

Third Party Evaluation 2009  
The Ministry of Foreign Affairs of Japan

# Country Assistance Evaluation of India

## -Summary-

March 2010



## Preface

This report is a summary of the “Country Assistance Evaluation of India” undertaken by the External Advisory Meeting On ODA Evaluation at the request of the International Cooperation Bureau of the Ministry of Foreign Affairs (MOFA) of Japan.

Since its commencement in 1954, Japan’s Official Development Assistance (ODA) has contributed to the development of partner countries and finding solutions to international issues that vary with the times. Recently, however, calls for more effective and efficient implementation of ODA have been increasing both in Japan and abroad. MOFA, as a coordinating ministry for ODA, has been evaluating ODA, mainly at the policy level. The evaluation has two main objectives: to support the management of ODA implementation, and to ensure its accountability.

Japan has had a good relationship with India for many years and the Japanese government believes that providing assistance for sustainable development in India not only strengthens bilateral relations between India and Japan, but also strongly promotes peace, stability, and economic prosperity in Asia. India is one of the biggest recipients of Japanese ODA and has been the top recipient of Japan’s yen loans since 2003. Japan also implements Grant Aid projects and Technical Cooperation projects throughout India. India has experienced steady economic growth in the last two decades, which has led to the emergence of middle and high-income classes in urban areas. However, poverty remains in rural areas and among the socially vulnerable classes.

A policy meeting between Japan’s ODA Task Force in India and the Government of India was held in May 2006, during which Japan’s Country Assistance Program for India was formulated. The Program sets three priorities areas: 1) promotion of economic growth, 2) improvement of poverty and environmental issues, and 3) expansion of human resource development and human exchange. In December 2006, Prime Minister Dr. Manmohan Singh and former Prime Minister Mr. Shinzo Abe issued the “Joint Statement Regarding the Japan-India Strategic and Global Partnership”, which confirmed the enhancement of the two countries’ comprehensive economic ties, including developing infrastructure, promoting manufacturing, trade and investment, and developing human resources to promote manufacturing. In December 2009, a Joint Statement “New Stage of Japan-India Strategic and Global Partnership” was issued. The statement included cooperation in security, accelerated negotiations regarding EPA, early realization of a Dedicated Freight Corridor, and cooperation for the Delhi-Mumbai Industrial Corridor (DMIC) project.

The External Advisory Meeting on ODA Evaluation was formed as an advisory body to the Director-General of the International Cooperation Bureau of MOFA to improve the objectivity of ODA evaluations. The Advisory Meeting was given the task of designing and conducting the ODA evaluations and feeding back to the International Cooperation Bureau of MOFA the

results of each evaluation together with recommendations and lessons learned. Mr. Tatsufumi Yamagata, a member of the meeting, was in charge of these evaluations.

Prof. Fumiko Oshikawa, Center for Integrated Area Studies, Kyoto University was an advisor for the study and made an enormous contribution to this report. MOFA, the Japan International Cooperation Agency (JICA), and the ODA Taskforces, as well as the government and institutions in India, also made invaluable contributions. We would like to express our sincere gratitude to all those who were involved in this study.

The ODA Evaluation and Public Relations Division of the International Cooperation Bureau of MOFA was in charge of coordinating all of the parties involved. All other supportive work, including information collection and analysis and report preparation, was done by Mitsubishi Research Institute, Inc., under commission from MOFA.

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

March 2010

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## Country Assistance Evaluation India

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| <p><b>1. Country:</b> India</p> <p><b>2. Evaluators:</b></p> <p>(1) Chief Evaluator : Tatsufumi Yamagata *<br/>(Director, Poverty Alleviation and Social Development Studies Group, Inter-Disciplinary Studies Center/<br/>Professor, IDE Advanced School (IDEAS), Institute of Developing Economies)</p> <p>(2) Advisor : Fumiko Oshikawa *<br/>(Professor, Center for Integrated Area Studies, Kyoto University)</p> <p>(3) Consultants :<br/>Mitsubishi Research Institute, Inc. *</p> <p>* On-site research team member</p> |  <p style="text-align: center;">Delhi Mass Rapid Transport System Project</p>  <p style="text-align: center;">Forestry sector development projects in Orissa</p>  <p style="text-align: center;">Residents' meeting for Kolkata Solid Waste Management Improvement Project</p> |
| <p><b>3. Period of Evaluation:</b> June 2009~March 2010</p>   |  |

### Outline of Evaluation

#### 1. Results

##### (1) Evaluation of policy relevance

Three priority areas were set out in Japan's Country Assistance Program for India: 1) promotion of economic growth, 2) improvement of poverty and environmental issues, and 3) expansion of human resource development and human exchange. These three areas support India's development policies as stated in the Tenth and Eleventh Five-year Plans and are consistent with India's policy priorities. Furthermore, the Official Development Assistance Charter lists five basic principles: (1) Supporting self-help efforts of developing countries, (2) Perspective of "Human Security", (3) Assurance of fairness, (4) Utilization of Japan's experience and expertise, and (5) Partnership and collaboration with the international community. These basic principles are reflected in the Country Assistance Program for India.

##### (2) Evaluation of effectiveness

The evaluation shows that Japan is providing assistance with a comparative advantage in three priority areas. Japan has been actively promoting economic growth by providing yen loans, mainly to the electric power and transportation sectors. Regarding improvement of poverty and environmental issues, Japan provides assistance for education, health, sanitation, local development, and environment protection through

grant aid, as well as technical cooperation. As for expansion of human resource development and human exchange, although the total amount of assistance is not significant, it plays an important part in promoting the relationship between the two countries under the framework of the "Japan-India Partnership."

