

## Chapter 5 Evolution of International Development Assistance Regime—Harmonization of Aid Policies among Major Donors and Its Structure

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### 1. Framework of Analyzing International Development Assistance Regime

#### (1) Analytical Framework

In recent years, the provision of development assistance and economic support based on the common objectives and purposes of the international community has increased. Such assistance and support were provided after reaching a consensus on policy direction and areas of focus. The ultimate form of this is a method called the “common pool (basket),” in which donor countries pool their money and decide, through discussions among donors, how that money is to be used. In the area of international studies, this framework for providing assistance and financial support is called an “international institution” or “international regime.” A regime is defined as a system of principles, norms, and rules in a subject area.<sup>1</sup>

At present, the common pool method is only partially established. As will be mentioned later, however, the Poverty Reduction Strategy (PRS) regime, which centers around a framework for canceling and reducing the debt of highly indebted poor countries (HIPCs), definitely contains the elements of an “international institution.”

In the following, I will summarize the structures and dynamics of international institutions and regimes in the areas of development assistance and financial support.

#### (2) Definition and Scope of International Development Assistance Regime

As is widely known, current development assistance is roughly divided into gratuitous aid (provided in the form of grants) and concessional loans (financial assistance in the form of low-interest, long-term repayment), which fall under official development assistance (ODA). For the purpose of this chapter, “international development assistance regime” shall cover

both these types of assistance. Organizations that give aid and provide loans are divided into multilateral donors, such as the World Bank and UN-related organizations, and bilateral donors.

In the following, I will focus on regimes that were established on the specific development ideas and approaches of certain international organizations (particularly the World Bank) that influence other donors and lead to the formation of common norms and rules on which both multilateral and bilateral donors give assistance and provide loans.

The major questions regarding such regimes are (1) were the international regimes (or the norms and rules) that bind major multilateral and bilateral donors really established to provide aid and financial support; (2) to what extent are they binding, e.g., do bilateral donors also need to comply with them; and (3) among the many entities, are there any donors that give aid and provide loans based on different norms and rules?

In short, although the regime upheld by the World Bank currently exerts wide-ranging influence (in this chapter, as will be described later, the regime is called “the structural adjustment regime,” and the PRS regime is deemed as an extension of this regime), it did not strongly bind all actors at the initial stage.

Especially in the period immediately following World War II, the United States independently gave a large amount of aid in accordance to its unilateral diplomatic and strategic interests. The World Bank was just one of major multilateral and bilateral donors. Subsequently, other developed countries expanded their assistance as well, and while the World Bank remained one of the major donors, it played a central role as an international organization. Although developed countries, including Japan, began to align more of their assistance to developing countries through such organizations as the United Nations and OECD’s Development Assistance Committee (DAC), they basically gave assistance with their own national interests in mind.

It was mainly after the 1980s that international assistance and loans based on certain common norms and rules began to expand, as represented by the so-called structural adjustment loans (SALs) that were provided by the World Bank and the IMF (International Monetary Fund). It should be noted that not all donors followed the norms and rules from the very beginning. The scope in which the norms and rules are applied

gradually expanded up to the present. In this sense, it can be said that the international development assistance led by the World Bank gradually shifted from a loosely knit system to a strongly binding regime.

### (3) Evolution and Institutionalization of International Development Assistance Regime

It was after the end of World War II that international development assistance became a global issue. Following the end of the war, many colonized countries became independent, marking the start of international development assistance. The subsequent history of international development assistance is generally divided into several ten-year periods.<sup>2</sup>

In this chapter, space does not permit a detailed discussion on the characteristics of these periods. Instead, an outline of each period is given in Table 1. This table summarizes the changes and evolution of international development assistance regime from the pre-regime period through the establishment of the structural adjustment regime and PRS regime, in terms of degree of development; major actors; and principles, norms, and rules.

