

Japan's Action Plan for Implementing the Paris Declaration

I. Introduction

1. The adoption of the Millennium Declaration in 2000, the Monterrey Consensus in 2002 and the Report of the UN Millennium Project in 2005 have focused international attention on the importance of both aid effectiveness and aid volume. Following the adoption of the Rome Declaration on Harmonization in 2003, as well as the continuous discussion of Strategic Partnership with Africa, and the Second International Roundtable on Managing for Development Results in Marrakech in 2004, efforts to improve aid effectiveness are being mainstreamed, particularly in the field of Sub-Saharan African countries, with a focus on harmonization and alignment to national development strategies, public financial management (including aid predictability), procurement, and managing for development results. Such efforts are spreading from Africa, to Asia, Oceania, and Latin America. Japan is determined to continue to play a leadership role in supporting partner countries' efforts to improve aid effectiveness, especially in the Asian region, while redoubling its endeavours to enhance its own aid effectiveness.

2. There exist noticeable disparities between East Asia and Sub Saharan Africa: in the latter, the sizeable infusion of ODA over the past years has not brought about development outcomes comparable to those of East Asia. Against this background, there is growing awareness that Japan needs to (i) consider how to modify the Asian model of aid delivery to Sub Saharan Africa, where there exist both LDCs and post-conflict countries. In view of the increasing importance of aid to Africa and the need to achieve the MDGs, Japan will enhance its aid effectiveness by strengthening its policy formulation/implementation system.

3. Building upon its action plan announced at the Rome High Level Forum, Japan has formulated a revised action plan to implement the Paris Declaration.

II. Basic Position on Implementing the Paris Declaration

In implementing the Paris Declaration, Japan attaches importance to the following points:

1. Ownership is the basis for partner country-led aid effectiveness. Partnership between the partner country and donors is crucial for improving aid effectiveness;
2. Capacity development is essential to ensure ownership and leadership of the partner country;
3. Donors must align their assistance with the national development strategies of the partner country including PRS;

4. Partner countries must undertake necessary domestic reform for good governance (e.g. public financial management reform);
5. Japan's aid implementation system should be further strengthened;
6. In the efforts to raise aid effectiveness, the following must be pursued:
 - Provide best efforts in accordance with the basic principles of the Rome Declaration (i.e., respect for national ownership, country-based approaches, and respect for the diversity of aid modalities);
 - Produce tangible results, through the employment of steady and practical approaches (e.g., cost-benefit approaches, etc);
 - Take a comprehensive approach to eliminate various impediments to improved aid effectiveness;
 - Share good practices widely across partners and other donors.

III. Concrete Actions

Japan will give priorities to the following in implementing the Paris Declaration:

1. Enhancing Alignment of Japan's ODA with Partner Countries' National Development Strategies

Donors should align their aid with partner countries' national development strategies and budget systems, as this is the most fundamental element of respect for the ownership of partner countries. Since Program-based approaches (PBAs) are an effective means to facilitate this process, Japan will deepen and expand its involvement in PBAs in target partner countries, and also expand PBAs to other partner countries. In this process, Japan will attach importance to the following:

- (1) Formulating flexible PBAs that are relevant to the existing capacity of respective partner countries.
- (2) Developing respective partner countries' capacity which enables them to analyze, design and implement PBAs by themselves.
- (3) Maximizing aid effectiveness of PBAs through combining various aid modalities as appropriate (project aid and non-project aid including budget support and pooling arrangements); ["complementarity of aid modalities"].
- (4) Integrating "Managing for development results" into PBA management.

[Concrete Actions]

[Action 1] Japan is committed to further involvement in PBAs by:

1. Actively participating in upstream country/sectoral analytic work mainly in target partner countries. Then, based on thorough discussion with other donors: identifying target sectors/sub-sectors, in which Japan has comparative advantages, and further participating in those PBAs, particularly in target partner countries. Japan is willing to assist partner countries in exercising ownership/leadership in managing PBAs;
2. Participating in joint arrangements such as a declaration and a Memorandum of Understanding (MOUs), which can serve as a good basis for pro-active donor coordination;
3. Maximizing aid effectiveness by flexibly combining the strengths of various aid

modalities to meet the needs of respective partner countries (e.g. complementarity with other donors as well as combination of Japan's own aid instruments such as ODA Loans/Grant aid, and project/non-project aid);

4. Participating in joint arrangements such as joint diagnostic work, joint reviews, and joint missions, which are undertaken under the framework of PBAs, and
5. Facilitating information sharing of Japan's country assistance programs and the results of policy dialogue with partner countries and other donors.

2. Capacity Development

Capacity development is essential to enable partner countries to fully exercise their ownership as well as set their own visions for development, to prioritize actions, to implement development projects and evaluation, to sustain the output, and to respond to changing situations. For effective capacity development, partner countries and donors must undertake the following:

[Partner countries] Undertake diagnostic work on needs for capacity development along with public administration reform such as civil service reform, which is a pre-requisite for sustainable capacity development.

[Donors] Take a more effective approach for capacity development, for example, (i) ensuring that project designing, implementation and monitoring and evaluation stages are led by the partner country, (ii) utilizing local skills and knowledge, and (iii) supporting South-South cooperation and regional cooperation.

[Concrete Actions]

[Action 2] Japan will further mainstream capacity development in each stage of a project/program cycle such as (i) country/sector analysis, (ii) planning of country assistance programs, (iii) formulation and designing of projects/programs, (iv) implementation, and (v) monitoring and evaluation.

