

## JAPAN'S ODA POLICY: WHERE DOES IT STAND? WHERE IS IT GOING?

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### ABSTRACT

*There is a broad consensus among Japanese bureaucrats, academics and NGO leaders on the present status of Japanese ODA and ODA policy:*

*That Japan's ODA contribution is the largest in the world;*

*That its ODA portfolio consists mostly of bilateral grants, technical assistance and loans, supplemented by Japanese contributions to multilateral organizations;*

*That recipients of this bilateral and multilateral aid are overwhelmingly Asian;*

*That its substantive targets are broad, honoring OECD/DAC's New Strategies;*

*That ODA policy is largely made, behind closed doors, by a small group of senior parliamentarians and bureaucrats, the latter in Finance and Foreign Affairs.*

*When the focus of the ODA policy inquiry shifts from the present to the future, that consensus widely splits into two divergent opinions:*

*One camp foresees little or no policy change on the horizon;*

*The other perceives the distinct possibility of significant policy shifts. The stimuli for those changes could include intensifying ODA budget strictures, adverse public reaction to ODA scandals, a reformist Prime Minister with limited alternative opportunities for reform, and external pressures for more Japanese foreign-policy activism. The forms of change could include increased Japanese leadership in peace-building, more transparent ODA policy-making, and greater participation by NGOs and by JICA in that policy process.*

*This article reports the findings and observations of a Visiting Research Fellow at Nagoya University's Graduate School of International Development. The research drew on documentary study plus in-person interviews with more than two dozen Japanese ODA specialists.*

Thanks to the generous hospitality of Nagoya University's Graduate School of International Development (GSID) the author had the privilege and pleasure of serving as a Visiting Research Fellow in March and April 2002.<sup>1)</sup> In that capacity, he conducted workshop training for students from GSID and the Graduate School of Law and undertook research on Japanese Official Development Assistance (ODA)<sup>2)</sup> policy. To examine that research topic, he digested relevant documents published

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by the Ministry of Foreign Affairs ( MoFA ) the Ministry of Finance ( MoF ) the Japan International Cooperation Agency ( JICA ) and the Japan Bank for International Cooperation ( JBIC ) among other sources<sup>3)</sup>, and interviewed ODA specialists in Government agencies, academic faculties and non-governmental organizations ( NGOs )<sup>4)</sup> This essay synthesizes his chief research findings and observations.

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As I began my brief but intensive study of Japan's ODA policy, two points of departure quickly but strongly emerged from documents and interviews:

There was near-unanimous consensus, among the diverse bureaucrats, academics and NGO leaders I was meeting and reading, with regard to the current status of ODA policy; but

There was no comparable degree of agreement among those same informants with regard to where that policy was going, or ought to be going, in the near- to medium-term.

### I. JAPAN'S ODA POLICY: WHERE DOES IT STAND TODAY?

#### A. Findings

##### 1. Japan as Number One

All my Japanese contacts shared the perception that Japan's ODA contribution is, by a significant margin, the largest in the world in monetary terms. As support for this assertion, informants often cited the authoritative ODA rankings published annually by the Development Assistance Committee ( DAC ) of the Organization for Economic Cooperation and Development ( OECD ) in Paris.<sup>5)</sup> In calendar-year 2000, for example, the most recent year for which published rankings were available at the writing of this article, Japan's ODA contribution, equivalent to 13.51 billion dollars, exceeded by 36% the comparable contribution of the second-ranked donor, the United States of America.<sup>6)</sup> By itself, Japan accounted for fully one-fourth of all 22 DAC Members' aggregate ODA contributions in that same year.<sup>7)</sup> My sources further agreed that this unparalleled Japanese generosity had been consistent for the past decade.<sup>8)</sup>

Several explanations were repeatedly offered for this primacy, again without notable dissent. The most crucial point seemed to be that, uniquely for Japan among the major industrialized powers, ODA constituted the chief foreign-policy instrument, given her Constitutional constraints on foreign military engagement.<sup>9)</sup> Also cited were a legacy of financial support to Asian neighbors, sustained to the present after a precedent of post-World War II reparations. Foreign aid was perceived as a sound investment for the Japanese economy and national security, ensuring reliable sources of energy and other essential materials from beneficiary/suppliers. Moreover, the Japanese economic boom in the

1980s had generated an economic surplus which could be expended on earning regional goodwill without compromising domestic resource needs. Less concrete but also pervasive was the opinion that aid generosity earned Japan international respect and appreciation from rich and poor countries alike -- a reputation she deeply valued as part of a long-term rehabilitation process.