Table 1: Evolution of International Development Assistance Regime

Period	Degree of development	Major actors	Principles, norms, and rules
(1) 1945–1960	Establishment of an international development assistance regime	United States Secondary: The World Bank	Restoration of the capitalist world economy
(2) 1960s	Expansion of the number of developing countries. Improvement in the aid bureaucracy of	U.S., UN, World Bank, and DAC Secondary: Other bilateral donors	Recognition of the North-South issue and the responsibilities of developed countries for the South

	each donor		
(3) 1970s	Changes in the world economic system, Search for desirable international development assistance regime	U.S., UN, World Bank, DAC, and G-77 (group of developing countries)	North-South conflict (demands for the new international economic order (NIEO)), Focus on basic human needs (BHN)
(4) 1980s	Establishment of a structural adjustment regime (partial)	World Bank, IMF, UN, and major bilateral donors (particularly G-7)	Liberal structural reforms, Conditionality
(5) 1990s	Global expansion of the structural adjustment regime, Joint responses to global challenges	World Bank, IMF, UN, and major bilateral donors (particularly G-7)	Structural reforms (market mechanism and open economic system), Conditionality, Common values (democratization, the environment, etc.)
(6) 2000 and later	Establishment of the PRS regime (as an expansion of the structural adjustment regime to cover social issues) Joint responses to global challenges (increasing	Partnership led by the World Bank and the United Nations, major bilateral donors (particularly G-8) Secondary: NGOs and governments of developing countries	Importance of poverty reduction and governance, Linkage between reform efforts and aid, Common values and procedures (increasing partnership)

	partnership)		
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Note: Created by the author

## 2. Global System and Regional Arrangements

### (1) Uneven Regional Distribution of Developing Countries

Developing countries in all regions face development problems, but there is an uneven regional distribution of developing countries. Table 2 classifies countries by per capita GNP and shows the number of countries in each region that belong to each income category.

According to the table, DAC member countries (the United States, Canada, Japan, Australia, New Zealand, other Western European countries, etc.) naturally belong to the high-income group while many countries in Africa as well as in Southwest, Central, and Southeast Asian regions belong to the low-income group. Africa in particular has a large number of low-income countries. Many of these countries are HIPCs and expected to elaborate their Poverty Reduction Strategy Papers (PRSPs).

Thus, low-income countries exist in all regions, but each regional group of these countries has its own characteristics.

Table 2: Number of Countries in Each Region Classified by Income Level (Based on Per Capita GNP) (Excluding DAC Member Countries)

Income level	Eastern Europe	Central and South America	Sub-Saharan Africa	Middle East and North Africa	Southwest and Central Asia	East Asia
High (\$9,266 and over)	1	0	0	4	0	2
Upper-middle (\$2,955 and over)	7	15	5	2	0	3

Lower-middle	8	12	5	9	3	3
Low (\$755 and under)	1 <sup>1</sup>	2 <sup>2</sup>	35	1 <sup>3</sup>	12	7

Notes:

1. Moldova
2. Nicaragua and Haiti
3. Yemen

*Source:* Created by the author based on the Ministry of Foreign Affairs' *ODA Country Data Book 2001* and the *World Bank Atlas*.

## (2) Uneven Regional Distribution of ODA

As for the regional distribution of ODA by major donors, each donor gives more assistance to some regions than to others. For example, the United Kingdom and France give more support to Africa as bilateral donors, while Japan puts an overwhelming amount of focus on providing assistance to Asia. Although the United States seemingly gives assistance evenly around the world (to the Middle East, Central and South America, and Africa), it extends special support to countries that it deems important to it. The EU, which is a regional organization in Europe, provides most of its assistance to Africa and Eastern Europe.

Regarding assistance from international organizations, the World Bank (specifically, the IBRD) focuses on Central and South America, and the International Development Association (IDA), which is a concessional financing facility of the World Bank, gives its support mainly to Africa and South Asia. Thus, even these global organizations do not give equal assistance to all regions.

MDBs (multilateral development banks) contain regional development banks (RDBs). In order to give assistance tailored to local needs, the Asian Development Bank (ADB), the Inter-American Development Bank (IDB), and the African Development Bank (AfDB) were established in their respective regions in the 1960s. Subsequently, in 1990, the European Bank for Reconstruction and Development (EBRD) was established to provide loans and extend technical assistance to Eastern Europe and the Commonwealth

of Independent States (CIS) on a quasi-commercial basis. These RDBs play a supplementary role in cooperation with the World Bank, taking advantage of regional strengths.

Table 3 ranks major donors in each region by ODA amount. It proves that donors provide development assistance unevenly. It is particularly interesting that the amount of financial support extended by RDBs to the three major regions (Asia, Africa, and Central and South America) is almost half that provided by the IDA to each of the regions. There are no official documents or statements that explain the reason for this, but it may be because the major member countries of the World Bank (the G-5 in particular) have implicitly agreed that the World Bank will play a central role among MDBs and that RDBs will play only a supplementary role in each region.