### (3) Evaluation of appropriateness and efficiency of process

Some agencies in India have pointed out that Japanese ODA lacks predictability and flexibility. These agencies also expect Japan's ODA to be more consistent with ongoing schemes by the Government of India, as well as assistance granted by other international donors.

## **2. Main Recommendations**

### Recommendation 1: Further promote the Japan-India Partnership

Japan regards assistance to India as one element of the "Japan-India Partnership" and has been providing assistance primarily for infrastructure development to promote economic growth. Considering the Government of India's strong capabilities for repayment, as well as the ability to plan and implement flagship projects that have a major impact on the Indian economy, Japan's assistance for the infrastructure sector would further increase its validity in the future. Therefore, developing the relationship under the framework of "Japan-India Partnership" is the ideal approach for both countries.

### Recommendation 2: Toward more harmonious assistance

While Japanese ODA to India has always been consistent with India's major development policies, the role played by the ODA has not been clearly stated in the social development strategies of the Indian Government. In other words, although Japanese ODA has been implemented in many successful projects that have greatly contributed to local communities, these projects have no structural role in Indian policies, resulting in the impression that the projects are implemented on a case-by-case basis. For this reason, Japan's assistance should be more integrated with the policies of India and other donors.

### Recommendation 3: Assistance for South-South cooperation

India's expanding role as a leader of the developing nations is increasing the country's importance, and India's participation in South-South cooperation is gaining attention. Japan's assistance for India becomes more important when the achievements gained through Japanese assistance are spread to other developing nations, such as those participating in South-South cooperation. Japan should consider assisting India's efforts towards South-South cooperation as one way to expand the scope of mutual cooperation between Japan and India.

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

## 1. Background and objectives of evaluation

Japan has had a good relationship with India for many years and the Japanese government believes that providing assistance for sustainable development in India not only strengthens bilateral relations between India and Japan, but also strongly promotes peace, stability, and economic prosperity in Asia. India has experienced steady economic growth in the last two decades, which has led to the emergence of middle- and high-income classes in urban areas. However, poverty remains in rural areas and among the socially vulnerable classes. In a survey conducted in 2004 and 2005, 27.5% of India's population described themselves as poor.

Japan is currently assisting India mainly by providing yen loans for infrastructure construction. Such assistance for economic development helps to eliminate poverty. In May 2006, Japan announced "Japan's Country Assistance Program for India," which sets three priority areas: 1) promotion of economic growth, 2) improvement of poverty and environmental issues, and 3) expansion of human resource development and human exchange. Furthermore, in December 2006, upon the visit of Prime Minister Dr. Manmohan Singh to Japan, Dr. Singh and former Prime Minister Mr. Shinzo Abe announced the "Joint Statement Towards Japan-India Strategic and Global Partnership." This statement confirmed the enhancement of the comprehensive economic engagement, including developing infrastructure, promoting manufacturing, trade and investment, and developing human resources for promoting manufacturing.

With the above background, this study evaluates Japan's assistance policy for India by analyzing India's political, economic, and social situations as well as the India's development policies. This study also aims to make recommendations for more efficient and effective ODA in the future. Furthermore, this study provides accountability to Japanese citizens by sharing the results of the evaluation and publicizes Japan's ODA activities by giving feedback to India's government agencies and other donors.

## 2. Scope of evaluation

This study comprehensively evaluates Japan's assistance policy for India primarily from the standpoints of policy relevance, effectiveness of results, and appropriateness of process.

With regard to policy relevance, the evaluation was based primarily on "Japan's Country Assistance Program for India," issued in May 2006. The evaluation also covered the assistance policy from the "Joint Statement Towards Japan-India Strategic and Global Partnership" and assessed the relevance of the assistance objectives announced in the policy meetings.

With respect to the effectiveness of the results, the evaluation determined if assistance was provided based on the priority areas indicated in "Japan's Country Assistance Program for India." This study included an evaluation of the effectiveness of yen loans, grant aid assistance, and technical cooperation. Assessments were conducted during on-site interviews to analyze the impact of Japan's assistance.

With regard to the appropriateness of the process, the evaluation primarily covered projects implemented after 2006.

### 3. Framework of evaluation

To conduct the evaluation, the study team formulated an evaluation framework in accordance with the MOFA's guideline for policy-level evaluations, which describes the evaluation items and methods. The framework was formulated from three standpoints: policy relevance, effectiveness of results, and appropriateness of process.

#### (1) Policy

The relevance of Japan's assistance policy for India was evaluated in terms of the following issues.

- a) India's development needs and strategies
- b) Broader policies of the Japanese government, such as the Official Development Assistance Charter and Mid-Term Policy, and Japanese foreign policy toward India and the whole of Asia
- c) Global development issues
- d) Policies of other donors

As for item a), the evaluation included a review of India's development policies, such as the Tenth and Eleventh Five-year plan and the Common Minimum Programme of the UPA.

With regard to item b), the Official Development Assistance Charter and ODA Mid-Term Policy were reviewed in order to determine the relevance of the objectives and the priority areas stated in the Japan's assistance policy for India.

With regard to item c), the objectives and priority areas of Japan's assistance policy were evaluated for consistency with international development priority issues, such as security and environmental protection.

With regard to item d), the study reviewed the assistance policies of international organizations and other donors, such as the World Bank, the Asian Development Bank, the U.K. Department for International Development (DFID), the U.S. Agency for International Development (USAID), and the German Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), to determine whether or not Japan's assistance policy was in line with the priorities set by other donors.

