

## **Sustainable Development and International Development Cooperation Memo 8**

### **Part 2: SD and Development Policy in Developing Countries**

#### **0. Discussion on Environment and Development**

Environment and Development: Environmental Kuznets Curve

Development and Poverty: Direct root or Indirect root (source of growth)

Poverty and Inequality (Gap, Disparity)

Development and Inequality: Kuznets Curve

(Development and Growth)

Vicious cycle of poverty → vicious cycle between poverty and environment

Poverty Trap: vicious cycle between income growth and population growth

Big Push: Economic strategy to initiate or accelerate economic growth by large scale investments.

Trickle Down: Economic Growth would automatically bring benefit to the mass.

2 Sector Development model: Lewis model, surplus labor, traditional sector and modern sector

< Global system or structure of international economy >

- Prebisch-Singer Thesis: The terms of trade between primary products and manufactured goods tend to deteriorate over time.

- Import Substituting Industrialization: Effort to replace major consumer imports by promoting the emergence and expansion of domestic industries (textile, shoes, and household appliances etc.).  
Protective Tariffs, Import quotas system (import permission), high exchange rate control  
India

- Export Oriented Industrialization: export promotion, industrial policy, investment incentives  
EPZ (Export Processing Zone), FTZ (Free Trade Zone)  
Taiwan 1966, S. Korea 1970, Philippines 1970, Indonesia 1970,  
Malaysia 1971, Thailand 1977, China 1979

- Trade, Investment, and ODA

< Kenya >

1960s and 1970s

Sessional Paper No. 10 of 1965, "Africa Socialism and its Application to Planning in Kenya",

⇒ Inward-looking Development Strategy, Kenyanization:

Imports, Exports and Essential Supplies Act [1958], Exchange Control Act [1950], Trade Licensing Act [1968], Price Control Act [1956] ⇒ High dependency on primary commodities (coffee, tea)

- 1980 WB and IMF Structural Adjustment

Sessional Paper No. 1 of 1986, "Economic Management for Renewed Growth"

⇒ Outward-looking Development Strategy

1980s and 1990s: De-regulation, Liberalization: Export Processing Zone Act of 1990

**Table 1 Export Structure of Kenya**

(Unit : 1,000KSh)

		1998	1999	2000	2001	2002	2003	2004	2005
Food etc.	%	65,135,197 56.9%	64,796,860 56.4%	69,285,294 57.9%	62,329,476 51.3%	71,259,247 54.2%	72,504,797 53.0%	78,477,958 49.3%	93,412,005 48.2%
Oil etc.	%	22,468,120 19.6%	22,295,780 19.4%	23,045,298 19.2%	29,117,535 24.0%	243,981,240 185.7%	24,846,530 18.2%	41,468,735 26.1%	32,858,114 17.0%
Manufactures	%	26,510,200 23.2%	27,261,100 23.7%	26,882,593 22.4%	29,012,082 23.9%	34,930,085 26.6%	38,299,808 28.0%	49,417,428 31.1%	51,316,303 26.5%
Others	%	331,800 0.29%	487,940 0.42%	552,689 0.46%	975,355 0.80%	823,693 0.63%	1,059,360 0.77%	416,016 0.26%	613,295 0.32%
Total		114,445,317	114,841,680	119,763,714	121,433,882	131,394,055	136,708,767	159,048,102	193,692,436

Source: CBS • Kenya [2006] *Statistical Abstract 2006*.**Financial Flow from developed countries to developing countries**

	OECD⇒Developing Countries	Japan⇒ Developing
ODA	103	11.3
/Bilateral ODA	73	7.5
/Multilateral ODA	30	3.8
OOF	-6	3.1
Private	325	25.4
FDI	189	20.6
Total Official and Private Flows	440	39.9

Notes: Unit; billion US\$ in 2007, Japan in 2006

Sources: <http://stats.oecd.org/Index.aspx?DatasetCode=TABLE1>, Japan's ODA White Paper 2007**Part 3: SD and Developed Countries/Developing Countries****1. PRSP and MDGs**Total Supply:  $Y=C+S$ , Total Demand:  $Y=C+I$ Macro balance:  $I=S$ 