Table 3: Major Donors in Each Region (Including Both Multilateral and Bilateral Donors)

	Eastern Europe	Central and South America	Sub-Saharan Africa	Middle East and North Africa	Southwest and Central Asia	East Asia
Rank 1	U.S.–860	U.S.–1,238	EU–1,454	U.S.–2,151	Japan–1,430	Japan–5,253
Rank 2	EU–819	Japan–814	France–1,415	France–801	IDA–1,294	IDA–610
Rank 3	IDA–233	EU–552	U.S.–1,269	EU–745	U.S.–640	Germany–512
Rank 4	Germany–213	IDA–423	IDA–1,048	Japan–544	ADB–615	U.S.–498
Reference	EBRD–13	IDB–224	AfDB–437	IDA–161	EU–323	ADB–329

Note: The figures represent the net disbursement (in millions of dollars).

Source: *ODA Country Data Book 2001*, Ministry of Foreign Affairs.

### (3) Global Sub-regimes and Their Regional Characteristics

What changes were made to development assistance regime as global issues became conspicuous in the 1990s (including the transition to a market economy, democratization, post-conflict reconstruction, and global environmental protection)?

In addition to the issues above, there have been many global development challenges since the 1990s, and it cannot be denied that the international community, led

by international organizations represented by the World Bank and the United Nations, has increased its joint response to these issues. In recent years, this move to “global governance” has been studied in various researches.

It should be noted that while the movement toward global governance is generally observed in the area of international development, sub-regimes are being formed to deal with specific issues. Sub-regimes to address important issues are formed and upheld by international organizations with the involvement of many national governments and NGOs. Such sub-regimes include the following arrangements: agreements made at the sessions of the Conference of the Parties to the United Nations Framework Convention on Climate Change; efforts to rationally merge the interests of each entity into public objectives, as done by the World Bank’s Carbon Fund; a movement to coordinate each country’s assistance policies based on common values and norms, such as democratization, the protection of human rights, and the prevention of corruption; and the establishment of international frameworks for supporting countries in post-conflict reconstruction such as those for Cambodia, East Timor and Afghanistan. Also, it can be thought that there are regimes that vertically or horizontally link the international development issue with other issues. The strengthened linkage between economic assistance and democratization or economic aid and arms control represents a regime that horizontally links multiple issues. Chart 4 shows the relationship between different regimes.

Chart 4: Global Governance and Relationships between Different Regimes for International Development Assistance

Global governance

International development assistance regime

Structural adjustment regime/PRS regime

Other sub-regimes

Note: Created by the author

It should be discussed here whether the sub-regimes have regional



characteristics or not. Concerning democratization and market mechanisms, some argue that there is an Asian-style democracy vs. European-style democracy, and an Anglo-Saxon capitalism vs. Continental European capitalism. These arguments, however, are not accepted as orthodoxy, and it would be better to think that sub-regimes exist as cross-regional global regimes to deal with individual issue areas.

### 3. Dynamics of the Structural Adjustment Regime and PRS Regime

As shown in chart 4, the structural adjustment regime is a typical sub-regime in the area of international development assistance. It is not an exaggeration to say that this regime has exerted the widest influence to the policies of donors. In the following, the structural adjustment regime and PRS regime, which was recently developed, will be examined.

#### (1) Structural Adjustment Regime and PRS Regime

##### 1) Structural Adjustment Regime

The 1980s represent a period in which the World Bank once again attributed importance to neoclassical approaches and established a framework for “structural adjustment”. During this period, the norms and rules of international development assistance (particularly loans) that were formulated mainly by the World Bank and the IMF began to strongly bind other bilateral donors and the flow of private capital, thereby strengthening themselves as a regime.

In the 1980s, a framework for SALs was established mainly by the World Bank and the IMF, and the role and influence of these loans expanded with the globalization of the economy. It can be said that economic globalization is the largest factor that contributed to the expansion. The expansion itself, however, was directly triggered by the problem of developing countries accumulating debt.