#### (2) Results

The results were evaluated in terms of the effectiveness and impact of the projects implemented by Japanese ODA. After verifying the input and results of Japanese assistance, the effectiveness of the assistance was evaluated based on the three priority areas in Japan's Country Assistance Program for India: 1) promotion of economic growth, 2)



improvement of poverty and environmental issues, and 3) expansion of human resource development and human exchange.

### (3) Process

The appropriateness of the process was evaluated by reviewing the cooperation, discussion, and checking processes when drafting and implementing the assistance policy. The processes that were evaluated included 1) those within the Japanese government (primarily the Ministry of Foreign Affairs), 2) those between Japan and India, and 3) those between Japan and other donors.

## 4. Results of evaluation

### 4-1 Relevance of policy

#### 4-1-1 Relevance with India's development policy

The highest priority of Japan's Country Assistance Program for India is assistance for sustainable development of India. This is consistent with the vision of India's Eleventh Five-year Plan, which is designed to achieve rapid and comprehensive economic growth by improving the people's quality of life. Moreover, in the "Joint Statement for Forming a Japan-India Strategic Global Partnership", both countries confirmed the strengthening of their comprehensive economic partnership, which is also in line with India's development policy.

The Country Assistance Program for India lists three priority areas: 1) promotion of economic growth, 2) improvement of poverty and environmental issues, and 3) expansion of human resource development and human exchange. These three areas cover all six priorities raised by India in the Eleventh Five-year Plan: income and poverty, education, health, women and children, infrastructure, and the environment.

Since Japan's Country Assistance Program for India was established in May 2006 and is based on India's Tenth Five-year Plan and the Common Minimum Programme of the United Progressive Alliance (UPA), the Japanese government made efforts to ensure its Country Assistance Program was consistent with the Eleventh Five-year Plan, which was introduced after Japan's Country Assistance Program.

#### 4-1-2 Relevance to broader policies and priority policies of the Japanese government

The Official Development Assistance Charter lists five basic principles: (1) Supporting self-help efforts of developing countries, (2) Perspective of "Human Security", (3) Assurance of fairness, (4) Utilization of Japan's experience and expertise, and (5) Partnership and collaboration with the international community. These basic principles are reflected in the Country Assistance Program for India.

#### 4-1-3 Relevance to the assistance plans of other donors

From the standpoint of emphasizing self-reliance in development, the Government of India is not always proactive in coordinating assistance among donors, but it does not completely avoid donor coordination. Most international donors recognize the need for donor coordination, and Japan should also pursue coordination with other donors while making sure that such assistance and coordination is in line with the policies of Indian Government.

International donors' assistance to India are concentrated in areas such as economic growth, poverty reduction, health, environmental protection, and education. Moreover, donors such as the World Bank and ADB provide a significant amount of assistance for developing infrastructure. Japan and other donors share a common understanding of India's

development needs and their policy priorities are consistent with India's development strategies.

Japan's ODA policies differ little from those of other donors. With regard to assistance to improve governance, major donors such as the U.K., the U.S., the United Nations Development Programme, the ADB, and the World Bank include assistance to improve governance in their policy priority. However, Japan's Country Assistance Program for India does not include it in a priority area, although Japan's Mid-Term Policy for ODA states that improving governance is indispensable for reducing poverty and urges donor countries to provide assistance to achieve good governance. Japan could also include assistance for governance in its future ODA policies in order to enhance coordination with other donors.

Moreover, donors such as the U.K., the U.S., the ADB, and the World Bank select and prioritize states that have high development needs in order to implement assistance effectively. Japan's Country Assistance Program for India does not include such priorities.

Priorities in the Eleventh Five-year Plan and Individual Donor Priorities for Assistance\*

| Area of Priority    | Japan | Germany | U.K. | U.S. | EC | UNDP | ADB | World Bank |
|---------------------|-------|---------|------|------|----|------|-----|------------|
| Income and poverty  | ◎     | ◎       | ◎    | ◎    | ◎  | ◎    | ◎   | ◎          |
| Education           | ○     |         | ◎    | ◎    | ◎  |      | ○   | ◎          |
| Health              | ○     | ○       | ◎    | ◎    | ◎  | ○    | ○   | ◎          |
| Women and children  | ○     |         | ○    | ○    | ○  |      | ○   |            |
| Infrastructure      | ◎     | ◎       |      | ○    | ○  | ○    | ○   | ○          |
| Environment         | ◎     | ◎       | ○    | ◎    | ○  | ○    | ○   | ○          |
| Socially vulnerable | ○     |         | ○    | ○    |    |      | ○   |            |
| Governance**        |       |         | ◎    | ◎    | ○  | ◎    | ◎   | ◎          |

Source: Planning Commission (2008) and India assistance plan documents from other donors, etc.