• PF : FDI + Foreign indirect investment

• ODA と OOF

ODA---bilateral ODA---Grant (Grant +TC) + Loan

---Multilateral ODA

- capital balance and trade balance

ODA: Official Development Aid

Grants or Loans to countries and territories on Part I of the DAC List of Aid Recipients (developing countries) which are: (a) undertaken by the official sector; (b) with promotion of economic development and welfare as the main objective; (c) at concessional financial terms [if a loan, having a Grant Element (q.v.) of at least 25 per cent]. In addition to financial flows, Technical Co-operation (q.v.) is included in aid. Grants, Loans and credits for military purposes are excluded. For the treatment of the forgiveness of Loans originally extended for military purposes, see Notes on Definitions and Measurement below. Transfer payments to private individuals (e.g. pensions, reparations or insurance payouts) are in general not counted.

### WW II and the present world

F. D. Roosevelt: Four Freedom Speech, January 6, 1941:

“The first is freedom of speech and expression –everywhere in the world.

The second is freedom of every person to worship God in his own way –everywhere in the world.

The third is freedom from want, which, translated into world terms, means economic understandings which will secure to every nation a healthy peacetime life for its inhabitants –everywhere in the world.

The fourth is freedom from fear, which, translated into world terms, means a world-wide reduction of armaments to such a point and in such a thorough fashion that no nation will be in a position to commit an act of physical aggression against any neighbor –anywhere in the world.

That is no vision of a distant millennium. It is a definite basis for a kind of world attainable in our own time and generation."

H. S. Truman:

Marshall Plan: European Recovery Program

Point Four, 1949

“Fourth, we must embark on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas”

1950s • 1960s Big push

1970s • 1980s BHN: Basic Human Needs Approach

1989 end of Cold War

1990s Aid fatigue, New direction of aid → Social development, Human development,  
Sustainable development,  
Capacity Development,  
Human security,

World Bank; CDF → PRSP

2000 MDGs

2003/2005 Rome Declaration, Paris Declaration; Aid Harmonization, Aid Effectiveness

### Aid Institutions

#### Multilateral Organization

Bretton Woods Institutions: IMF and World Bank (IBRD, IDA, IFC, MEGA)

UNDG: United Nations Development Group:

UNDP+UNICEF+UNHCR+FAO+ILO+UNEP+WHO++

#### Bilateral Organization

OECD/DAC

UK: DFID. Germany: GTZ, KfW. Sweden: SIDA. Norway: NORAD. Denmark: DANIDA,

Swiss: SDC. USA: USAID, MCA. Canada: CIDA. Australia: AusAID

#### History: World

1945 Bretton Woods Convention, IMF and World Bank (IBRD)

1945 UN

1946 UNICEF

1947 Marshall Plan

1950 Colombo Plan for Cooperative Economic Development in South and Southeast Asia

1961 OECD, OECD/DAC, USAID, UN Decade of Development (16<sup>th</sup> UN General Assembly)

1964 1<sup>st</sup> UNCTAD

1966 UNDP, ADB

1967 ASEAN

1969 Pearson Report, Partners on Development

1970 UN Tinbergen Report

1971 Nixon shock

1972 Stockholm Conference on the Human Environment, DAC definition of ODA

1978 WB 1<sup>st</sup> WDR

1979 Brant Commission Report

1980 WB 1<sup>st</sup> SAL

1985 Plaza Accord

1987 Brundtland Report

1989 Collapse of Berlin Wall

1990 UNDP 1<sup>st</sup> HDR

1991 Soviet Union collapses

1992 UNCED

1995 WTO, former GATT

1996 OECD/DAC, Development Partners Strategy

1997 Asian Currency Crisis, UNFCCC-Kyoto Protocol

2000 MDGs

2002 Monterrey Conference, Johannesburg Summit

2003 Rome High Level Forum on Harmonization

2005 Paris High Level Forum on Aid Effectiveness

#### Historical Roots: Japan

1954 Japan participate in the Colombo Plan, Japan-Burma Peace Treaty and Agreement on Reparation and Economic Cooperation