[Action 3] Japan will support partner countries to conduct diagnostic work on their needs for capacity development.

[Action 4] Japan will support South-South cooperation and regional cooperation where such cooperation is effective, and continue dialogue with non-DAC donors.

In pursuing these actions, Japan will make full use of available ICT facilities such as JICA-NET and the Tokyo Distance Learning Center (TDLC) managed by the World Bank.

3. Public Financial Management

Sound public financial management (PFM) is essential for partner countries to achieve effective resource allocation (including ODA) under their national development strategies/poverty reduction strategies. However, it is not always easy for most

partner countries to establish sound PFM due to their capacity constraints. Therefore, Japan will employ various resources to support those countries which are undertaking PFM reforms.

Another essential element for sound PFM is the predictability of aid flows, which enables the partner country to improve PFM from the mid-term perspective. Typically, this applies to countries with high aid dependency such as those in Sub-Saharan Africa. Japan considers that aid predictability can be classified into three levels: (i) **macro level** (information sharing possibly on multi-year aid flows, both on total and/or sector flows, (ii) **meso level** (information sharing on multi-year operational aid plan for individual partner countries), and (iii) **micro level** (information sharing on individual projects). Japan will improve aid predictability steadily at each level by employing practical approaches which contribute to the establishment of sound PFM in partner countries.

[Concrete Actions]

[Action 5] Japan will assist partner countries in undertaking PFM reform, for example, through support to their capacity development and a more active participation in CFAA (country financial accountability assessment) of the World Bank and diagnostic work led by PEFA (public expenditure and financial accountability).

[Action 6] Japan will make efforts to improve the predictability of aid flows at the following levels:

1. **Macro level:** Sharing information possibly on multi-year aid flows from Japan to partner countries on total and/or sector flows, (Consultative group meetings can be used for this purpose);
2. **Meso level:** Sharing information on multi-year operational aid plan (or so-called, rolling plan) for individual partner countries;
3. **Micro level:** Sharing information on the indicative budget of individual projects, of which project agreement documents are already signed, in a timely and systematic manner.

Japan will take concrete actions, making full use of knowledge and skills accumulated in the relevant agencies including the Ministry of Finance.

4. Untying

[Concrete Actions]

[Action 7] Japan will continue to implement the DAC Recommendation on Untying of ODA to LDCs.

5. Rationalizing Aid Procedures

In some partner countries, various efforts to rationalize aid procedures are underway.

Japan welcomes these efforts as they will lead to cost reduction for partner countries.

From this viewpoint, Japan will actively participate in the assistance to these efforts. At the same time, Japan will do its best to reduce transaction costs associated with its own operational procedures.

[Concrete Actions]

[Action 8] Japan will make continuous efforts to enhance aid effectiveness in ODA loans by harmonizing procedures with other development banks (e.g. the World Bank and the Asian Development Bank, etc.) in the areas of procurement and public financial management.

[Action 9] Japan will make efforts to rationalize aid procedures in grant aid.

[Action 10] Japan will actively support the capacity development of partner countries in such areas as procurement, financial management, auditing, monitoring and reporting with priority going to those countries which meet certain criteria.

[Action 11] Japan will make efforts to reduce the number of bilateral meetings with partner countries and missions by:

1. Further promoting information sharing on (i) reference documents produced by partner countries and other donors (bilaterals and multilaterals) as well as on (ii) the results of past missions which had similar objectives on terms of reference (TORs), and
2. Combining multiple missions, which have similar objectives or TORs, with other donors.

In partner countries where efforts of harmonization and simplification are underway on a multilateral basis, Japan will join those discussions and explore the possibility of harmonizing its procedures, bearing in mind cost-effectiveness

6. Managing for Development Results

To utilize ODA effectively and efficiently and achieve the Millennium Development Goals (MDGs), partner countries should take the following measures:

- Set forth and prioritize targets clearly in national development strategies including PRS,
- Develop a PFM framework in a coherent manner with national development strategies including PRS,
- Establish an effective monitoring framework, and
- Enhance the linkage between the above three measures.

Japan considers it important to incorporate “Managing for Development Results” into its aid management system in a step-by-step manner, through experience sharing with partner countries and other donors.

[Concrete Actions]

[Action 12] Japan will introduce results-based country programming into its country assistance programs in a step-by-step manner, including through experience sharing with other donors.

[Action 13] Japan will strengthen its review of ODA delivery at the country level, aligning with the result-based monitoring framework in each partner country.

(NOTE) In the above process, the indicator system developed in the negotiation process of the IDA Replenishment (IDA14) in 2004 can be utilized. It consists of fourteen indicators in the economic, health and education sectors.

7. Enhancing Planning and Implementation Framework of Japan's ODA

[Concrete Actions]

[Action 14] Japan will strive to enhance the effectiveness of its ODA planning and implementation by:

1. Improving the efficiency of operations at both the headquarters and the field level through, for example, reviewing and rationalizing operational procedures.
2. Enhancing the function of field missions through (i) strengthening functions of field offices in accordance with Japan's Medium-term ODA Policy, and on-going efforts made by JBIC and JIC, and (ii) assignment of staff who have enough professional knowledge and communication skills to participate actively in local donor community discussion particularly in target partner countries.

IV. Monitoring and Evaluation

In the Post-Paris process, Japan will monitor annually its own progress in the implementation of this action plan (i.e. implementation of the Paris Declaration) and share its results with partner countries and other donors.

[END]