## 2. The Shape of the Pie

My sources voiced a comparable detailed awareness of, and consensus on, the contents and managers of Japan's ODA portfolio. TABLE 1 summarizes that portfolio's key elements and dimensions. Japanese ODA comprises bilateral and multilateral components. Bilateral aid encompasses grants (including "Economic Development Assistance" funds and accompanying Technical Cooperation services) and concessionary loans. Multilateral ODA flows to Development Finance Institutions (also called "Multilateral Development Banks" or "MDBs") like the World Bank and Asian Development Bank, and to United Nations agencies, like the International Labor Organization and the World Health Organization.

The Ministry of Foreign Affairs exercises lead responsibility for managing the Economic Development Assistance component of bilateral ODA, and the UN agencies component of multilateral ODA. JICA has front-line jurisdiction over Technical Cooperation. The Ministry of Finance has direct responsibility for the Development Finance Institutions component of multilateral ODA. In practice, MoF also exercises de facto lead oversight of JBIC's bilateral concessionary loans.

TABLE 1: JAPAN'S ODA PROFILE: PORTFOLIO COMPONENTS, LEAD INSTITUTIONAL RESPONSIBILITIES AND RELATIVE BUDGET SHARES

PORTFOLIO COMPONENTS	LEAD INSTITUTIONAL RESPONSIBILITIES	RELATIVE BUDGET SHARES
1. BILATERAL ODA		87%
Grants		59%
Economic Development Assistance	MoFA (with implementation assistance from JICA)	14%
Technical Cooperation	JICA	35%
Loans	JBIC	28%
2. MULTILATERAL ODA		13%
Development Finance Institutions	MoF	8%
UN Agencies	MoFA	5%
3. TOTAL ODA (1+2)		100%

NOTE : Relative budget shares are for FY2001.

SOURCES : JBIC Internet Website: "Key Issues in Development"

MoF Internet Website: "Breakdown of the ODA budget"

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In budgetary terms, bilateral aid consumed 87% of Japan's total ODA budget in FY2001, allocated between bilateral grants ( 59% ) and concessionary loans ( 28% ). Multilateral aid received the budget's remaining 13%, divided roughly two-thirds/one-third between Development Finance Institutions and United Nations agencies. ( For political and public relations reasons to be discussed later in this article, these relative budget shares probably exaggerate the Ministry of Foreign Affairs's relative ODA power under current conditions and correspondingly underestimate the relative influence of the Ministry of Finance. )

### 3. Friends Near and Far

Research informants also agreed about the geographical array of current recipients of Japanese aid. An overwhelming Asian regional bias is evident. The nine largest country-recipients of Japanese ODA in 2000 were uniformly Asian: from top to bottom, Indonesia, China, Viet Nam, India, the Philippines, Bangladesh, Sri Lanka and Pakistan. As a whole, Asia ( and adjacent Oceania ) accounted for fully two-thirds of Japan's worldwide giving.<sup>10)</sup>

Within Asia, subregional priorities are somewhat less clear. Some informants cited Southeast Asia as particularly attractive to Japan, both because of critical energy sourcing and because these comparatively distant states bear less residual historical resentment than more proximate Northeast Asian neighbors. Thus, Indonesia, Thailand and Viet Nam rank one, three and four, respectively, among Japan's top ODA recipients. Other contacts, however, disputed this division. They pointed out that China is Japan's second largest ODA recipient and first in terms of JBIC yen loans.

Further afield, Japan's ODA investments in Sub-Saharan Africa, Latin America and the Caribbean, and the Middle East and North Africa -- DAC's other chief ODA-recipient regions -- are dramatically smaller. In 2000, these measured \$1.08 billion ( 8% of Japan's worldwide total ), \$1.10 billion ( 8% ) and \$0.73 billion ( 6% ) respectively.<sup>11)</sup>

Among Japanese ODA contributions to multilateral organizations, a parallel Asian bias can be readily observed. On a worldwide basis in 2000, Japan was the most generous ODA donor to multilateral organizations, including Development Finance Institutions and United Nations agencies. By itself, Japan accounted for 21% of aggregate contributions from all 22 DAC Members to multilateral organizations. But for contributions to the Asian Development Bank in particular, Japan's share jumped to 64%.<sup>12)</sup> The latter financial dominance translates directly into managerial influence. Much as America's financial and voting primacy at the World Bank gives it a de facto veto over major lending decisions at that institution, Japan wields comparable power at the ADB.