1956 Japan-Philippines Agreement on Reparation

1958 Japan Indonesia Peace Treaty and Agreement on Reparation and Economic Cooperation

1961 OECF

1962 OTCA

1964 Japan joins OECD

1974 JICA

1977 Fukuda Doctrine

1978 1st Medium Target of ODA  
 1989 Japan becomes top donor  
 1992 ODA Charter  
 1993 TICAD 1  
 1997 Fiscal Structural Reform Act  
 1999 JBIC  
 2003 New ODA Charter  
 2008 JICA

Yen Loan: OECF-JBIC-JICA

1961 OECF  
 1999 JBIC  
 2008 JICA (New)

Technical Cooperation: OTCA-JICA

1962 OTCA  
 1974 JICA  
 2008 JICA (New)

Grant

MOFA: 1992 ODA Charter  
 2003 New ODA Charter  
 2008 JICA (New)

**References**

Easterly, W. and T. Pfutze (2008), “Where does the money go? Best and worst Practices in Foreign Aid”, *Journal of Economic Perspectives*, 22(2), pp.29-52  
 Easterly, W. (2007), Are aid agencies improving?, *Economic Policy*, October 2007, pp.633-678  
 Matsuoka, S. and A. Kuchiki eds. (2003), *IDE Spot Survey: Social Capacity Development for Environmental Management in Asia: Japan's Environmental Cooperation after Johannesburg Summit 2002*, Institute of Development Economies  
<http://www.ide.go.jp/English/Publish/Download/Spot/24.html>

**Table 1 Extreme Poverty Population and Ratio in Asia and Sub Saharan Africa**

	1981		1984		1987		1990		1993		1996		1999		2002a	
	100m	%	100m	%	100m	%	100m	%	100m	%	100m	%	100m	%	100m	%
E. Asia & Pacific	8.0	57.7	5.6	38.9	4.3	28.0	4.7	29.6	4.2	24.9	2.9	16.6	2.8	15.7	2.1	11.6
S. Asia	4.8	51.5	4.6	46.8	4.7	45.0	4.6	41.3	4.8	40.1	4.6	36.6	4.3	32.2	4.4	31.2
SSA	1.6	41.6	2.0	46.3	2.2	46.8	2.3	44.6	2.4	44.0	2.7	45.6	2.9	45.7	3.0	44.0
World	14.8	40.4	12.8	32.8	11.7	28.4	12.2	27.9	12.1	26.3	11.0	22.8	11.0	21.8	10.2	19.4

Note: E. Asia & Pacific does not include the following countries and region. Japan, Hong Kong, and Singapore.

Source: World Development Indicators [2006]

**Table 2 Population Growth Ratio in Asia and SSA**

		1960		1970		1980		1990		2000
E. Asia & Pacific	Pop.(100M)	9.0		11.2		13.6		16.0		18.0
	Growth Ratio (%)		2.2		2.2		2.0		1.1	
S. Asia	Pop.(100M)	5.6		7.1		9.0		11.1		13.5
	G.R. (%)		2.0		2.0		2.0		2.0	
SSA	Pop. (100M)	2.3		2.9		3.9		5.2		6.7
	G.R. (%)		2.6		3.0		3.0		2.9	
World	Pop. (100M)	30.2		36.7		44.2		52.4		60.7
	G.R. (%)		1.9		2.0		2.0		1.1	

Source: World Development Indicators database (<http://www.worldbank.org/>)

**Table 3 Industrial GDP Ratio in Asia and SSA**

		1960	1970	1980	1990	2000	2005
E. Asia & Pacific	Agriculture	31.4	32.9	24.4	20.0	12.6	13.0
	Manufacture	30.5	32.5	42.5	40.3	46.0	45.0
	Service	38.1	34.6	33.0	39.8	41.4	42.0
S. Asia	A.	45.8	44.8	38.0	30.5	25.1	19.0
	M.	17.6	19.9	23.8	26.6	26.2	27.0
	S.	36.6	35.3	38.2	42.8	48.8	54.0
SSA	A.	27.1	21.0	17.6	18.1	17.0	17.0
	M.	28.2	29.3	38.2	34.2	30.0	32.0
	S.	45.4	49.7	44.2	48.0	53.1	51.0

Source: World Development Indicators database (<http://www.worldbank.org/>)

### **Schedule**

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