the Mekong Region up to the present from the viewpoint of development and also from the viewpoint of such assistance constituting a diplomatic measure along with the viewpoint of region-wide public-private cooperation for investment, infrastructure development and soft infrastructure development and institutional development in the region. The objective of the study was to draw lessons from the evaluation results and to come up with vital recommendations for the planning and implementation of Japan's ODA policies in the coming years, ensuring the accountability of the ODA provided by the Government of Japan to the Japanese people and enhancing the transparency and objectivity of Japan's ODA policies.

### Brief Summary of the Evaluation Results

#### ● Development Viewpoints

##### (1) Relevance of Policies

Japan's ODA for the Mekong Region not only conformed to Japan's ODA Charter, the foreign policies of the Ministry of Foreign Affairs (MOFA) of Japan and the development plans of the five countries but was also consistent with the investment trends of private enterprises in Japan. Therefore, the relevance of Japan's ODA for the Mekong Region is high.

##### (2) Effectiveness of Results

Japan's recent ODA for the Mekong Region backed by the New Concept for Mekong Region Development announced in 2013 (with a total aid amount of USD 1.5 billion), the JPY500 billion aid package announced in the Mekong-Japan Action Plan 63 based on the Tokyo Declaration of the First Meeting between the Heads of Governments of Japan and Mekong Region Countries in 2009 and the JPY600 billion aid package announced in 2012 have greatly contributed to the socio-economic development of the five Mekong Region countries. As such, the effectiveness of the results is high.

##### (3) Appropriateness of Processes

Japan's ODA projects in the Mekong Region were finalized through the process of precise coordination with individual countries in the region along with consolidation of the opinions expressed by stakeholders at meetings of multiple levels, and the results were reported in an appropriate manner. In Japan, opinions were exchanged among the relevant government ministries and agencies, aid organizations and private sector bodies to prepare and implement aid projects under various schemes. As such, the appropriateness of the

<sup>1</sup> [http://www.lib.utexas.edu/maps/middle\\_east\\_and\\_asia/southeast\\_asia\\_pol\\_2012.pdf](http://www.lib.utexas.edu/maps/middle_east_and_asia/southeast_asia_pol_2012.pdf)

process is high.

- Diplomatic Viewpoints

Gratitude for Japan's ODA has been widely expressed by both the public and private sectors in the Mekong Region countries, illustrating the great contribution of such ODA to Japan's diplomacy aimed at promoting friendship between Japan and these countries.

### Recommendations

#### (1) Viewpoint of Cooperation for Regional Development and Formulation of Region-Wide Development Plan and Strategy

The annual summit of heads of states as well as annual meeting of foreign and economic ministers should continue within the framework of aid for the Mekong Region. An integrated regional development plan and priority projects should be formed for the purpose of assisting regional development.

#### (2) Continued Assistance for Infrastructure Development and Institutional Development

As the enhancement of regional connectivity is important to provide effective assistance for the Mekong Region, assistance for infrastructure development should continue. Further aid efforts are particularly necessary for the development of soft infrastructure and institutional development.

#### (3) Promotion of Human Resources Development in Line with Industrial Development Needs

A various, specific ODA menu should be provided to ensure the development of the human resources required in such fields as the development of soft infrastructure and institutional development where Japan's technological strength can be effectively and efficiently utilized, fostering of supporting industries and facilitation of inward investment.

#### (4) Assistance for Balanced, Sustainable Development

The development gap between the countries concerned and the environment should be carefully considered when providing development cooperation for the Mekong Region to make the integrated, balanced and sustainable development of the region possible.

#### (5) Continued Collaboration with Partners

Because ODA in question is not bilateral but features the much wider Mekong Region, it is important to further strengthen the collaboration with Asian Development Bank (ADB), other aid organizations and donor countries as well as the five countries in the region in terms of the preparation of assistance policies as well as the implementation of and funding for assistance policies.

#### (6) Further Promotion of Collaboration with the Private Sector

Because of the special importance of the Mekong Region for Japan's industries, the continuation of existing frameworks for public-private cooperation, such as the Public-Private Cooperation in the Mekong Region and the Mekong-Japan Industry and Government Dialogue, is essential.

#### (7) Strengthening of Publicity Activities

A broad approach of publicity, which targets not only the government officials and staff members of ODA implementation agencies in the partner countries but also the people of partner countries, is highly desirable so that Japan's ODA framework for the Mekong Region would be understood more properly at every level.



The Project for Construction of Neak Loeung Bridge (Cambodia)



AUN/SEED-Net Project

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## **Chapter 1 Implementation Policy of the Evaluation**

### **1.1 Evaluation Background and Objectives**

The five countries in the Mekong Region (Cambodia, Lao PDR, Myanmar, Thailand and Viet Nam) have strong historical ties with each other and Japan through socio-cultural, political and economic exchanges, and the economic development and stability of this region are important for the economic stability of Japan and also for the stability and development of East Asia.

Since 1967, Japan has consistently provided Japan's official development assistance (ODA) not only for countries in the Mekong Region but also for all members of the Association of Southeast Asian Nations (ASEAN). After the joining of Viet Nam in ASEAN in 1995, Japan's assistance for ASEAN countries has placed stronger emphasis on low income countries in the Mekong Region from the viewpoint of rectifying the intra-regional economic gap. From the announcement of the New Concept for Mekong Region Development in 2003 to the Sixth Mekong-Japan Summit Meeting in 2014, dialogue on ODA continued through such frameworks as the said Summit Meeting, Mekong-Japan Foreign Ministers' Meeting, Mekong-Japan Economic Ministers' Meeting, Public-Private Cooperation in the Mekong Region and Japan-Mekong Business Cooperation Committee.

As the main pillar of Japan's contribution to the international community, Japan's ODA is domestically as well as internationally required to have high quality and effective policies and their efficient implementation. To meet such requirements, MOFA has been making conscious efforts to improve the evaluation of ODA. The present evaluation study was conducted with the following objectives as the forthcoming year of 2015 is the target year for the Mekong-Japan Action Plan for Realization of the Tokyo Strategy 2012.

- (1) To evaluate Japan's aid policy for the Mekong Region up to the present from the viewpoint of development and also from the viewpoint of such assistance constituting a diplomatic measure along with the viewpoint of region-wide public-private cooperation for investment, infrastructure development, soft infrastructure development and institutional development in the region.
- (2) To learn lessons from the evaluation results and to formulate recommendations with a view to making Japan's aid policy for the Mekong Region in the coming years reflect such lessons and recommendations.
- (3) To fulfil the accountability to the Japanese people through the public disclosure of the evaluation results and to assist public relations regarding Japan's ODA by feeding the evaluation results back to the governments of the countries concerned and other donors.

## 1.2 Scope of the Evaluation

The scope of this evaluation covers Japan's ODA involving the Mekong Region (Cambodia, Lao PDR, Myanmar, Thailand and Viet Nam), principally in the period from 2003 when the New Concept for Mekong Region Development was announced to 2013.

## 1.3 Methodology of the Evaluation

### 1.3.1 Evaluation Framework and Analytical Methods

The analytical work in this evaluation was conducted in accordance with the Ministry of Foreign Affairs (MOFA)'s "ODA Evaluation Guidelines" (8th Edition; May, 2013). Firstly, the evaluation team sorted out the relevant policy objectives and then conducted the evaluation in terms of the three aspects associated with the viewpoint of development, i.e. relevance of the policies, effectiveness of the results and appropriateness of the process, and also from the viewpoint of diplomacy. In regard to evaluation from the viewpoint of development, the evaluation result for each aspect and overall evaluation result were rated using the rating system shown in Table 1-1.