The World Bank and the IMF, in response to the debt problem, began providing SALs. Structural adjustment here refers to a comprehensive program for economic reforms, including the management of the macro-economy and various economic policies. The two organizations deemed the program necessary when they realized that short-term responses, including new loans and debt rescheduling, to the debt problem would not solve

it on a long-term basis. They believed that the indebted developing countries themselves had to improve their own economic structures and policies.<sup>3</sup>

In formulating a framework for international support in which international organizations serve as coordinators, G-7 or G-5 countries (the United States, the United Kingdom, France, Germany, and Japan) frequently held meetings, where many major decisions were made.<sup>4</sup> The World Bank and the IMF, have each unique characteristics, but important decisions are normally made by their boards of directors, with countries having greater investment shares in the organizations having more power in the decision-making process. Therefore, the United States and other G-5 (or G-7) countries have greater influence within international organizations. In this sense, it can be said that the structural adjustment regime upheld by the World Bank and the IMF was actually upheld by G-5 or G-7 countries.

## 2) PRS Regime

By the end of 1990s, debt cancellation campaigns for HIPC's led by European and U.S. NGOs, represented by Jubilee 2000, began to be internationally recognized. As a result, major developed countries decided to cancel all HIPC's ODA and non-ODA debts at the G-8 Summits held in Cologne, Germany, in 1999 and in Kyushu and Okinawa in 2000. After various discussions, however, it was eventually decided that the governments of developing countries should each prepare a PRSP and have the paper approved by the World Bank and the IMF as a *de facto* condition for their debt cancellation.<sup>5</sup>

The PRS framework is significant in that it further expands the traditional framework for structural adjustment. Under this framework, developing countries have to not only reform their macroeconomic management, as is customary, but also have their poverty reduction and social development policies examined by international organizations before being granted aid and/or loan or having their debts reduced by the World Bank and the IMF. The framework that is upheld by the World Bank and the IMF for supporting developing countries thereby became even more widely influential to the socio-economic policies of developing countries. The structural adjustment conditionalities imposed by the World Bank and the IMF were criticized, and the "ownership" of developing countries

began to be emphasized. The framework, however, is seen as continuing its role as a source of “*de facto*” conditions.<sup>6</sup>

In the course of formulating this framework, the World Bank and the IMF seemed to have increased the importance of their roles.<sup>7</sup> In fact, for individual development sectors, working-group meetings in which donors participate are frequently held locally in countries receiving development assistance. Under the Consultative Group (CG) meetings led by the World Bank, local meetings began to be held more routinely in specific sectors. (This approach is called the “sector-wide approach (SWAP)” or “sector program approach.”) For certain sectors, some donors (notably Japan) seem to be negative about this approach because they are cautious of being incorporated into the international (multilateral) framework. This partnership approach, however, is being increasingly reinforced.

## (2) Factors Contributing to the Shift from the Structural Adjustment Regime to the PRS Regime

At the end of the 1990s, the structural adjustment regime was changed (or strengthened in a sense) to the PRS regime. What background and factors contributed to this shift?

Economic globalization did not generally exert as much influence at the end of the 1990s as it did in the 1980s, when the structural adjustment regime was established. At the time the PRS regime was established, there were structural accumulated debt problems in many developing countries, particularly African countries, and in some extreme cases drastic debt reduction and cancellation became necessary in accordance with an increase in the number of countries that could not pay even the interest of their loans. However, these problems existed throughout the 1990s, and they were nothing new. Developed countries basically agreed to reduce or cancel HIPC’s debts at the G-8 Summit held in Cologne in 2002 as a result of international debt cancellation campaigns conducted for several years led by such international NGOs as Jubilee 2000. In a sense, it can be said that the rise in the awareness of international norms for supporting poor countries contributed to the development of the PRS regime.<sup>8</sup>

The PRS framework, however, was not what the NGOs, including Jubilee 2000, intended to create. The PRS framework was established through the harmonization and

cooperation among donor countries and international organizations, based on the recognition of the following premise: to reduce or cancel the debts of developing countries, donors need to monitor the economic management and poverty reduction policies (mainly in the areas of education and medical health) of those developing countries more strictly and assist them in a manner that ensures their improvement. Japan fell behind other major developed countries in harmonizing assistance policies of debt cancellation. It was only after the PRS increased its role as an international regime that Japan realized the necessity of fitting its policies for the new regime and began moving in step with other developed countries.<sup>9</sup>

Under these circumstances, the World Bank and the IMF were regarded as organizations through which major developed countries jointly deal with the problem and examine and monitor the policies of developing countries to increase development effects of their aid.