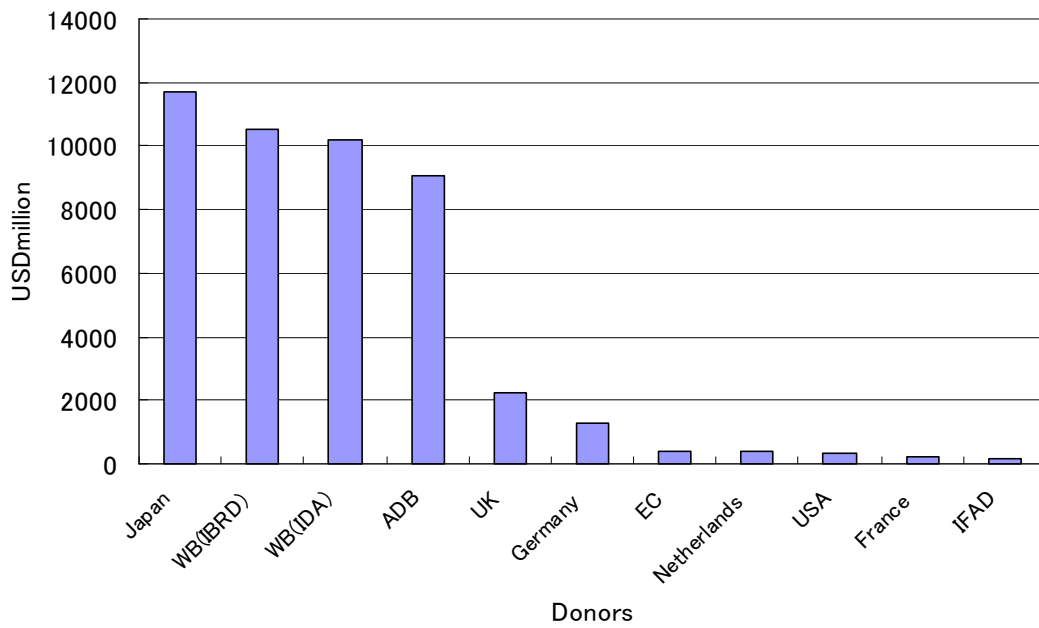
\* ◎: priority area; ○: assistance

\*\* Governance is not regarded as a priority, but good governance is held to be a critical factor for achieving the Eleventh Five-year Plan.

#### 4-2 Effectiveness of results

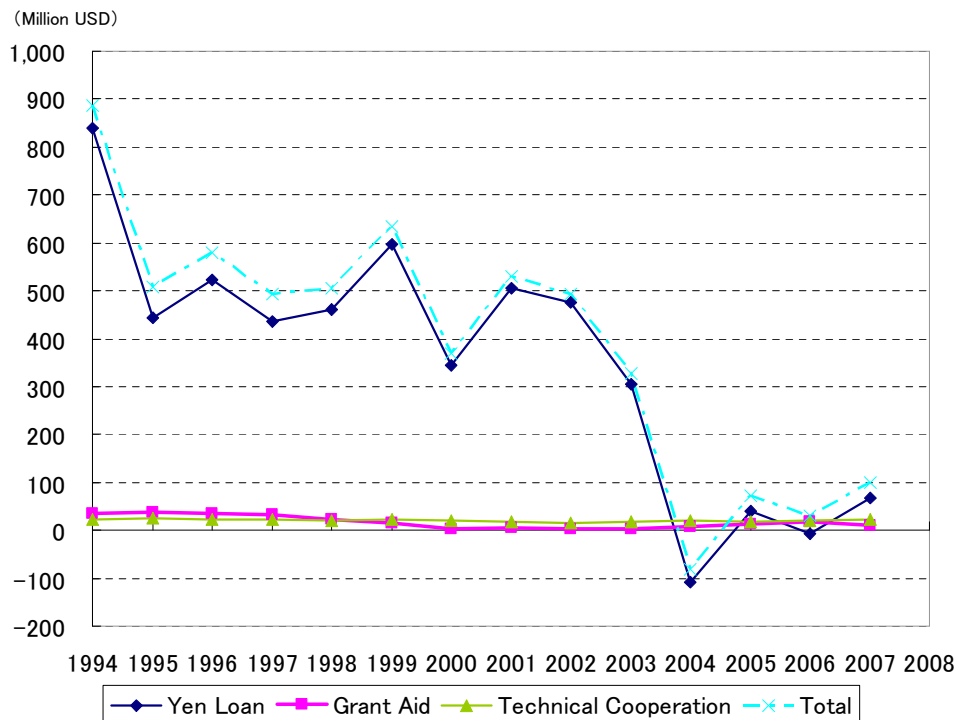
India is one of the biggest recipients of Japanese ODA and has been the top recipient of Japan's yen loans since 2003. Japan also implements grant aid projects and technical cooperation projects throughout India. In 1998, Japan responded to India's nuclear tests by suspending all new grant aid (with the exception of emergency and humanitarian aid and grant assistance for grassroots projects) and new yen loans to India. In October 2001, Japan praised India's efforts towards nuclear disarmament and nonproliferation, and resumed providing ODA to India.

Amount of assistance by international donors



Source: Ministry of Finance, the Government of India

Amount of Japanese ODA to India



Source: Ministry of Foreign Affairs, Japan

#### 4-2-1 Promotion of economic growth

30% of the world's 1.1 billion people living in poverty are in India. To tackle poverty issues in India, Japan's Country Assistance Program for India focus on the development of infrastructure that increases direct investment from the private sector and expands trade, which leads to the long-term economic growth.

##### *Assistance for the Electric Power Sector*

As a result of economic growth, India's demand for electrical power is increasing rapidly, and infrastructure construction is urgently required to ensure a stable supply of power. Since the Sixth Five-year Plan, thermal power plant capacity has improved dramatically. Hydroelectric power capacity is also increasing, although the increase is more moderate than that of thermal power. The power transmission network has expanded during the Tenth Five-year Plan.

Japan has been providing assistance for the electric power sector, mainly by constructing power plants, improving the power transmission network, and developing human resources for more efficient management. Since 1978, Japan has provided 72 yen loans totaling approximately 1.21 trillion yen for the electric power sector.