Table 1-1 Evaluation Items and Rating Scale

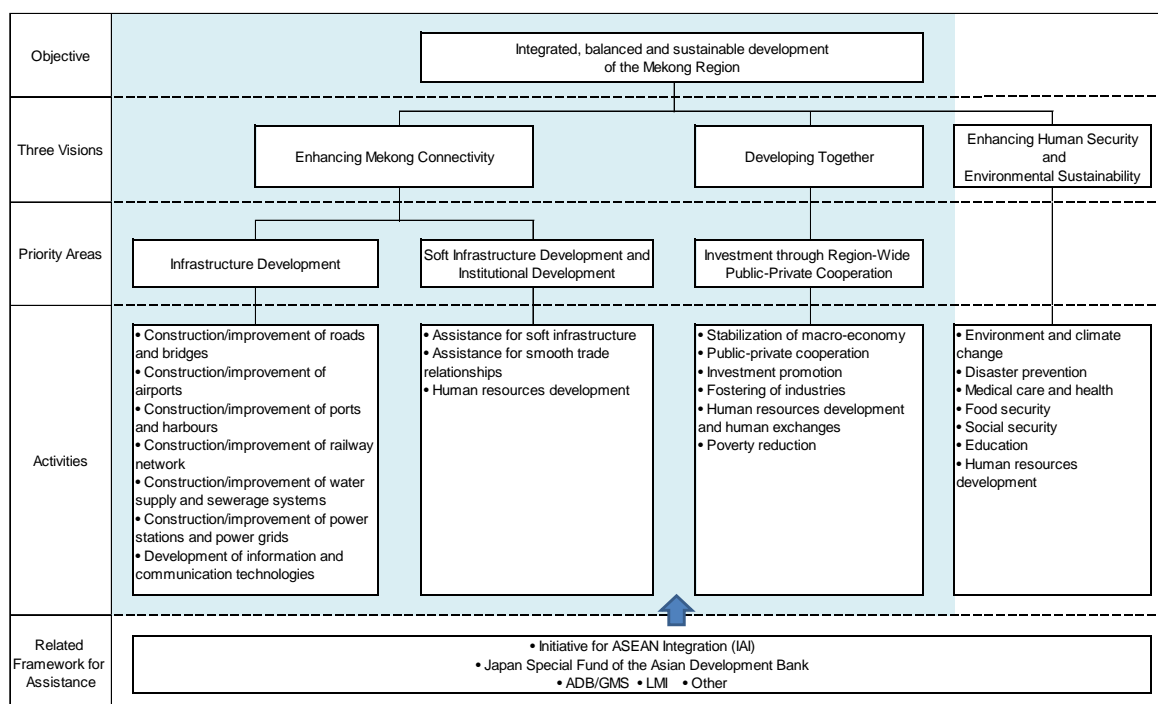
Evaluation Items	Rating Scale
Relevance of Policies	(a) Relevance is very high. (b) Relevance is high. (c) Relevance is moderate. (d) Relevance cannot be said to be high.
Effectiveness of Results	(a) Effectiveness is very high. (b) Effectiveness is high. (c) Effectiveness is moderate. (d) No special effects cannot be said to have been achieved.
Appropriateness of Process	(a) The implementation process is highly appropriate. (b) The implementation process is appropriate. (c) The implementation process is moderately appropriate. (d) The implementation process cannot be said to be appropriate.
Overall Evaluation	(a) Results are highly satisfactory. (b) Results are satisfactory. (c) Results are moderately satisfactory. (d) Results are unsatisfactory.

Source: Prepared by the evaluation team

### (1) Sorting Out of Policy Objectives

To start with, the policy objectives were systematically sorted out to determine the target scope of the evaluation. While a Country Assistance Program has been prepared for each of Mekong Region countries except Myanmar, a policy document concerning assistance for the entire Mekong Region has not explicitly been prepared. For this reason, an objective framework was created to clearly show the objectives of Japan's assistance policy for the

Mekong Region based on the Mekong-Japan Action Plan for Realization of the Tokyo Strategy 2012 (see Fig. 1-1).



Note: This evaluation prioritized such issues as "infrastructure development", "soft infrastructure development and institutional development" and "investment through region-wide public-private cooperation" and discussed the issue of "enhancing human security and environmental sustainability" as required.

Figure 1-1 Objective Framework of Japan's Assistance Policy for the Mekong Region

## (2) Relevance of Policies

From the viewpoint of verifying the relevance of Japan's assistance for the Mekong Region, the evaluation team examined the consistency of Japan's assistance policy with (i) the development needs of the Mekong Region, (ii) Japan's higher level ODA policies (Japan's ODA Charter; Japan's Medium-Term Policy on ODA), (iii) trends of assistance of other donors and (iv) comparative advantages of Japan.

## (3) Effectiveness of Results

From the viewpoint of verifying the degree of achievement of the objective and each priority issue, the evaluation team identified the overall objective and relevant indicators for each priority issue and sorted out Japan's aid inputs and results for analysis for the purpose of evaluating the effectiveness of Japan's assistance for the Mekong Region. Because of the absence of any quantitative target values for the objective and each priority issue, it was impossible to determine the degree of achievement by comparing target values and the actual performance levels. Moreover, it was extremely difficult to measure the exact level of contribution of Japan's assistance in the form of time series variation. Consequently, the

evaluation team judged the effectiveness of the results in an integrated manner, taking the direct impacts of Japan's assistance primarily focusing on the results of individual ODA projects, qualitative information obtained from interviews in Japan and Mekong Region countries and such secondary information as past evaluation results into consideration.

#### **(4) Appropriateness of Process**

From the viewpoint of verifying the appropriateness of the process employed to ensure the relevance of Japan's assistance for the Mekong Region and the effectiveness of the results, the evaluation team firstly checked the Japanese and local systems relating to the policy formulation and implementation process and also the decision-making process and then examined the appropriateness of such process in reference to the clarity of the process, existence of collaboration, cooperation and/or information sharing with other stakeholders, including other donors, and publicity system.

#### **(5) Evaluation of Assistance as a Diplomatic Measure**

From the viewpoint of verifying the "importance of Japan's assistance for the Mekong Region in the light of Japan's diplomatic principles and the positive effects of this assistance on Japan's diplomacy in the region", the evaluation team examined the diplomatic importance of the Mekong Region and the strategic status of the Mekong Region in Japan's diplomatic principles to analyze the effects of this assistance on Japan's diplomacy. To be more precise, the evaluation team examined statements made by foreign dignitaries during visits to Japan and information obtained from interviews with government officials of Japan and Mekong Region countries, officials of international aid organizations and experts familiar with the relevant matters.

### **1.3.2 Implementation of the Evaluation Procedure**

The evaluation was conducted in the period from June, 2014 to February, 2015. Four consultation meetings were held with the concerned sections and departments of MOFA and Japan International Cooperation Agency (JICA) during this period. The specific components of the evaluation procedure are described below.

#### **(1) Preparation of Evaluation Plan**

The evaluation team developed a draft implementation plan including the purpose, subject, and work schedule of the evaluation, and reported it to the related organizations and departments during the first consultation meeting. The team also created a framework for evaluation that summarizes specific items to be verified, evaluation indicators and means of collecting information, on the four perspectives of the evaluation indicated above, and obtained the agreement of the parties concerned.