Table 5: Comparison of Factors Contributing to the Establishment of the Structural Adjustment Regime and the PRS Regime

Contributing factor	Structural adjustment regime	PRS regime
Economic globalization	(Important background factor)	
Strengthened international norms	(Norms in the area of international finance)	(Norms of major donors)
Convergence of the interests of major developed countries	(New regime)	(Expanded regime)
Organizational Inertia and institutional momentum	x	
Rationale of increasing development effects		

Note: : largest factor; : important factor; : partial factor; and x : weak factor

In other words, the establishment of the PRS regime was not due mainly to economic globalization or as a direct result of a strengthening of international norms for the reduction and cancellation of HIPC's debts but by the consensus among major developed countries, which had common interests regarding assistance and loans to developing countries as creditor countries. Also, the organizational inertia and institutional momentum of the structural adjustment regime contributed to the establishment of the PRS regime, because the PRS framework was built on the existing structural adjustment framework and was an expansion of the framework for covering issues in the social development sector and was modified to give more "ownership" to developing countries. Furthermore, the rationale of increasing development effects supported the establishment of the PRS regime because joint examination and monitoring were desired to make donors' aid more effective.

Table 5 outlines and compares factors contributing to the establishment of the structural adjustment regime and PRS regime.

### (3) Expanded Scope of Influence Exerted by the Regime

Numeric figures are useful to show the scope of influence exerted by the structural adjustment regime. Table 6 clearly shows the increase in the number of countries targeted for SALs and PRSPs. Specifically, it is clear from the table that the ratio of countries receiving SALs (including sector adjustment loans) to countries receiving any loans from the IBRD and the IDA began to rise from the latter half of the 1980s.

According to a report made by the World Bank, as many as 51 countries received SALs from the World Bank from 1980 to 1993.<sup>10</sup> Table 6 shows that the number of countries qualified for loans from the World Bank (IBRD and/or IDA) is around 60, which means that an extremely large number of them are receiving SALs. Among major developing countries, only Guatemala and Paraguay in Central and South America, respectively, and China and Malaysia in Asia have never received SALs. Most countries in Africa have received SALs, and a few have not, mostly because of confusion in their political and economic situations, which caused the loans to be suspended.

For PRSPs, not only HIPC's qualified for debt reduction (49 countries in total as of 2001) but also all countries receiving loans from the IDA are now obliged to submit PRSPs.

PRSPs may be interim PRSPs instead of full PRSPs, but no loans or grants will be given unless the board of directors of the World Bank and that of the IMF approve the PRSPs. In this point, the approval of PRSPs continues to be a *de facto* condition for receiving development assistance.

As shown in table 6, 134 developing countries are members of the IDA as of the end of June 2002, of which 66 are qualified for IDA loans. All developing countries that are members of the IDA and applying for the IDA loans are required to submit full or interim PRSPs and have them approved by the board of directors of the World Bank and that of the IMF. According to the World Bank's data, 12 countries submitted full PRSPs and 44 submitted interim PRSPs as of April 2002, bringing the total number of countries that submitted PRSPs to 56. This number is close to that of countries qualified for receiving loans from the IBRD and/or the IDA.<sup>11</sup> Also, this number exceeds that of countries that received SALs. This implies that the introduction of PRSPs contributed to an increase in the number of countries actually engaging in economic and social policy reforms for poverty reduction.

Table 6: Number and Scope of Countries Targeted for SALs/PRSPs

Year	Number of countries receiving SALs	Number of countries receiving loans from the IBRD/IDA	Number of countries qualified for receiving loans from the IBRD/IDA	Number of developing countries that joined the IDA (Part II IDA member countries)	Number of developing countries and regions approved by the DAC
1982	15	45/41	?/?	103	122
1987	37	42/44	?/48	107	134
1992	31	43/50	?/56	121	162
1997	35	42/50	61/63	132	161*

2002	39	40/53	65/66 (56)**	137	157
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\*Excluding countries in transition

\*\*Number of countries that submitted PRSPs

Note: The author created this chart based on the *World Bank Annual Reports*. The data concerning PRSPs is based on the data obtained from the World Bank's website, and the number of developing countries and regions approved by the DAC is based on the DAC data.