There was widespread agreement on the policy rationales for this Asian ODA emphasis. Asian countries were where Japan anticipated the most promising opportunities for commercial investment and trade. ODA can prepare this climate, through infrastructure improvements, hosts-government

good will, and tied-aid contracts for Japanese firms. As previously mentioned, Asian neighbors are the chief sources for essential Japanese energy and raw-material imports. Rapidly expanding, but volatile, China is a top-priority strategic concern. Another repeatedly voiced perception was that Japan's cultural affinities with other Asian populations makes their countries more compatible venues for Japanese technical assistance than more remote, less familiar settings where other donors enjoy a comparative advantage.

#### 4. Substantive Targets

The overarching substantive goals and subordinate objectives of Japanese ODA policy have been steadily evolving over the past decade. A linked series of published milestone documents have recorded this progress, most notably, Japan's ODA Charter in 1992, the OECD/DAC Development Partnership Strategy in 1996, and Japan's Medium-Term Policy on ODA in 1999.

The Charter, approved by the Cabinet, remains the most important baseline policy statement. It articulates a basic ODA philosophy proposing active Japanese pursuit of a broad and ambitious array of development targets, including famine and poverty relief, human rights and democratization, environmental conservation and globally sustainable development. It declares Japan's intention to pursue those goals by adhering to principles that, for the first time, introduce an expressly political dimension to ODA policy -- including avoidance of ODA for military purposes and discouragement of recipient countries' expansion of military expenditures. The Charter reiterates the continuing validity of Japanese ODA's geographical focus on Asia in general, and Southeast Asia in particular. And it flags as priority issues, global -- as opposed to specifically bilateral -- problems such as environmental protection and population, basic human needs, human resources development, infrastructure improvement and structural adjustment.

The OECD/DAC New Strategies paper of 1996, which Japan played an active role in formulating, proposed an integrated set of quantitative development goals:

1. Economic well-being -- with a target of a fifty per cent reduction by 2015 of the proportion of people living in extreme poverty in developing countries;
2. Social development -- with linked targets of universal primary education in all countries by 2015; elimination of gender disparity in primary and secondary education by 2005; a two-thirds reduction of infants' and small-children's death rate, and a three-fourths reduction of maternal mortality, in each developing country by 2015; and access to reproductive health services for all individuals of appropriate ages, including safe and reliable family planning methods, as soon as possible and no later than 2015; and
3. Environmental sustainability and regeneration -- with a target of a current national strategy for sustainable development, in the process of implementation, in every country by 2005, sufficient to

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ensure that current trends in the loss of environmental resources are effectively reversed at both global and national levels by 2015.

Explicitly endorsing the Charter and New Strategies Paper as its operative guidelines, the Ministry of Foreign Affairs published Japan's Medium-term ODA Policy in 1999 to govern policy implementation for the ensuing five years. Highlighted themes in this five-year plan included emphasis on recipient countries' good governance, enhancement of impact-oriented evaluation of Japanese aid expenditures, and a vigorous campaign to increase Japanese taxpayers' ODA awareness and support. In addition to previously articulated ODA targets, the list of priority issues and sectors was now expanded to embrace institution-building, including the development of legal frameworks; responding to global issues including AIDS, food, energy and drug abuse; support for overcoming the Asian currency and economic crisis; conflict and post-conflict interventions, disaster prevention and post-disaster reconstruction; and responding to issues of debt relief.

Against this hugely ambitious but consistent background, it is not surprising that Japan, in tandem with the United States, seemed to tacitly reject the narrowing of ODA policy focus proposed at the International Conference on Financing for Development in Monterrey, Mexico in March of this year. The Monterrey targets were widely perceived to be inspired by the World Bank. In pre-Conference pronouncements, they included: ( a ) an exclusive, or at least dominant, focus on poverty-reduction as the overarching ODA goal; ( b ) an exclusive, or at least dominant, focus on aid for the poorest countries; ( c ) aid targeting for recipient governments adopting sound economic policies and democratic reforms; ( d ) an accelerated shift from loans to grants and ( e ) a parallel shift from bilateral to multilateral aid.<sup>13)</sup>