## **(2) Literature Review and Interviews in Japan**

The evaluation team gathered the relevant information in Japan in line with the implementation plan. To be more precise, information was gathered on the trends of the assistance of Japan and other donors for the Mekong Region along with information on the local socio-economic conditions and statistical data in addition to a literature review using the summary documents of individual projects and available documents concerning Japan's diplomacy in the Mekong Region. Furthermore, interviews were conducted at MOFA, Ministry of Economy, Trade, and Industry (METI), Ministry of Land, Infrastructure, Transport and Tourism (MLIT), JICA, ASEAN-Japan Centre, the Japan Chamber of Commerce and Industry (JCCI), Japan Business Federation (JBF), private enterprises with operational bases in the Mekong Region, ADB, NGOs and experts on the matters involved.

## **(3) Field Survey**

Based on the results of the literature review and interviews in Japan, the evaluation team conducted a field survey from 27th September to 10th October, 2014. Two target countries were selected for this field survey, i.e. Thailand and Cambodia as a pioneering member and a later member of ASEAN respectively. During this survey, interviews were conducted with officers of local offices of Japanese government and other related organizations, government bodies in the target countries, partner organizations for Japan's assistance and other donors and also with those involved in Japan's ODA projects, beneficiaries of such projects and political and business leaders in the target countries. Moreover, the evaluation team visited some project sites.

## **(4) Analysis and Report Writing**

The evaluation team organized and analyzed the information obtained from the literature review, field survey and interviews. Together with the overall evaluation judgment made in the light of the criteria for each evaluation item, the evaluation team also derived useful lessons and recommendations by extracting those factors both promoting and inhibiting effectiveness.

### **1.4 Limitations of Evaluation**

While the evaluation study targeted the five Mekong Region countries, the field survey only covered two of them, i.e. Cambodia and Thailand. Because of this, there were some limitations of the evaluation concerning the other three countries. In order to understand the reality of these three countries as well as the two subject countries of the field survey, the evaluation team made a conscious effort to obtain vital information through interviews with stakeholders in Japan, available literature and various websites to avoid any bias of the gathered information as much as possible.

## **Chapter 2 Overview of the Mekong Region and Regional Development Trends**

### **2.1 General Socio-Economic Conditions in the Mekong Region**

Cambodia, Lao PDR, Myanmar, Thailand and Viet Nam belong to the Mekong Region with close geopolitical and historical ties among them. The total regional population exceeds 230 million (2013). Apart from Thailand, these countries joined ASEAN at a later stage. Because many of these countries are classified as low income countries, rectification of the intra-regional economic gap poses a major challenge. As a more developed country, Thailand has been playing a central role in local moves to establish the ASEAN community. Meanwhile, with remarkable economic growth, Viet Nam has joined the ranks of lower middle income countries and has been the engine for development and stronger collaboration in the Mekong Region together with Thailand. Cambodia has been steadily achieving economic growth and poverty reduction since the end of the civil war. It is classified as a least developed country (LDC) along with Lao PDR and Myanmar. In the case of Myanmar, the process of democratization has been gaining momentum since 2011, and its government emphasizes the expansion of inward direct investment to boost the economic growth of the country. It is hoped that such moves of Myanmar will help to accelerate the economic activities of not only the Mekong Region but also those throughout ASEAN.

### **2.2 Performance of Japan's Assistance for the Mekong Region**

The Mekong Region accounts for 10% (USD 6,851 million) of the net total bilateral ODA disbursement of Japan of USD 69,537 million for the period from FY 2005 to FY 2012. This figure of 10% is fairly large compared to 32% for entire Asia, 21% for entire Sub-Saharan Africa and 20% for the Middle East and North Africa.

Since FY 2003, the share of ODA for the Mekong Region in the total net bilateral ODA disbursement of Japan increased to nearly 30% in FY 2012. By country, the annual amounts of assistance for Cambodia and Lao PDR were almost constant or slightly increased. In the case of Viet Nam, there has been a clear trend of increasing ODA loans since FY 2009. Large-scale ODA loans for Myanmar were made in FY 2012 when Japan resumed its provision of ODA for the country.

Table 2-1 Share of the Mekong Region in Japan's Total Net Bilateral ODA Expenditure  
(FY 2003 to FY 2012)

(Net disbursement base; Unit: USD million)

Country/Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Cambodia	125.88	86.37	100.62	106.25	113.56	114.77	127.49	147.46	130.93	182.44
Lao PDR	86.00	71.73	54.06	64.05	81.46	66.29	92.36	121.45	48.51	88.43
Myanmar	43.08	26.81	25.49	30.84	30.52	42.48	48.28	46.83	42.50	92.78
Viet Nam	484.24	615.33	602.66	562.73	640.04	619.04	1,191.36	807.81	1,013.05	1,646.71
Thailand	-1,002.22	-55.59	-313.89	-453.51	-477.35	-748.48	-150.31	-143.54	-184.01	-242.51
CLMV	739.20	800.24	782.84	763.87	865.58	842.58	1,459.48	1,123.55	1,234.99	2,010.35
Share in Total Net Bilateral ODA Disbursement	<b>12.3%</b>	<b>13.4%</b>	<b>7.5%</b>	<b>10.3%</b>	<b>14.8%</b>	<b>12.1%</b>	<b>23.3%</b>	<b>15.1%</b>	<b>18.0%</b>	<b>31.7%</b>
Mekong Region Countries	-263.02	744.65	468.95	310.36	388.23	94.10	1,309.17	980.02	1,050.97	1,767.84
Share in Total Net Bilateral ODA Disbursement	<b>-4.4%</b>	<b>12.5%</b>	<b>4.5%</b>	<b>4.1%</b>	<b>6.7%</b>	<b>1.4%</b>	<b>20.9%</b>	<b>13.2%</b>	<b>15.3%</b>	<b>27.8%</b>
Total Net Bilateral ODA Disbursement	6,013.65	5,954.10	10,463.58	7,429.69	5,840.04	6,938.85	6,255.97	7,428.48	6,861.30	6,351.67

Note: The total figures may contain rounding errors. Grant aid cooperation includes that disbursed through international aid organizations but can be classified by specific country. A negative figure means that the loan repayment amount, etc. exceeds the ODA disbursement amount. The total figure includes assistance for graduate countries.

Source: Prepared by the evaluation team using data retrieved from the ODA performance search page on the MOFA website (<http://www3.MOFA.go.jp/MOFAj/gaiko,oda/shiryo/jisseki/kuni/>)

### 2.3 Performance of the Assistance of Other Donors for the Mekong Region

In 2012, Japan was the biggest donor (net disbursement base) for the Mekong Region among the principal donors (DAC member countries), followed by Australia, Korea and the US in that order. On a country-by-country basis, Japan was the top bilateral ODA donor for Cambodia<sup>2</sup>, Lao PDR, Myanmar and Viet Nam. Among international aid organizations, the World Bank was the leading provider of assistance (in 2012; net disbursement base) for individual Mekong Region countries, but ADB was the largest donor in terms of specific assistance for the Mekong Region.

<sup>2</sup> According to a reference material published by the Government of Cambodia (CRDB, Development Cooperation Trends in Cambodia, 2014, p. 5), however, China has been the top donor in terms of bilateral aid since 2010.