In connection with Table 6, chart 7 illustrates for comparison the total number of countries in the world as well as the numbers of developing countries and countries covered by the structural adjustment regime and PRS regime in 1982 and 2000 respectively, in order to clearly show the expansion of these regimes.

#### Chart 7: Expanded Scopes of the Structural Adjustment Regime and PRS Regime

1982

Total number of countries in the world: 180

Number of developing countries: 122

Number of countries covered by the structural adjustment regime and PRS regime: 15

2002

Total number of countries in the world: 190

Number of developing countries: 163

Number of countries covered by the structural adjustment regime and PRS regime: 62

#### 4. Conclusion and Summary—Possibility of Common Pools and Regional Arrangements, and Japan's Options

##### (1) Possible Changes in the Regime Structure

The PRS regime is maintained because major donors in addition to the World Bank and the IMF support it. The United Kingdom and Scandinavian countries in particular support this

partnership regime. Some explain that this is because this regime allows Scandinavian countries to have a greater voice in decisions on development aid despite the relatively small amount of money they contributed. On the other hand, it is said that Japan does not positively support the regime because the country cannot exert enough influence over decisions under the regime despite the large amount of money it provided.

The United States, on the other hand, has been the largest supporter of the structural adjustment framework established by the World Bank and the IMF. Some argue that the federal government (Department of Finance) does this for its own interests, reflecting the interests of Wall Street (financial industry) and recognizing the importance of conditions imposed by the World Bank and the IMF for the globalization of the open economic system, which is also the interest of the U.S. business community. This argument is very persuasive in explaining U.S. policies concerning the World Bank and the IMF.<sup>12</sup> Will the United States' stance, however, remain the same under the PRS regime? So far, the United States has promoted PRSPs in its pursuit of efficiency- and result-oriented assistance. After all, the assistance regime of developed countries, which is supervised by the World Bank and the IMF, most strongly coincides with the views of the United States, which is the largest shareholder of the World Bank and the IMF.

## (2) Possibility of Common Pools

The PRS regime, if well established, could develop into a common pool (basket) method. Based on this method, donor countries pool their money and decide, through discussions with partner countries, how that money is to be used in terms of aid programs as well as the partner countries' development policies as a whole.<sup>13</sup>

This totally multilateral framework has already been partially established in certain countries. If this framework would expand, an almost ideal global governance system would be established in the development arena.

Bilateral donors that provide large sums of money to developing countries, however, are still eager to pursue their own national interests through their own assistance policies and have not reached consensus on the establishment of such a totally multilateral framework. They are now in the process of increasing dialogue concerning this issue.



As outlined in table 5, this chapter explains the establishment and evolution of the structural adjustment regime and PRS regime based on the “convergence of interests among donors” hypothesis. Those regimes were established and developed because the interests of developed countries converged in a wider range of aspects due to changes in the international environment, including the expansion of the debt problem and the globalization of the world economy and emergence of other global issues.

Based on this hypothesis, it is concluded that the structural adjustment regime and PRS regime that have been developed since the 1980s will continue to develop in the future. This conclusion, however, greatly depends upon the “convergence of interests among donors” hypothesis and will change if the interests and stances of major developed countries (notably the United States and Japan) change.

### (3) Possibility of Regional Arrangements

In recent years, there have been many discussions on the restructuring of the international financial (aid) architecture upheld by the World Bank and the IMF.<sup>14</sup> The target of the restructuring includes role-sharing with the United Nations development organizations, bilateral donors and RDBs.

The discussion did not necessarily bring about specific results. One of the results partially achieved is the increasing provision of grants by the World Bank. In the IDA-13 replenishment negotiations, the United States insisted on giving 50% of the World Bank’s financial support to developing countries in the form of grants, but other countries, including France and Japan, strongly resisted this idea, and it was finally decided to give 20% of the financial support in the form of grants.<sup>15</sup> This issue is related to the argument that it is not necessary to provide concessional loans to developing countries that have relatively high income, particularly middle-income countries in Asia and South America, and that private capital can flow into. These arguments have a great influence over Japan, which is a bilateral donor that is offering the largest concessional loans (in yen).