It is difficult to quantitatively assess the contribution of Japanese assistance to this increase in India's overall power supply capacity. However, considering the fact that Japan has steadily provided assistance to the power sector in certain states, Japan's assistance has likely made contribution, especially to states such as Andhra Pradesh and West Bengal, where Japan has contributed assistance for many electrical power plants. The states of Andhra Pradesh and West Bengal are among those that have achieved the most dramatic economic growth. Because more industries are coming to these states, the demand for power is rising. Supporting the electrical power sector has significantly contributed to further economic growth in these states and, consequently, positively affected India's economic development as a whole.

##### *Assistance for the Transport Sector*

Japan has provided assistance to the railroad sector in India. Of the 16 transport sector projects for which loan contracts were concluded between FY2000 and FY2008, 12 involved the railroad sector.

Figures compiled by the Government of India regarding the assistance provided by international donors in the transport and distribution sectors reveal that Japanese assistance accounted for 4.8% of the total assistance to the transport sector. The World Bank and ADB provided the most, accounting for 51% and 41.8%, respectively.

Japan's assistance to the transport sector included the Delhi Mass Rapid Transport System Project. Loan agreements for Phases I and II of this project were signed on February 25, 1997 and March 31, 2006, respectively. By the end of FY2008, ten loan agreements had been concluded for Phases I and II. In Phase II, which is currently being implemented, six

tracks (three of which are extension projects) running a total distance of approximately 83 km are being constructed.

It is not easy to quantitatively assess the impact of Phase I of the Delhi Mass Rapid Transport System Project on the transportation situation and environment in the city of Delhi. This is because it is difficult to eliminate all other effects from external factors. However, a study conducted by the Delhi Metro Rail Corporation found that approximately 16% of Delhi Metro passengers formerly commuted to work or school by private automobiles, etc. This certainly has eased traffic congestion and therefore improved the city's environment.

Based on the experience and expertise gained from the Delhi Mass Rapid Transport System Project, mass-rapid transport systems are currently being planned in Chennai and Bangalore. From this perspective, Japan's yen loan projects have had a significant effect, since one project can have a ripple effect in other regions.

#### *Increasing Added Value through Infrastructure Development Assistance*

Japan's Country Assistance Program for India contains the following: "When implementing infrastructure development, it is more effective to implement not only "hard" aspects of assistance, such as facilities development, but also to combine it with "soft" cooperation with human resources development at its core, improving the operation and maintenance capacity and management capacity of project implementation agencies, and further policies and systems in order to increase the effect of projects."

In accordance with this policy, yen loans in recent years have been provided not only for the construction of infrastructure but also for human development and capacity development of the implementing organizations.

For example, in the case of the Bakreswar Thermal Power Station Construction Project, a training facility with a generator control room simulator was constructed for technical training of the power station staff. This facility is also used regularly for training the staff of power stations throughout India.

In the Delhi Mass Rapid Transport System Project, in addition to the Japanese technology used for subway construction, Japanese ideas of safety and efficiency were taught to the local staff, resulting in changes in the practices of Indian construction workers. Moreover, the Delhi Metro Rail Corporation uses the operation and management expertise accumulated in the course of the Delhi Mass Rapid Transport System Project for its consulting service, which it offers to mass rapid transport systems in other cities, thereby creating a new source of revenue for the corporation. This is another example of yen loans contributing to the capacity development of the implementing organization and its leading role in similar projects in other regions.

## 4-2-2 Improvement of the Poverty and Environment Issues

### *Address to the Poverty Issue*

#### *(a) Assistance for Health and Sanitation Sector*

As Grant Aid for General Projects, Japan has been contributing to the United Nations Children's Fund (UNICEF) since 1995, providing assistance for a polio vaccination projects implemented by the Government of India under the supervision of UNICEF and the World Health Organization (WHO). Japan is offering Grant Aid for Japanese NGO's Projects in the health and sanitation sector by supplying primarily medical equipment to help improve the quality of local medical facilities.

One major technical cooperation project in the health and sanitation sector is attempting to eradicate communicable diseases. From 1998 to 2003, Japan provided technical cooperation to the National Institute of Cholera and Enteric Diseases (NICED), which plays a central role in combating diarrhea disorders in India. Through the Project for Prevention of Diarrhoeal Diseases, Japan has helped to combat acute diarrheal illness in India, which is a major factor contributing to the high infant mortality rate in India.

Another major technical cooperation project in the health and sanitation sector is the Madhya Pradesh Reproductive Health Project Phase I (2005-2006) and Phase II (2007-2011). In this project, by the request of the Government of India, assistance for technology transfers and human resources development has been provided in order to improve services relating to safe pregnancy and childbirth, particularly in the state of Madhya Pradesh, where demand is high. This project serves the objectives set in the National Rural Health Mission, which has been promoted by the Government of India since 1995, and the Reproductive and Child Health Program Phase II (RCH-2), which is a part of the NRHM. Japan's active technical cooperation in communicable disease eradication, reproductive health, and other projects is thought to have contributed to the improvement of India's health and sanitation at the grassroots level.

In addition to these technical cooperation projects, Japan has provided Grant Aid totaling 162.22 million yen for twenty-one Grant Aid for Grassroots Security projects between FY 2004 and FY 2008. This includes projects such as providing medical facilities in rural areas and vocational centers for socially vulnerable groups.