## Chapter 3 Evaluation Results

### 3.1 Relevance of Policies

From the viewpoint of verifying the relevance of Japan's assistance for the Mekong Region, the evaluation team examined the consistency of Japan's assistance policy with (i) the development needs of the Mekong Region, (ii) Japan's higher level ODA policies (Japan's ODA Charter; Japan's Medium-Term Policy on ODA), (iii) trends of assistance of other donors and (iv) comparative advantages of Japan. Based on the examination results, the relevance of the policies is judged to be "high".

Following the public release of a document entitled "Master Plan on ASEAN Connectivity", ASEAN has been implementing policies designed to enhance connectivity in the ASEAN Region, including the Mekong Region. Meanwhile, the Greater Mekong Subregion (GMS) economic cooperation program coordinated by ADB aims at assisting the enhancement of connectivity as well as concurrent development of countries in GMS. To assist the economic development of the Mekong Region, Japan has been implementing a variety of ODA programs featuring infrastructure development with particular focus on economic corridors, facilitation of international trade, enhancement of competitiveness with the participation of the private sector, human resources development and environmental protection along with regional investment through public-private partnership. These Japanese efforts are consistent with the policies of the five Mekong Region countries and other donors.

Japan's ODA Charter lists its objectives as "assuring Japan's security and prosperity and promoting the welfare of its people. In particular, it is essential for Japan to make efforts to enhance its economic partnership and to vitalize exchanges with other Asian countries". Japan's assistance for the Mekong Region is, therefore, consistent with such higher objective.

Japanese enterprises have long recognized the importance of Southeast Asia as a manufacturing base and market and have been developing bases for the division of labor, supply chains and value chains in the Mekong Region, particularly in Thailand. The requests of private enterprises for the development of hard and soft infrastructure, human resources development and development of disaster prevention mechanisms in this region were compiled as recommendations in the framework for the Mekong-Japan Industry and Government Dialogue and were reported to the Mekong-Japan Economic Ministers' Meeting as well as the Mekong-Japan Summit Meeting. In the light of the above, Japan's assistance for the Mekong Region is relevant to the needs of the private sector.

Any assistance for region-wide development necessitates a region-wide development plan and strategy. In this context, Japan has approached the ASEAN and East Asian countries



and has established the Economic Research Institute for the ASEAN and East Asia (ERIA). The Comprehensive Asia Development Plan (CADP) compiled by ERIA in 2010 was reported to the East Asia Summit meeting as one of Japan's contributions to East Asia. At present, ERIA is compiling a new CADP. Another relevant matter is the reconfirmation at the sixth Mekong-Japan Summit Meeting in November, 2014 of Japan's plan to prepare the Mekong Industrial Development Vision by the summer of 2015.

### **3.2 Effectiveness of the Results**

The evaluation team examined the three visions and the degree of achievement in the priority areas listed in the objective framework which was prepared based on Japan's assistance policy for the Mekong Region since 2003 for the purpose of evaluating the effectiveness of Japan's assistance for the region. As described in Chapter 1, while acknowledging the limitations for quantitative evaluation, the evaluation team introduced a reasonable number of evaluation indicators which were believed to be appropriate for evaluation of the effectiveness and impacts of Japan's assistance and traced the historical changes of the actual values as much as possible. Utilizing qualitative information obtained through interviews with the persons concerned with this evaluation study and the review of literature, including existing evaluation reports for individual projects, the evaluation team made a comprehensive judgment on the effectiveness of the results of Japan's assistance for the Mekong Region. Also used for this judgment was the degree of contribution of Japan's aid activities to the improvement of individual indicators in the priority areas, etc. for evaluation. It was found that Japan's assistance was highly effective in relation to the three visions, i.e. "enhancing Mekong connectivity", "developing together" and "ensuring human security and environmental sustainability". As such, the effectiveness of the results is judged to be "high" even though continued efforts are required to ensure the integrated, balanced and sustainable development of the Mekong Region with careful consideration of the development gap and the environment.

#### **3.2.1 Degree of Achievement of Japan's Target Amount of Assistance for the Mekong Region**

Since FY 2003, Japan has clearly expressed its target amount of assistance for the Mekong Region, and the total amount up to FY 2015 exceeds JPY1,266.7 billion. As the amount of actual disbursement has exceeded the target amount, the target of Japan's ODA in terms of monetary input has been achieved. The amount of Japan's ODA has been almost consistently as large as nearly 50% of the total ODA funding received by the

Mekong Region from 2004 to 2014 on an annual basis. Moreover, the ratio of Japan's total funding, including ODA, Other Official Flows (OOF) and private sector funding, to the total government expenditure in 2012 was 2.2% in Thailand, 4.2% in Lao PDR and approximately 10% in both Cambodia and Viet Nam, illustrating the major contribution made by Japan's funding to the steady economic growth in the Mekong Region.

### **3.2.2 Effectiveness of the Assistance for Priority Issues of Japan's Assistance Policies for the Mekong Region**

#### **(1) Vision 1: Enhancing Mekong Connectivity**

“Mekong connectivity” means to connect the Mekong Region both physically and institutionally through infrastructure development, soft infrastructure development and institutional development. This enhancement of connectivity aims at realizing the sustainable economic growth of the region. For the purpose of this evaluation, the term “infrastructure development” means the construction/improvement of hard infrastructure while the term “soft infrastructure development and institutional development” means the improvement of soft infrastructure and institutional arrangements to allow the effective use of hard infrastructure. In regard to “enhancing Mekong connectivity”, the planned infrastructure projects were implemented and completed almost as planned. However, the provision of continual assistance for soft infrastructure, primarily focusing on human resources development and improvement of the institutional environment, is important to ensure the further realization of the intended effects of Japan's assistance in the coming years.

Japan's assistance for hard infrastructure in the Mekong Region features diverse fields, including roads, bridges, ports, harbors, airports, railways, electricity, water supply, sewerage, information and communication throughout the region, although facilities linked to economic corridors have been given preferential treatment in some cases. The importance of developing economic corridors was pointed out as long ago as 2003 when the New Concept for Mekong Region Development was announced. Since then, high priority has been given to eliminating the missing links on the East-West Economic Corridor, Southern Economic Corridor (Second East-West Economic Corridor) and North-South Economic Corridor. It is anticipated that the completion of these three economic corridors will advance the industrial network in the ASEAN region with the manufacturing industry at its core as a result of shorter transportation times, reduced transportation cost and development of areas along the routes to function as key areas for physical distribution. The associated development of domestic economic infrastructure in individual Mekong Region countries is also expected to make physical distribution and human movement more

efficient, reduce intra-regional economic gaps and improve the prospect of disaster prevention. The hard infrastructure developed with Japan's assistance is highly appraised as "high quality infrastructure" by the recipient countries because of its advanced technology, high quality and lifecycle design.

Japan's assistance for soft infrastructure development and institutional development mainly in the form of technical cooperation is incidental assistance to make Japan's assistance for each sub-sector of hard infrastructure more effective and efficient. Assistance for institutional development has featured the modernization of the customs system and the facilitation of trade, assisting the enhancement of connectivity by intangible means. In regard to ASEAN connectivity, the Government of Japan has proposed the Asia Cargo Highway Initiative as a way of establishing seamless physical distribution between Japan and Asia. This initiative identifies such challenging issues as the establishment of a national single window for customs clearance and the modernization of customs operation. Japan's assistance for the Mekong Region is in line with this initiative. For the simplification of the border crossing procedure, the fact that Mekong Region countries has signed a relevant treaty is a factor in enhancing the effects of Japan's assistance, including that for the development of hard infrastructure. The GMS program of ADB which assisted the preparation of the treaty document and subsequent signing of the treaty and Japan's assistance have had a synergy effect on enhancing Mekong connectivity. For the proper realization of positive effects, however, the collaboration of regional countries sharing common borders is essential in addition to institutional improvement and human resources development relating to customs operation and the customs clearance procedure.