While nominally saluting these Monterrey goals, the Japanese Government subtly advocated a broader and divergent ODA policy agenda. Its official Conference pronouncement emphasized development goals other than poverty reduction, in the education, health care and environment sectors, reiterating Japan's support for the United Nations Millennium Summit of September 2000. The statement underlined the need to mobilize private-sector investment and trade for development, pointing out that the former currently amounts to three times the value of ODA worldwide. And it proposed placing human resource development at the center of all nation-building assistance.<sup>14)</sup>

All my research informants agreed with this official assessment -- that poverty-reduction, from the Japanese perspective, is a worthy but not exclusive ODA policy goal. Other Millennium Goals, in pursuit of overall international stability and economic growth, were deemed to have equal merit. Besides, poverty-reduction is unlikely to be the top ODA priority of most recipient governments, a core consideration if donors' desire to fund demand-driven aid is to be satisfied.

Moving down the Monterrey list, several respondents commented that aid to the poorest countries might make more sense for grants than for loans. Others noted that this policy would implicitly favor

Africa, where Japan has comparatively less ODA experience, influence and interest, as opposed, for example, to say France and Great Britain.<sup>15)</sup> Within Asia, Japan's preferred zone for heaviest ODA investment, Bangladesh, India, Laos, Mongolia and Nepal would qualify but not other recipients like Indonesia and China, considered top-priority foreign-policy targets.

My sources pointed out that focusing on aid recipients adopting sound economic and political reforms could well be internally inconsistent with a poorest-of-the-poor concentration, neglecting some of aid's neediest candidates. Paradoxically, it could channel scarce aid resources to countries comparably well-qualified to attract alternative commercial financial flows. Home-country skeptics might well complain, "Why do they need our gifts if the market can respond?" In the exact inverse of the poorest-of-the-poor target, this criterion might make more sense for ODA loans than for grants.

Speaking of the proposed loan-to-grant shift, on this issue the Japanese consensus appears aligned with the European position ( and therefore opposing the views of the Americans and the World Bank ) Several respondents expressed the view that aid loans ought to be retained in Japan's ODA portfolio -- to instill recipient discipline and "ownership", to discourage excessive aid dependency, and to win home-country taxpayers' support.

And while Japan's record of multilateral contributions is second to none, it is believed that bilateral aid brings more control, influence, recognition and spill-over benefits to the home-country economy. In a phrase, it is "ODA with a Japanese face." This judgment is implicitly reflected in the overwhelming bilateral bias of Japan's ODA budget -- 85% of total disbursements in FY2000.<sup>16)</sup>

To reconfirm Japan's "broader-than-Monterrey" ODA policy agenda, we can usefully refer to JBIC's published "Operational Goals in 2001." For its ODA yen-loan operations, JBIC priorities included, in addition to "poverty reduction and sustainable growth," "global issues including environment, food and energy; economic structural reform; human resource development; fostering small and medium enterprises; institutional capacity-building; technical assistance to yen-loan borrowers; and comprehensive economic cooperation to address the international digital divide."<sup>17)</sup>

## 5. Who Calls the Shots?

My research confirmed a pervasive consensus that Japanese ODA policy-making today, as for decades in the past, is primarily an elite, behind-closed-doors process. Senior parliamentary leaders within the dominant Liberal Democratic Party collaborate with senior counterparts in key Government Ministries to establish aid-policy priorities, programs and budgets. During recent years, the Ministry of Foreign Affairs dominated the Government side of this bi-polar partnership, with Finance and External Trade & Investment in close support. Today, as a direct result of a series of embarrassments receiving negative publicity in the mass media,<sup>18)</sup> MoFA, by consensus, is in retreat and MoF has assumed the lead policy-making role. To date, from this joint perspective, the new Prime

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Minister has not yet significantly altered this power balance.

Nor, despite considerable media attention surrounding their exclusion from the Tokyo Conference of Afghanistan Donors in January 2002, have Japanese NGOs yet been major or effective players in ODA policy-making. This assessment, endorsed by all my research informants, applies to even the most prominent and vocal organizations in the pool of 400 or more Japanese NGOs interested in international development and development assistance. TABLE 2 profiles this NGO community for purposes of subsequent discussion.