As for discussions on the reform of MDBs, it is argued that the World Bank needs to focus on Africa, which has many poor countries (and should integrate AfDB) and allow the IDB and the ADB to play central roles in Latin America and Asia, respectively. In these

areas, the World Bank should serve as the coordinator for global partnership for assistance. These changes, however, have yet to be made. The United States has a strong intention of maintaining its influential power over the world through the World Bank and does not expect RDBs (notably ADB) to have a greater role. Therefore, for the time being the global assistance regime through the World Bank and the IMF will continue to be maintained.

Concerning international development assistance, each region has multiple leading donors under a partnership system. As shown in Table 3, the leading and major donors differ by region. The present situation is outlined in Table 8 below. The situation has remained practically unchanged for the past 20 years, and if there are some changes in the future they might be made in the following way.

In Asia, as mentioned above, the future situation depends upon whether it is eventually deemed necessary to offer concessional loans to developing countries with a relatively high income. If it is deemed unnecessary, the role that Japan plays in providing assistance to Asia will diminish. In fact, it seems that Yen loan from Japan has already diminished in importance, despite opposition from JBIC(Japan Bank for International Cooperation).

There are still a lot of poor countries in Africa, and providing development aid to these countries will remain important in the future. Europe will continue to be a central player in supporting African countries. In order to reduce its own burdens and improve the efficiency of providing assistance, the United States may promote the provision of the World Bank's assistance in the form of grants and the integration of the AfDB into the IDA.

In Central and South America, the assistance led by the United States will remain unchanged, but it is uncertain to what degree the EU will get involved with Central and South America.

An international support arrangement for Eastern Europe (including the former Soviet Union) was established recently in the 1990s and will continue for the time being.

Table 8: Leading and Major Donors in Each Region

Region	Leading Donor	Other major donors
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Asia	Japan	World Bank and ADB
Africa	EU, France, and U.K.	United States, IDA, and AfDB
Central and South America	U.S.	IDA and IDB (EU)
Eastern Europe (including former Soviet Union)	EU	EBRD and IDA (U.S.)

Note: Created by the author

#### (4) Options that Japan Can Have

Given the present status and future possibilities of international development assistance regimes, what options does Japan have and how should it respond? Arguments could be offered from a variety of standpoints, but the key issues are as follows:

How far can partnership regimes (typified by the PRS regime) be undertaken jointly as a global framework? Should Japan adopt a “common pool” approach or follow an independent course?

Should Japan focus on Asia or emphasize support of impoverished nations, including those in Africa? This issue also entails a choice of priorities: loan assistance to middle-income countries or grant assistance to impoverished countries.

These two are extremely serious issues for Japan. In this chapter, I have provided important hints to Japan’s options for these issues. My view and policy recommendations are argued in chapter 1 (pp.13-14).

- Footnotes -

1. For discussions on international regimes, refer to the following: Stephan D. Krasner, (ed.), *International Regimes*, Cornell University Press: Ithaca, 1983
2. According to a paper on the historical evolution of international development assistance written by Juichi Inada (Inada, Osaki, Kozaki, and Muroi) *Kokusai Kaihatsu-no Chiiki Hikaku* (Regional comparison of international development) (Chuokezai-sha Inc., 2000): Chapter 1
3. For the history of structural adjustment loans, refer to the following: Moha, Brown,

- Milward, Zack-Williams, A. (eds.), *Structural Adjustment: Theory, Practice and Impacts*, Routledge, 2000.
4. The Paris Club is another forum in which the policies of creditor countries are coordinated. As of 2003, 19 countries participate in the forum. Also, Consultative Group (CG) meetings, led by the World Bank have long been institutionally held as a forum where major donors consult with each other.
  5. IDA and IMF, *Review of the Poverty Reduction Strategy Paper (PRSP) Approach: Early Experience with Interim PRSPs and Full PRSPs*, March 2002 and other documents
  6. A paper on the significance and challenges of the PRSP regime was written and reported by Toru Yanagihara to the Japan Society for International Development on October 30, 2002
  7. Refer to the following: Jessica Einhorn, "The World Bank's Mission Creep," *Foreign Affairs*, Sept.–Oct. 2001.
  8. A paper written and reported by Mitsuhiro Utagawa to the Japan Association of International Relations in November 2002 summarizes the process in which the Jubilee 2000 campaign led to the initiative of the international community for HIPC's.
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