#### *(b) Assistance for Local Development*

The Sericulture Development project between 1991 and 2007 is one example of the assistance for local development that has increased the income level of rural farmers by improving productivity. In this project, specialists were sent from Japan to introduce Japanese bivoltine sericulture technology, such as improving methods for cultivating mulberry trees, improving silkworm varieties, and breeding silkworms, to improve the productivity of local sericulture farmers. Moreover, human resources development was achieved at the local level, since JICA specialists and local sericulture technology

supervisors worked together closely for more than ten years. This long-term cooperation with the local government body is a good example of the importance of building close relationships with the federal and state governments, as well as with the implementing agencies at the local level.

In addition, five projects for improving irrigation systems in rural areas, which is also one of the components for rural development, were funded through yen loans.

*(c) Effort with a View to Disaster Prevention*

In 2006, Japan provided Grant Aid totaling 5,840 million yen for Disaster Prevention and Reconstruction for preventing earthquake damage in six South Asian countries, including India.

Moreover, Japan provided Grant Aid for Japanese NGO projects after the tsunami disaster in Northern Sumatra in December 2004. Japan has also actively contributed to projects relating to forestry plantations and water resources management, which have led to environmental improvements in rural areas. These projects are considered to indirectly contribute to disaster prevention.

*(d) Assistance for Developing Tourism That Contributes to Employment Creation*

Japan has been supporting India's tourism industry by protecting cultural heritage sites, which are an important resource for attracting tourists from inside as well as outside India. Since FY 2003, two yen loans have been provided for protecting cultural ruins and developing the tourism industry in the region.

*Address to Environmental Issues*

*(a) Assistance for Water Supply and Sewage Systems*

Between FY2004 and FY2008, fourteen yen-loan contracts were concluded for developing water supply and sewage systems, most of which were for constructing water supply systems or water and sewage systems. Technical cooperation was provided primarily for developing the managerial capabilities for the institutions that monitor rivers and water and sewage systems.

*(b) Assistance for the Forestry Sector*

In the forestry sector, assistance is provided primarily in the form of yen loans. Between FY2004 and FY2008, seven yen loan contracts were concluded, primarily for forest resource management and tree planting projects.

Japan's ODA projects for forestry sector development have been implemented within the framework of the Joint Forest Management (JFM), a national project implemented since 1988 by the Government of India. The JFM focuses on forest conservation and improvement



of the living standards of local residents by emphasizing participation of local communities. Actually, in a village in Orissa state, which the study team visited, the Japanese yen loan project was implemented with the active participation of the local communities. Villagers formed a self-help group that plans various income-generating activities, such as planting vegetables and breeding fish. 98% of the members of those self-help groups are women, which indicate that such activities support self-reliance of women in the local communities.

Furthermore, the counterpart of Japanese ODA mentioned that Japanese specialists sent by the JICA work closely with local implementing agencies to design project plans and conduct frequent reviews so that project will be implemented in the most efficient manner. The JICA, the state government, and the project director also jointly conduct mid-term evaluations of the project, which improve the quality of projects.

*(c) Assistance for Renewable Energy and Energy Saving*

One yen loan for improving energy efficiency was concluded in 2008 to help medium and small enterprises save energy and improve energy efficiency.

*(d) Assistance for Improvement of the Urban Environments*

The Kolkata Solid Waste Management Improvement Project has been underway since 2005 to help improve the urban environment. The project aims to create a sustainable waste processing system, which include disposal sites in six cities in the Kolkata metropolitan area, to preserve the environment and improve hygiene for the region's residents.

Currently, primary collection (sorting and collecting of household waste) is being conducted on a trial basis. However, construction of the compost and staging bases that will serve as the collection areas for the waste is behind the schedule. Close communication with the local municipalities is important for completing the construction of these facilities.

The project also organizes education activities at the grassroots level. Social workers assigned from the local residents are teaching other residents the habit of sorting household waste, which has not been the custom in India. They go from door to door and hold meetings explaining how to sort household waste. It is hoped that these activities will improve hygiene in the community and lead to the improvement of urban environment.

*(e) Assistance for Environmental Conservation of Rivers and Lakes*

A few projects are related to the conservation of rivers and lakes. These projects aim to improve the quality of the water in rivers and lakes, as well as save water resources through sustainable management of rivers and lakes. One yen loan provided in 2005 is helping to improve sanitation and the environment in cities along the Ghanga River. Furthermore, four technical cooperation projects were implemented between FY 2004 and FY 2008, mainly for improving the managerial capacity of the institutions that manage the rivers and lakes.

#### 4-2-3 Expansion of human resource development and human exchange

##### *Human resources development and human exchanges*

The training of executives in the manufacturing industry is mentioned in "Joint Statement on the Roadmap for New Dimensions to the Strategic and Global Partnership between Japan and India", which was announced during former Prime Minister Abe's visit to India in May 2007. Manufacturing Industry Executive Training Assistance, an example of technical assistance in the area of human resources development, has been implemented since 2007. Assistance for the capacity building of counterpart through such projects is considered an important component of ODA and a number of yen loans have included assistance for human resources development as part of the projects. Such assistance is important for promoting the partnership between Japan and India.

Between FY2004 and FY2007, 4,269 trainees from India visited Japan. During the same period, 266 specialists and 565 members of study teams were sent from Japan. Moreover, 13 Japan Overseas Cooperation Volunteers, which resumed activities after a 30-year interruption, were sent to India. The number of volunteers has increased each year, which has helped promote exchanges at the grassroots level.