TABLE 2: AN INFORMAL PROFILE OF JAPAN'S DEVELOPMENT NGOS

NGO CATEGORY	CHARACTERISTICS	Estimated % of Total NGOs
1. Most Prominent	Name recognition at MoFA, primarily through sectoral dialogues Field experience from project implementation under Japanese ODA contracts 10 paid staff on average Relatively large annual budgets (Y300-500 million) Probably control 40-50% of aggregate NGO funding Examples include OISCA and JOICEF	5-10%
2. Advocates	Vocal Militant for ODA policy reform Little or no Government funding but much foreign funding Mostly environmental, like Friends of the Earth, Conservation International and PARC	5%
3. Foreign-based	Japanese branches of foreign parents, though also receiving domestic funding Examples include Save the Children, Plan International, World Vision and Nature Conservancy	5-15%
4. The Silent Majority	Very small, relatively uninformed about ODA policy Often ad hoc, single-issue local groups	75-85%
TOTAL POPULATION		100%

NOTE : Groups 2 and 3 contain considerable overlap. What distinguishes them is Group 2's advocacy focus.

SOURCES : Research interviews with NGO leaders and academicians.

## B. Observations

Before moving the analysis forward in time to ODA prospects, two observations on the preceding current-status profile might be offered from the perspective of the foreign researcher. Both potentially limit the weight of the reported consensus. Together they serve as a stimulating bridge to the ensuing discussion of the future of Japanese ODA and its policy.

### 1. Lagging Perceptions?

The mere fact that a perception is widely held does not ensure its accuracy or current validity. With specific reference to Japan's agreed status as the world's lead ODA donor, this perception may in fact already be at least one, even two, years out-of-date. Japan's ODA budget has recently begun to shrink. Having already slightly slipped from FY1999 to 2000 and again to 2001, it was officially cut another ten per cent in FY2002. Countervailing sizable increases in U.S. and European aid commitments were announced for maximum positive public-relations effect in the days leading up to the Monterrey Conference.<sup>19)</sup> Compounding the impact of these opposing trends have been parallel exchange-rate fluctuations, with the value of the Japanese yen slipping below Y134/USD1 at the time of this writing.<sup>20)</sup> When, to these facts, is added recognition that DAC reporting lags at least one year behind current ODA disbursements, it is possible, perhaps probable, that Japan's ODA primacy will be toppled by 2002, if not 2001. Since this top ranking figures so prominently in Japanese assumptions about the country's international role, recognition and obligation, belated public awareness that Japan's ODA self-image may no longer reflect reality could have profound domestic political repercussions. But more on that later.

### 2. Rumbles beneath a Smooth Surface

It is important to recognize that the pervasive consensus regarding the description of current Japanese ODA policy does not translate into parallel agreement on the merits of that policy. In the latter context, opinions gathered in the course of even this brief research widely ranged from senior bureaucrats' confident assurance that policy-making was competent and effective to some NGO leaders' passionate complaint that the system was chronically flawed. Academic informants mostly straddled this evaluative fence. The critics' protests focused chiefly on the autocratic, non-participatory nature of the policy-making process. But they also disparaged the quality of aid performance and impacts, and the domination of aid-policy decisions by non-developmental political and economic considerations. This intense discontent leads directly to our discussion of ODA's future.

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### II. JAPAN'S ODA POLICY: WHERE IS IT GOING?

#### A. Findings

When research conversations shifted focus from the current status of Japanese ODA policy to its likely future directions, the reported consensus promptly dissipated. The respondents had unanimously agreed about today's policy profile. Now they split into two irreconcilable camps on the topic of tomorrow's policy prospects. In general terms, these two groups might be characterized as "insiders" and "outsiders", i.e., senior bureaucrats vs. academics, with NGO leaders hedging their bets in a middle ground. The core inquiry which split them was whether Japanese ODA policy and policy-making stand on the threshold of significant reform and change, or whether the future is more likely to merely perpetuate the status quo. Outsiders held hope. Insiders were more inclined to anticipate no change, and indeed saw no need for change. Specific interview questions probed more deeply along this rift.

#### 1. What is the Direction and Significance of Aid Budget Reductions?

Throughout the Spring, Japanese media gave major play to the announced 10% reduction in the Government's ODA budget for Fiscal Year 2002. Coming after literally decades of huge and steadily expanding aid budgets, this reversal was mentioned by each of my research informants.