One distinctive characteristic of Japan's assistance for "enhancing Mekong connectivity" is that it involves assistance for hard infrastructure development along with assistance for soft infrastructure and institutional development to support the hard infrastructure. Special features of Japan's assistance for the Mekong Region include the tie-up of hard infrastructure development and technical cooperation, dispatch of advisers to assist institutional development across related development subsectors or fields, assistance for the formulation of policies and master plans and assistance for soft infrastructure and institutional development to simplify the border crossing procedure. Such comprehensive assistance has greatly contributed to the enhancement of true connectivity beyond the simple provision of hard infrastructure.

## **(2) Vision 2: Developing Together**

"Developing together" aims at achieving the development of the Mekong Region and Japan together by means of the joint efforts of the public and private sectors of Mekong Region countries and Japan to strengthen the industrial development of the region with a

view to firmly integrating the region with the global market economy. The rectification of development gaps within the Mekong Region is also an objective of this vision.

In regard to efforts relating to “developing together”, the evaluation team confirmed that the public-private cooperation mechanism in Japan had been strengthened and that the positive effects of these efforts had begun to emerge in the form of the acceptance of proposed projects involving Public-Private Partnership(PPP). The increased volume of investment and trade between Japan and the Mekong Region and between countries in the region can be attributed to the interplay between the inward investment of Japanese enterprises encouraged by public-private cooperation as well as the development of local industries on one hand and the development of economic infrastructure and institutional arrangements in the region on the other. For further realization of the positive effects, the continued development of economic infrastructure through public-private cooperation and the stabilization and further improvement of the investment conditions and economic environment in the Mekong Region are essential. The provision of the necessary assistance for those less developed areas in the Mekong Region is also necessary as part of the efforts to enhance Mekong connectivity.

Some examples of Japan's assistance aimed at stabilizing the macro-economy are the “Ninth Poverty Reduction Support Operation” in Lao PDR, “Project for Development of ICT System for Central Banking” and “Project to Assist the Enactment of a Stock Exchange Act” in Myanmar. Such assistance of Japan has played an important role in the steady GDP growth of the five Mekong Region countries after the economic crisis in 2009. Nevertheless, there are some pending issues in terms of the management of public finance and fostering of the financial and capital markets. Continued assistance is especially necessary for Myanmar.

Japan provides assistance for the formulation of medium-term and long-term development visions for the Mekong Region, aiming at accelerating industrial development to respond to such needs as promotion of the development of value chains within the Mekong Region, enhancement of smoother trade to assure the workability of value chains and development of industrial human resources. In Viet Nam “Industrialization Strategy and Action Plan Towards 2020” is supported by Japan. Other assistance provided by Japan for the Mekong Region in the subject period of this evaluation included the dispatch of experts and training to assist the fostering of supporting industries, various types of business conferences and establishment of the Viet Nam Supporting Industries Forum. Another example is an entrepreneurship program using a network developed by the Human Resource Development Center. With Japan's assistance for the development of hard and soft infrastructure and the institutional arrangements, the Mekong Region has begun to consolidate the regional foundations for industrial development as illustrated by the

increased value of intra-regional trade and trading volume between the Mekong Region and the rest of the world. The trading value between Japan and each Mekong Region country in particular has significantly increased.

In regard to improvement of the economic environment to promote investment in the Mekong Region, there has been active public-private cooperation to encourage such investment through the enhancement of Mekong connectivity and the construction of special economic zones and industrial parks linked to the improvement of port, harbor and airport facilities. As a result, the number of Japanese enterprises moving into Mekong Region countries or directly investing in the Mekong Region has increased. The active work of Japan External Trade Organization (JETRO) in all five Mekong Region countries and the consolidation of the Japan Bank for International Cooperation (JBIC)'s investment and loan schemes have undoubtedly contributed to the increased investment of Japanese enterprises in the region. It is widely recognized that the Viet Nam-Japan Joint Initiative has been highly effective. In 2013, another joint initiative was launched between Myanmar and Japan and there have been active debates in both the public and private sectors on desirable concrete measures to promote as well as speed up improvement of the investment environment. As this latest initiative copies the system employed by the Viet Nam-Japan Joint Initiative, many achievements are expected to be made in the coming years.

As far as public-private cooperation is concerned, there were earlier examples in the 1970s and 1980s of infrastructure development using ODA loans (primarily in the fields of transport and traffic, electricity and water supply) facilitating the development of socio-economic infrastructure as well as the investment environment, in turn acting as priming water for investment by the private sector to consolidate the foundations for economic growth (for example, the Thai Eastern Seaboard Development Plan). Similar effects can be currently observed in Cambodia and Viet Nam. Since FY 2010, there has been a scheme designed to directly assist the business expansion of Japanese enterprises in developing countries, constituting a tool to encourage more direct links between ODA and private sector investment. Under this scheme, many projects targeting the five Mekong Region countries have been approved. Given the fact that funding by Japan and the governments of recipient countries for this purpose is not unlimited, it is essential to continue efforts to make public-private cooperation more effective and efficient. The use of private sector technologies and funding is also an option when collaboration with ADB is sought. At the same time, efforts to quickly establish and consolidate a PPP system in the recipient countries are necessary, and it is hoped that Japan will expand its assistance for these efforts.

For the promotion of cultural exchanges and tourism, Japan's assistance includes the

protection of cultural heritage, promotion of tourism led by the Japan Association of Travel Agents (JATA) and ASEAN-Japan Centre and assistance for learning of the Japanese language. The review process aiming at relaxing the visa control regime and a civil air transportation agreement within the ASEAN Region, which includes the Mekong Region, have also made progress. Both the number of Mekong nationals residing in Japan and the number of Japanese nationals residing in Mekong Region countries increased in the subject period of this evaluation along with the number of tourists from Japan to Mekong Region countries and vice versa.

Japan's assistance for the development of Cambodia, Lao PDR, Myanmar and Viet Nam (CLMV) and for the triangle formed by Cambodia, Lao PDR, Vietnam (CLV) includes the improvement of local health services and the development of hydropower generation under grassroots human security grant aid, ODA loans, grant aid, technical cooperation and other schemes. Such assistance has also been provided through the Japan-ASEAN Integration Fund (JAIF). At the Eighth CLV Summit Meeting (26th November, 2014), the prime ministers of these three countries expressed their gratitude for the assistance provided by the Government of Japan for the socio-economic development of the triangle while proposing to make a request for further assistance for the implementation of high priority projects to international financial institutions and development partners, especially Japan. This was an honest admission on their part of the concrete as well as significant role played by Japan's excellent assistance for CLV in terms of both quality and quantity. Meanwhile, the macro-economy of CLMV with the addition of Myanmar to CLV has recorded steady growth in general, and the indicators for human development and poverty reduction have positively improved. Especially the noticeable is poverty reduction in Viet Nam. The intra-regional gap in the five Mekong Region countries in terms of human development index has recorded a decreased trend. These achievements illustrate the importance of carefully observing the development situation of poor areas for the purpose of providing appropriate development assistance while protecting the enhancement of Mekong connectivity at the same time.