##### *Assistance for Indian Institutes of Technology (IIT)*

In the "Roadmap for New Dimensions to the Strategic and Global Partnership between Japan and India", announced during Prime Minister Abe's visit to India in August 2007, both Japan and India agreed to study the possibility of cooperating to establish new Indian Institutes of Technology (IIT). Subsequently, the working group agreed that Japan would provide assistance for establishing a new school in Hyderabad, specifying five areas of cooperation; environment and energy, digital communications, design and manufacturing, nanotech and nano-science, and urban engineering. In addition to providing facilities and equipment, Japan's human resources assistance, including dispatching faculty from Japan and inviting IIT faculty and students to Japan, is expected to be an important element of the project. IIT will be one of India's major technical institutes, and working with the institutes is expected to promote human resource development and academic exchanges between Japan and India, which will further enhance the relationship between the two countries.

#### 4-3 Appropriateness of policy-making and implementation process

##### 4-3-1 Process of establishing Japan's Country Assistance Program for India

The final version of Japan's Country Assistance Program for India was approved and released in May 2006. This was the first Country Assistance Program for India. To formulate Japan's Country Assistance Program for India, a Tokyo Task Force (TT) was established. The TT consists of five people led by Professor Hideki Esho of Hosei University. As a

supporting organization for the TT, an India Task Force (IT), which includes representatives from the Embassy of Japan, the JICA, and the former JBIC, was set up in New Delhi.

First, guidelines were created for the Country Assistance Program, including the basic approach and matters that should be incorporated into the Program. At this time, explanations and discussion were conducted with the relevant organizations from the Indian side (government institutions, other donors, etc.). Based on these results, the first Country Assistance Program for India was drafted. Workshops were held in Tokyo to incorporate opinions and requests from the Tokyo side, and the draft was revised. Subsequently, discussions in India led to the final draft of the Country Assistance Program for India.

For this evaluation, interviews were conducted with Professor Hideki Esho of Hosei University, leader of the Tokyo Task Force, as well as with relevant officials in Japan's Ministry of Foreign Affairs. The interviews confirmed that the process of developing the Country Assistance Program for India, including discussions with a wide range of parties, was conducted as originally planned. At the same time, the following issues were noted for reference when revising the Country Assistance Program in the future.

The first point concerns the discussions and coordination among the relevant organizations. Discussions went comparatively well between the Government of India and other international donors such as the World Bank, the ADB, and other donors. However, a great deal of work was required to incorporate the requests of the relevant government ministries and organizations on the Japan side and to narrow down the three priority areas in the final draft. As a result, negotiations between these agencies took a long time. Generally speaking, when setting up the Country Assistance Programs, the relevant Japanese government ministries and agencies tend to request an area in which they are already working or have a great interest. As a result, the Program becomes very general. Apparently, this tendency was visible when establishing the Country Assistance Program for India, but thanks to the efforts of the relevant parties, it was possible to consolidate three priority areas. However, looking at each priority area, the impression is that, rather than using the overall objectives to define a priority area, the individual projects were aggregated to fit into the three priority areas.

The second point is the consistency of the Program with the development policies of India. The Country Assistance Program for India was first discussed in 2004. Therefore, the Program was based on the Tenth Five-year Plan, which was established in December 2002 and in effect at that time. However, due to the change in the Indian Government in the election of 2004, the original draft of the Eleventh Five-year Plan was announced at the end of 2006 and the final draft approved by the Government of India in December 2007. As a result, a new development plan was enacted on the Indian side soon after Japan announced the Country Assistance Program for India in May 2006.

However, the Japanese government regularly held meetings with the Government of India in order to accurately understand India's development needs. These meetings continued to be held even after the Country Assistance Program for India was announced at the meeting held in 2007 regarding economic cooperation between the governments of Japan and India. As a result, the two sides agreed upon the mid-term objectives for Japanese ODA to India based on the following three pillars: 1) promote economic growth by strengthening economic

relations between Japan and India, 2) reduce poverty and enhance social sector development, 3) attempt to resolve environmental, climate change, and energy issues. These three pillars of the mid-term objectives are consistent with the priority areas set out in Japan's Country Assistance Program for India and the new Five-year Plan of the Government of India.

#### 4-3-2 Discussion and coordination among relevant organizations when implementing assistance

##### *Discussion and coordination among aid organizations in Japan*

Coordination among the Japanese government agencies in India with regard to the implementation of ODA is handled primarily by the ODA Task Force in India, which members includes the Embassy of Japan, the JICA, and the Japan External Trade Organization (JETRO). The former Japan Bank for International Cooperation (JBIC) also participates from time to time. The ODA Task Force holds regular meetings approximately once every two months. In addition, apart from the ODA Task Force, an informal meeting is held every month in New Delhi. This meeting is attended by the Embassy of Japan, the JICA, JETRO, the Association for Overseas Technical Scholarship (AOTS), the New Energy and Industrial Technology Development Organization (NEDO), the Japan Foundation, and the JBIC. Moreover, a meeting is held once a month in New Delhi, and representatives from the Embassy of Japan and the 249 companies (as of January 2009) belonging to the Japan Chamber of Commerce and Industry meet to share information and exchange views. Furthermore, the three consulates general in Kolkata, Chennai, and Mumbai and the consular's office in Bangalore serve as sites for discussions between public agencies and private companies.