Outsiders tended to attribute major significance to the budget shrinkage. Most saw it as a precedent. Some characterized it as an ominous reduction in the volume of available resources needed for vital development programs and projects, especially in Southeast Asian countries heavily dependent upon Japanese ODA. Others were more sanguine, welcoming the announced cut as an overdue "wake-up call" to complacent bureaucrats, forcing them to get more serious about results-evaluation of ODA investments, to tighten belts and to choose more deliberate spending priorities. For good or for ill, my outsider contacts were convinced that Japan's broader macroeconomic problems were bringing an end to an era of ODA largesse.

Inside informants emphatically rejected this analysis. They pointed out that the lion's share of the 10% cut had been absorbed "painlessly" by making a 20% reduction in capital injections to the JBIC reserves that underwrite that Bank's yen-loan portfolio. That portfolio, in turn, was well able to absorb a reduction, since old African loans were bad debts overdue for writing off while few new African loans were contemplated. The pool of active yen-loan borrowers has shrunk to less than 20 governments by some accounts. Moreover, even the announced reduction in pledged future loans to China, Japan's largest ODA borrower, made sound policy sense in terms of completion of major coastal infrastructure projects which that lending had supported. In sum, insiders attributed no significance to a modest budget reduction which had been readily absorbed without pinching any

major policy-making ( i.e., parliamentary or bureaucratic ) interest groups.

## 2. Is the Substantive Focus of Japanese ODA Likely to Change?

As previously reported, none of my research respondents considered it likely, or desirable, that Japan's commitment to multifaceted Millennium Goals should give way to a Monterrey concentration on poverty-reduction. But this consensus broke down with regard to one prominent substantive target -- ODA for peace-building.

Outsiders saw peace-building as another threshold impetus. They pointed to Japan's hosting of the January International Conference on Reconstruction Assistance to Afghanistan as concrete evidence of the Koizumi Government's determination to stake out a leading role for Japan in this expanding area of international attention. That assertiveness was underlined by Japan's Conference pledge of \$500 million over 2.5 years. And while no Japanese military involvement in Afghanistan is foreseen or recommended by these ODA observers, they perceive that America's announced disinterest in post-conflict reconstruction creates a win/win window of opportunity for Japan. On the ground in Afghanistan, she could contribute institution-building technical-assistance expertise matured in Cambodia. In so doing she could demonstrate to the Americans and other donors that Japan stood ready to be a front-line ODA actor, no longer merely a disengaged banker. If a third incentive were needed, Japan's involvement could reassure Japanese neighbors that bold development assistance is available within their own Asian region.

Insider respondents were not convinced that peace-building did or should constitute a significant new application of Japanese ODA. They cited the inevitable military dimensions of so-called, post-conflict involvement in the Balkans, in East Timor and Central Africa. This was a road the Japanese Government and citizens were not ready to tread. They questioned whether Afghanistan represented a priority strategic interest for Japanese foreign policy. And they doubted whether Japan was comparatively well-qualified to contribute to rule-of-law initiatives, including judicial reform, which necessarily stand at the core of systematic peace-building.

## 3. Will the Policy-making Process be Affected by Pressures for Reform?

Two prestigious citizen committees, comprised of prominent academics, journalists and NGO leaders, have been convened by MoFA to advise the Government on ODA reform. The 1st Consultative Committee, also called the Council on ODA Reforms for the 21st Century, published its Final Report in January 1998. The 2nd submitted its Interim Report in August of 2001. Its Final Report is expected out soon after this article goes to press.

In addition to endorsing without significant reservations the official substantive agenda for Japanese ODA policy summarized above, both of these consultative bodies offered concrete

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suggestions for basic modifications in the policy-making process. Spurred by what they perceived as increasing pressures on ODA budgets, both committees called for intensified campaigns to enhance Japanese taxpayers' understanding and support.<sup>21)</sup> In concrete terms, this public-relations initiative translated into two proposals: to make ODA more transparent and more participatory. They recommended that transparency could be increased through fuller public disclosure of policy formulation and fuller dissemination of project evaluations. Participation could be expanded chiefly through NGOs -- both by admitting them to policy and country-program consultations, and by awarding them contracts for project implementation and evaluation.

Against this background, several outsiders interviewed for this research exercise agreed that, by coincidence, a fortuitous combination of factors might generate sufficient heat and light to convert these reform recommendations from wishes to realities. In this context they ticked off the unprecedented budget constraints, the previously noted ODA scandals involving undue influence and misprocurement, and the Prime Minister's (and new Foreign Minister's) announced commitment to enhancing Governmental transparency and accountability.