### **(3) Vision 3: Enhancing Human Security and Environmental Sustainability**

In connection with "enhancing human security and environmental sustainability", the evaluation team confirmed that Japan has dealt with global issues, the scope of which exceeds any single region or sector, with a high level of technical competence and achieving positive results. As the economic integration of ASEAN scheduled to take place in 2015 is expected to accelerate human movement in association with increased economic activities, Japan's assistance in this field should prove to be significant in view of the fact that both Japan and Mekong Region countries belong to the proposed East Asian Community.

Disaster prevention is considered to be one of the highest priority issues by Japan in its cooperation with ASEAN, including the Mekong Region. At the Japan-ASEAN Ministerial Meeting held in July, 2011, an initiative to establish an ASEAN network for disaster prevention was proposed. This was followed by a call for continued cooperation between Japan and the Mekong Region in the Tokyo Strategy 2012 to achieve such a network. As part of the relevant efforts, the collaboration with the ASEAN Coordinating Centre for Humanitarian Assistance on Disaster Management (AHA Centre)<sup>3</sup> and Asian Disaster Reduction Center (ADRC)<sup>4</sup> was strengthened. A memorandum for the implementation of the Disaster Management Collaboration Dialogue (DMCD) was signed by Thailand and Viet Nam in September, 2013 and with Myanmar in February, 2014. The relevant individual ODA projects with positive results in this field include those to assist flood control and basin management utilizing Japan's experience and technologies and technical cooperation projects involving the dispatch of experts or assistance for local research work.

In regard to Japan's assistance in relation to the environment and climate change, the Tokyo Declaration adopted at the First Mekong-Japan Summit Meeting (November, 2009) included an initiative to start "A Decade Toward the Green Mekong". With a target year of 2020, this initiative aims at simultaneously achieving environmental protection and economic growth in the nature-rich Mekong Region, emphasizing the protection of its rich biodiversity and strong resistance to natural disasters. At the Second Mekong-Japan Summit Meeting (October, 2010), an action plan for this initiative was proposed. An agreement was reached that Japan would provide assistance with a region-wide, public-private cooperative and open approach for six areas: (i) sustainable forest management, (ii) water resource management, (iii) disaster prevention and response to disasters, (iv) improvement of the urban environment, (v) conservation of biodiversity and (vi) controlling and reducing of greenhouse gas emissions. In December, 2014, a meeting of the Green Mekong Forum (Third Meeting), which is the follow-up mechanism for the action plan, was held.

Universal health coverage (UHC) is a prime concept of Japan's Strategy on Global Health Diplomacy and Japan's commitment to mainstreaming UHC as a Japanese brand was expressed in 2013 by Prime Minister Abe in his opening address to the TICAD V<sup>5</sup>. Japan's assistance for the expansion and improvement of health and medical care services (in

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<sup>3</sup> An agreement to establish the AHA Centre was concluded at the 19th ASEAN Summit held in November, 2011 and the centre was subsequently established in Jakarta, Indonesia. It has since continually monitored potential disasters across the ASEAN region in addition to disaster risk assessment for the region. When a disaster occurs, it shares vital information with ASEAN countries for the coordination of an emergency response. Using the Japan-ASEAN Integration Fund (JAIF), Japan provided the necessary ICT equipment for this centre and has dispatched an ICT specialist to assist the work of the AHA Centre.

<sup>4</sup> Asian Disaster Reduction Center (<http://www.adrc.asia>)

<sup>5</sup> Tokyo International Conference for African Development fifth conference

terms of human resources development, provision of basic facilities and equipment and countermeasures for infectious diseases) in the Mekong Region has historically achieved excellent results, effectively combining various assistance schemes. Such experience and the lessons learned from assistance over a long period of time are expected to help Japan's assistance not only for the expansion of UHC in the Mekong Region but also in other parts of the world.

### **3.3 Appropriateness of Process**

The evaluation team examined the appropriateness of the formulation process as well as implementation process for Japan's assistance policy for the Mekong Region by means of firstly identifying the actual relevant systems and processes through a literature review and interviews with the persons concerned. This was followed by work to understand (i) the smoothness of communication between those involved in the process and (ii) the problems encountered. The evaluation team then examined whether or not the process in question was appropriate as well as efficient to ensure the relevance of the policies and the effectiveness of the results and concluded that the process employed was appropriate.

#### **3.3.1 Formulation Process for Japan's Assistance Policies for the Mekong Region**

Japan-Mekong cooperation has been taking place under policies agreed at the Mekong-Japan Summit Meeting, a top-level meeting involving these countries. The procedure to finalize the policies consists of two stages. Firstly, the proposed policies are discussed at the Mekong-Japan Foreign Ministers' Meeting and/or Mekong-Japan Economic Ministers' Meeting before their final discussion at the Mekong-Japan Summit Meeting. Prior to the Summit Meeting, the outcomes of the Foreign Ministers' Meeting and Economic Ministers' Meeting are shared between MOFA and METI. These two ministries collaborate with each other when necessary at the preparatory stage of each meeting. The outcomes of the MOFA's Forum for the Promotion of Public-Private Cooperation in the Mekong Region and the METI's Mekong-Japan Industry and Government Dialogue are also reported at each of these meetings and are reflected in the policy formulation process.

In the present context, it is useful to point out that Japan established the framework for Mekong-Japan cooperation following the lead of the GMS program of ADB before other bilateral donors (European countries, Korea, China, India, etc.) The evaluation team verified that policies incorporating concrete target monetary amounts were formulated based on a series of excellent communications at all levels from working level to top government level involving prime ministers, foreign ministers, economic ministers, etc. The fact that the First



Southeast Asia Division of MOFA, which is responsible for the compilation of Japan's assistance policies for the Mekong Region, has established a mechanism to share information and to collaborate with other ministries, agencies and relevant organizations, including the Country Assistance Planning Division I which is responsible for the execution of ODA for Mekong Region countries among others, has been helpful for the formulation of policies incorporating concrete targets. The evaluation team also confirmed that the policy formulation process was conscious of the relationship as the U.S.-Japan Global and Regional Cooperation proposed by President Obama in a speech in 2014 was integrated in the framework for Mekong-Japan cooperation.

As far as the issue of donor cooperation is considered, Japan considers ADB to be a principal shareholder, and the policy directions of Japan and ADB are basically in harmony except for the latter's target area for the GMS program. However, the level of communication at the head office level to facilitate cooperation in the Mekong Region is found to be insufficient, and much closer and more frequent communication is hoped for. Japan also tries to understand and share the trends of other donors and to coordinate with them through the Friends of the Lower Mekong (FLM) Ministerial Meeting and other channels.

At the all Japan level, several frameworks for public-private joint dialogues have been established to incorporate the needs of the private sector in Japan and Mekong Region countries to provide comprehensive regional assistance with the cooperation of not only the public sector but also of various actors in the private sector. The existence of efforts to assist the investment of Japanese enterprises and the economic development of the Mekong Region supports the view that the process of formulating policies to assist the Mekong Region is generally appropriate. Given the diversification of the modality of assistance, however, it is hoped that multiple frameworks for assistance will work together to produce positive synergy effects.