##### *Discussions and coordination between the central and regional governments in India*

With regard to implementing Japanese assistance to India, the Embassy of Japan, the JICA, and the Department of Economic Affairs (DEA) in the Indian Ministry of Finance handle overall financial management (finalizing the total amount of ODA, concluding yen loan contracts, etc.). In addition, a close relationship is being established between the Embassy of Japan, the JICA, and the Indian Ministry of Foreign Affairs regarding diplomatic policy. Furthermore, individual projects are implemented under the instruction of the Government of India, and relevant government ministries and agencies in New Delhi and local governments, which act as counterparts to the Embassy of Japan and the JICA, when implementing these projects. Overall, discussions and coordination between the Japanese government and local agencies regarding individual projects appear to be proceeding smoothly, and no particular issues were raised during the field interviews conducted in this study.

On the other hand, some issues were raised relating to the implementation policy for Japanese ODA. The officer of the Indian Ministry of Foreign Affairs pointed out that Japanese commitments to provide assistance were piecemeal, and a long-term commitment

is desirable rather than the single-year commitment in order to design the long-term development policies.

#### *Discussions and coordination with other donors*

India has no donor coordination framework, such as "donor meetings", that often take place in other developing countries. The central government of India has a strong sense of ownership, setting the priorities for development policies and allocating funds from donors.

In other words, international donors in India do not hold meetings to coordinate their assistance. Nevertheless, coordination among donors does exist. In fact, to a certain extent, donors with overlapping fields of activity hold discussions and coordinate their assistance. For example, in the area of infrastructure, the World Bank, the ADB, and Japan are the major donors and they frequently communicate and coordinate when implementing infrastructure development projects. The resident representatives for all three donors noted that frequent communication and coordination were taking place.

Japan is also coordinating with other donors. For example, in the health sector, Japan is using Grant Aid to eradicate polio through a project implemented by UNICEF. Moreover, Japan is providing assistance for disaster risk management programs being implemented by the UNDP. In addition, in states where Japan has little experience offering assistance, such as Bihar, Japan is about to cooperate with the World Bank and the DFID, which have been active in the region for many years.

#### 4-3-3 The priority state approach and sector-wide assistance

##### *Priority state approach*

Because India's central government has strong sense of ownership, international donors must first consult with the central government regarding the implementation of their assistance. However, in some sectors, the local government has direct authority to implement policies. Therefore, international donors work closely with these local governments when implementing projects.

Considering the roles of the central and state governments, the enormous size of the country, and the regional disparity between the rich and poor, some donors take a "priority state approach" that emphasizes certain states and provides assistance on a priority basis. Although Japan does not take the "priority state approach," yen loans traditionally have been heavily allocated to the states of West Bengal and Andhra Pradesh. According to the Embassy of Japan and JICA representatives, this is because loans for a single project last for several years, and if a certain project is successfully completed, requests are made for loans for related projects, resulting in some projects in the same region continuing for seven to eight years. This has led to the formation of a close relationship between Japan and the state governments. However, it could be said that Japan's approach differs from that of other donors, such as the World Bank and the DFID, which focus on Bihar as a "priority state".

### *Sector-wide assistance*

In recent years, a sector-wide approach is being taken in which the Government of India sets sector-wide programs in certain sectors (i.e., health and education), and the donors jointly participate in those programs. Among these programs, there is a type of assistance called common fund assistance in which donors contribute money to a pool fund rather than funding individual programs. Those funds are allocated based on discussions among the Government of India and the relevant organizations and donors. One example of programs for which sector-specific, common-fund assistance is provided is the National Rural Health Mission (NRHM) in the health sector. In addition to the funds contributed by the Government of India, international donors also contributed funds for this program. For example, funds for the Reproductive and Child Health Program are received from four donors: the World Bank, the DFID, the United Nations Population Fund (UNFPA) and the European Union (EU).

In this study, International donors in India said that assistance through such multilateral funding pools should always be considered as an option. They said that the advantages of such funds are high predictability and flexibility in project implementation, which are two elements necessary for effective implementation of projects. The common-fund framework increases predictability by ensuring a multi-year budget, and also increases the flexibility of the programs by providing funds that are not earmarked for specific purposes. At the same time, the donors emphasize the increasing need to improve budget management skills and auditing capabilities, particularly those of local governments, when utilizing a common-fund framework.

## 5. Recommendations

### *Recommendation 1: Further promote the Japan-India Partnership*

Japan regards assistance to India as one element of the “Japan-India Partnership” and has been providing assistance primarily for infrastructure development to promote economic growth. Considering the Government of India’s strong capabilities for repayment, as well as the planning and implementation of flagship projects that have a major impact on the Indian economy, Japan’s assistance for the infrastructure sector would further increase its validity in the future. Therefore, developing the relationship under the framework of "Japan-India Partnership" is the ideal approach for both countries.

### *Recommendation 2: Toward more harmonious assistance*

While Japanese ODA to India has always been consistent with India’s major development policies, the role played by the ODA has not been clearly stated in the social development strategies of the Indian Government. In other words, although Japanese ODA has been implemented in many successful projects that have greatly contributed to local communities, these projects has no structural role in Indian policies, resulting in the impression that the projects are implemented on a case-by-case basis. For this reason, Japan’s assistance should be more integrated with the policies of India and other donors.

### *Recommendation 3: Assistance for South-South cooperation*

India’s expanding role as a leader of the developing nations is increasing the country’s importance, and India’s participation in South-South cooperation is gaining attention. Japan’s assistance for India becomes more important when the achievements gained through Japanese assistance are spread to other developing nations, such as those participating in South-South cooperation. Japan should consider assisting India’s efforts towards South-South cooperation as one way to expand the scope of mutual cooperation between Japan and India.