### **3.3.2 Implementation Process for Japan's Assistance Policies for the Mekong Region**

As a result of the examination of the formulation and implementation processes for Japan's assistance policies for the Mekong Region, the evaluation team confirmed that there are proper communication channels at all levels, including the top level and working level, based on a relationship of trust nurtured through bilateral assistance over a long period of time. In recent years, projects have been formulated in response to the increasing needs of regional countries to improve Mekong connectivity encompassing several countries compared to more conventional projects aimed at developing individual countries. In the

case of Cambodia where the speed of development has been accelerating, it has been suggested by the Government of Cambodia that the process from initial request for acceptance of a project should be speeded up.

There are many frameworks in Japan and the Mekong Region for the exchange of opinions between the public sector and private sector, making the implementation of cooperation projects incorporating the needs of the private sector possible. Many PPP schemes have begun to be utilized by Japanese enterprises operating in the Mekong Region. It is, therefore, appropriate to use PPP schemes for Japan's assistance for the Mekong Region even though the manifestation of real effects may take some time.

From the viewpoint of monitoring and evaluation, the evaluation team found the all Japan approach to monitoring to be valuable as the progress of monitoring is regularly checked and agreed upon at the Summit, Foreign Ministers' and Economic Ministers' Meetings. As far as evaluation is concerned, the present evaluation is the first attempt to evaluate Japan's assistance for the Mekong Region at the policy level. It may be a good idea to conduct an experimental evaluation in the near future on an all Japan basis as in the case of monitoring.

In regard to the subject of donor cooperation, more intensive communication between ADB and Japan at the ADB's head office as well as at its Tokyo office level is preferable. With the assistance provided by Thailand for its neighboring countries, Japan's cooperation with such efforts of Thailand is hoped for, utilizing the good reputation of a relationship of trust between Japan and Thailand nurtured through bilateral assistance. The recommencement of the Japan-China Policy Dialogue on the Mekong Region in 2014, which was dormant for a long time after its initial start in 2008, is a positive development resulting from Japan's assistance efforts for the Mekong Region in the coming years while taking the stance of China into consideration.

From the viewpoint of visibility of Japan's assistance, Japan's bilateral ODA is well known among people in the Mekong Region. An increase of the opportunities to publicize the various frameworks for Japan-Mekong cooperation should prove a useful way of facilitating the spread of the aid effects throughout the Mekong Region as it will ensure a better understanding and knowledge of such frameworks among not only government officials as well as front-line staff members of implementing organizations but also the public.

### **3.4 Evaluation of Assistance as a Diplomatic Measure**

From the viewpoint of verifying the "importance of Japan's assistance for the Mekong Region in the light of Japan's diplomatic principles and the positive effects of this assistance

on Japan's diplomacy in the region", the evaluation team examined the diplomatic importance of the Mekong Region and the strategic status of the Mekong Region in Japan's diplomatic principles to analyze the effects of this assistance on Japan's diplomacy. For the purpose of this analysis, the evaluation team examined statements made by foreign dignitaries during visits to Japan and information obtained from interviews with government officials of Japan and Mekong Region countries, officials of international aid organizations and experts, all of whom are familiar with the relationship between Japan and the Mekong Region.

Voices of appreciation of Japan's ODA stance are often heard in Mekong Region countries. One example is the expression of such appreciation in the Joint Statement of the Eighth CLV Summit Meeting (November, 2014). A feeling of "deep trust in Japan" is expressed not only by government officials but also by the people of these countries. This greatly contributes to Japan's diplomacy aimed at promoting friendship with each of countries of the region. Another example of the positive diplomatic impact of Japan's assistance is that the new 500 real notes in Cambodia feature Kampong Cham Bridge (Spian KIZUNA) and Neak Loeung Bridge (Spian TSUBASA), both constructed with Japan's assistance, along with the national flags of both countries. The fact that the Tokyo Declaration expresses understanding of and support for Japan's stance on the diplomatic issues, including the abduction issue of Japanese citizens by North Korea, in Mekong Region countries is a positive achievement of Japan's diplomacy.

In the aftermath of the Great East Japan Earthquake in 2013, many aid measures were offered by various actors, ranging from the government to ordinary citizens, in Mekong Region countries. Such generosity must be appreciated as a remarkable expression of goodwill towards Japan in the Mekong Region. Meanwhile, the dedication, calm and considerate attitude towards others, emphasis on cooperation and general stance of maintaining social order of the Japanese people affected by this great disaster evoked a sense of awe among people in the Mekong Region to the extent that such statements as "I was deeply moved by the splendid behavior of the Japanese people hit by this great earthquake, and I really respect them" were heard throughout the region.

The evaluation team confirmed that policy makers are fully conscious of the U.S.-Japan relationship in the aid policy formulation process. A proposal for closer collaboration between the Mekong-Japan Summit Meeting sponsored by Japan and the Lower Mekong Initiative sponsored by the U.S. is one example of the U.S.-Japan Global and Regional Cooperation proposed by President Obama to the Government of Japan in 2014. In the process of formulating Mekong-Japan cooperation policies, policy-makers formulate their policies to reflect this latest proposal and other relevant matters.

## **Chapter 4 Recommendations and Lessons Learned**

### **4.1 Recommendations**

#### **(1) Viewpoint of Cooperation for Regional Development and Formulation of Region-Wide Development Plan and Strategy**

The relationship between Japan and the Mekong Region should be further consolidated through the continuation of various assistance frameworks with the heading of “Mekong”. The Annual Summit Meetings as well as Foreign Ministers’ and Economic Ministers’ Meetings should be continued. What is important for the development of the Mekong Region is to treat this region as an integral area for the purpose of supporting regional industrial development and the establishment of regional production networks, etc. Such assistance should continue in the coming years. In the case of Cambodia, Lao PDR and Myanmar, Japan’s cooperation should focus on the participation of these countries in regional production networks. For Viet Nam, the establishment of industrial clusters functioning as linchpins for production networks involving neighboring countries is a priority. Japan’s cooperation for Thailand should focus on the stimulation of region-wide development by means of spreading the inter-process division of labor to neighboring countries and the strengthening of production networks incorporating neighboring countries based on industrial clusters which have been established through bilateral ODA projects, etc.

Any assistance for region-wide development necessitates a region-wide development plan and strategy. ERIA compiled the Comprehensive Asia Development Plan (CADP) in 2010 while the Sixth Mekong-Japan Summit Meeting in November, 2014 reconfirmed Japan’s plan to prepare the Mekong Industrial Development Vision by the summer of 2015. It is important for Japan to prepare such a region-wide development plan and strategy. To facilitate public-private partnership, Japan should shape the theoretical background for the economic development of the Mekong Region and clearly present an integrated regional development plan and priority projects.

#### **(2) Continued Assistance for Infrastructure Development and Institutional Development**

The enhancement of Mekong connectivity will lead to the enhancement of ASEAN connectivity and eventually to that of East Asia and, therefore, continuation of the assistance for the development of such infrastructure as power grids, water supply, sewerage and IT-related facilities in the Mekong Region is desirable. Particularly important is the further improvement of hard as well as soft infrastructure related to transportation and

physical distribution together with institutional development. While it is essential to consider the technical standards for roads and bridges to be constructed as part of the planning process for transportation and physical distribution infrastructure, it is crucial to determine what kind of raw materials and products will be transported on these roads and bridges. For example, the North-South Economic Corridor principally carries agricultural products and miscellaneous goods. In contrast, the Southern Economic Corridor (Second East-West Economic Corridor) carries automotive parts which demand so-called just-in-time physical distribution. This means that the level of the physical distribution infrastructure of the Southern Economic Corridor must be higher than that of the North-South Economic Corridor. Moreover, there must be a further push to eliminate the missing links on all corridors.

### **(3) Promotion of Human Resources Development in Line with Industrial Development Needs**

The continued improvement of soft infrastructure and institutional arrangements is necessary to make hard infrastructure function effectively. Integrated assistance featuring hard and soft infrastructure development and institutional development has been a characteristic and an advantageous aspect of Japan's assistance as various schemes, including ODA loans, grant aid and technical cooperation, are purposefully combined to ensure effective assistance. In the coming years, human resources development responding to the needs of industries will be required in addition to more conventional human resources development targeting administrators. Continued human resources development efforts will also be necessary in relation to the development and improvement of soft infrastructure and the institutional arrangements utilizing Japan's knowledge and technological strength. It is hoped that Japan will provide a various as well as specific menu to assist the development of such human resources as workers, skilled workers and managers who can play a prominent role in the fostering of supporting industries, promotion of manufacturing and other industries and facilitation of investment in response to the stage of industrial development of individual countries.

### **(4) Assistance for Balanced, Sustainable Development**

When providing development cooperation for the Mekong Region, it is desirable to take the development gap and environment into consideration to ensure integrated, balanced and sustainable development. As far as the development gap in this region is concerned, particular attention should be paid to the need to rectify both the intra-ASEAN gap and the gap between Mekong Region countries. Japan has provided special funds and projects designed to achieve the rectification of these gaps. Such assistance should be continued as the continued assistance of Japan for CLMV and the CLV triangle was highly appraised

at the Sixth Mekong-Japan Summit Meeting held in November, 2014. To make this assistance truly effective, it will be necessary to regularly monitor the situation of the gap in question so that the findings can be shared by all stakeholders in Japan and Mekong Region countries.

Japan's assistance should emphasize the simultaneous achievement of environmental protection and economic growth and efforts should continue to achieve Japan-Mekong cooperation with the participation of all stakeholders, including local public bodies and private enterprises, for implementation of the action plan for "A Decade Toward the Green Mekong" Initiative as part of the joint approach to deal with regional environmental and climate change-related issues. In the light of the increased importance of urban environmental issues due to the conspicuous economic growth of Mekong Region countries, it is desirable for Japan to continue its assistance for the urban environment. Continued assistance is also necessary in the field of disaster prevention as natural disasters are now challenging issues for Mekong Region countries as well as the international community.

As part of the above assistance, it is desirable to emphasize the principles of compliance and accountability while continuing assistance which is designed to develop a compliance system in Mekong Region countries.

#### **(5) Continued Collaboration with Partners**

Because the nature of the assistance in question is region-wide and not bilateral, it is important to strengthen the collaboration with ADB which has much experience of region-wide assistance through the GMS program, other assistance frameworks and other donors in terms of policy planning and implementation and funding instead of Japan going it alone. Japan already has a mechanism for country-specific dialogue with ADB. The establishment of a new mechanism for regular consultation between Japan and ADB on the issue of assistance for the Mekong Region at the ADB's head office and its Tokyo office levels should prove to be effective. For development cooperation with Myanmar, etc., continued partnership with Thailand which is a neighboring country with strong economic ties will produce better regional development outcomes. In this context, it is believed that dialogue with China, which is a member of the GMS Program with increasing development cooperation for the Mekong Region in recent years, will be effective to prevent the duplication of assistance in order to achieve more effective and efficient development cooperation. It is, therefore, recommended here that the Japan-China Policy Dialogue on the Mekong Region which restarted in 2014 should continue. The growing importance of collaboration with partners for assistance for the Mekong Region is particularly illustrated by the announcement of joint assistance for the Mekong Region at the Japan-U.S. Summit

Meeting in April, 2014 and the launch of the OECD's Southeast Asia Regional Programme at the OECD Ministerial Council Meeting in May of the same year.

#### **(6) Further Promotion of Collaboration with the Private Sector**

Because of the special importance of the Mekong Region for Japanese industries, it is desirable to continue existing frameworks for public-private cooperation, such as the Forum for the Promotion of Public-Private Cooperation in the Mekong Region and the Mekong-Japan Industry and Government Dialogue. For the establishment of an infrastructure system, which is essential for the development of regional production networks in the Mekong Region, the promotion of relevant efforts through public-private partnership is a common requirement in each Mekong Region country. What should prove to be effective for this purpose is the continuation of dialogue and consultation with economic associations and individual private enterprises with a view to jointly assisting the export of package-type infrastructure systems in order to implement development cooperation in the Mekong Region.

#### **(7) Strengthening of Publicity Activities**

Japan's bilateral assistance has been extensively publicized in individual countries. As such, Japan's bilateral ODA is well known among people in the Mekong Region. Meanwhile, publicity within the framework of regional Japan-Mekong cooperation was principally conducted in the year marked for Mekong-Japan Exchange (2009). Some creative thinking is required to continue with publicity within the framework of regional Japan-Mekong cooperation and an effective approach should be developed to spread understanding of such a framework among not only government officials and staff members of ODA implementation agencies in the partner countries but also the people of these countries. One idea is organizing a commemorative event in the target year of the Tokyo Strategy 2012, which targets the people of Japan and Mekong Region countries. This will provide the staff members of ODA implementation agencies in each country with the opportunity to familiarize themselves (and the people of their country) with the framework as they will be involved in preparatory meetings as well as the event itself. An increase of the opportunities to publicize the framework for regional Japan-Mekong cooperation will certainly boost the effects of Japan's assistance for the Mekong Region.

## **4.2 Lessons Learned**

### **(1) Regional Viewpoint**

As collaboration with neighboring countries has achieved more effective development in the

Mekong Region, the introduction of a regional viewpoint for development assistance in addition to the viewpoint of country-specific assistance is highly relevant. The Government of Japan and other related organizations tend to be involved in bilateral cooperation. In contrast, Japanese enterprises have already adopted a regional approach, and the adoption of a similar approach for Japan's ODA is essential. The utilization of a framework for assistance similar to that used for the Mekong Region should prove to be effective for other regions where the development effects are likely to be boosted by the adoption of a regional approach.

## **(2) Establishment of an Integrated Evaluation System (All Japan-Based Evaluation)**

All Japan assistance for development cooperation for the Mekong Region involves multiple ministries, organizations and associations such as the Prime Minister's Office, MOFA, METI, MLIT, JICA, JETRO, JBIC, JBF and JCCI. The establishment of an integrated policy evaluation system beyond the confinement of the public or private sector is, therefore, quite useful. Assuming that Japan's assistance involving public-private cooperation will become an evaluation target in the coming years, it should be very useful if examination of the possibility of establishing an all Japan evaluation system beyond the MOFA's conventional ODA evaluation framework in line with the transition from "ODA" to broader "Development Cooperation"





Kampong Cham Bridge (Spien KIZUNA)



Port of PhnomPenh



AEON Mall in Phnom Penh



Project for Flood Protection and Drainage Improvement in the Phnom Penh Capital City



Neak Loeung Bridge



Before the Neak Loeung Bridge built, Cambodian people had taken ferries across the Mekong river.



Cambodia - Japan Cooperation Center (CJCC)



Sihanoukville Port SEZ



Laem Chabang Industrial Estate (Thailand)



National Institute of Metrology Thailand (NIMT)



Interview with TICA



ASEAN University Network/Southeast Asia  
Engineering Education Development Network