In rebuttal, skeptical insiders assured me that there was more smoke here than fire. The dominant LDP party, they insisted, was diffusing public criticism by demoting key parliamentary offenders and by publicizing counterbalancing fiscal offenses by their Opposition critics. From this perspective, ODA policy-making remained the exclusive province, behind closed doors, of the same handful of top officials in the same handful of Governmental agencies who had always called the shots. Their consensus is deeply conservative, both in the sense of staying the course and of resisting policy innovation. As for the Prime Minister who had campaigned as a bold reformer, these observers judged him lacking in parliamentary clout and too preoccupied with economic crises to devote significant attention to ODA policy house-cleaning.

### 4. Will Japanese NGOs Become a Potent Force for Change?

Many academic respondents and some NGO leaders were cautiously optimistic in this regard. They reported how Japanese NGOs had performed early and respectably in Cambodia and Afghanistan, providing the Japanese Government with invaluable field data and enhancing Japan's ODA reputation. They noted how networks of prominent NGOs in the population, health, agriculture and primary education sectors have been increasingly engaged in policy dialogue with MoFA for nearly a decade. They complimented NGO leaders' active involvement in the 2nd Consultative Committee and predicted that that Committee's pending Final Report would call for establishment of an "ODA Strategic Development Council" as a permanent consultative forum for NGO participation in ongoing ODA policy-making.

Again, inside respondents were not convinced. They questioned whether more than a handful of

Japanese NGOs have field-proven ODA experience or expertise. They alleged that most, if not all, of that handful have been financially co-opted by Government, through direct subsidies and ODA project contracts. And they questioned whether NGO leaders ought to be entitled to a seat at the policy-making table, since unlike parliamentarians and the ministers those legislators appoint, those private advocates are neither elected nor publicly accountable. “Let them testify in open forums, along with other citizens, but not cast representative votes,” was a sentiment heard repeatedly in the course of this research inquiry.

## B. Observations

While respecting the convictions of the “business-as-usual” insiders repeatedly cited above, it occurs to this foreign observer that current circumstances may conspire to open unusually promising windows of opportunity for one or more Japanese parties interested in ODA policy reform. Perhaps three parties in particular might bear special attention in this regard: the Prime Minister, Japanese NGOs, and JICA.

### 1. The Prime Minister

After an initial honeymoon of public enthusiasm for a maverick Prime Minister swept into office as a vigorous, vocal proponent of Governmental reform, Mr. Koizumi has recently been encountering a loss of momentum and popularity. February’s replacement of then Foreign Minister Tanaka reputedly cost him a sizable slice of especially female support. Foreign and international calls for sweeping restructuring of Japan’s banking sector and protectionist trade barriers cast him between a rock and a hard place -- if he yields, he risks dismantling domestic public/private partnerships which have long sustained Japan’s dramatic economic prosperity; if he resists, he risks presiding over a continuing downturn in that same economy’s health and viability.

In such circumstances, the Prime Minister may well be attracted to fresh initiatives for restoring his public popularity without jeopardizing fundamental economic and political structures. ODA policy reform may reasonably be considered one such opportunity. He could restore ODA budget expansion -- and Japan’s worldwide primacy -- with modest injections of additional budget resources. By actively promoting a more transparent policy-making process at home, as well as a more rigorous, results-oriented evaluation commitment in the field, he could demonstrate Japan’s readiness to put its own good-governance house in order before promoting similar reforms abroad. In the process, he could diminish the power of LDP “Old Boys” whom he might lack the votes to challenge in a head-on clash within the Party. By pursuing peace-building involvement in Afghanistan, he could relieve Japan’s American allies of an unwanted burden, counter foreign criticism of Japan’s lack of military burden-sharing, and simultaneously dramatize Japan’s unique authority in Asia. Through this and other

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carefully selected, high-profile ODA interventions, the Prime Minister could stand to win major recognition for Japan abroad, not to mention extended tenure for himself at home, in return for a comparatively modest economic and political investment. ( As one recent example of this potential pay-off, the Prime Minister recently won respect from foreign institutions by quickly and nimbly mobilizing \$250 million as Japan's initial pledge for January's Afghanistan Conference -- this notwithstanding the ODA establishment's notorious conservatism and inertia )

Note that the preceding strategy will only make sense if the Japanese public can be encouraged to accept -- through the Prime Minister's persuasive television presentations and other development-education outreach -- that ODA is in fact a top-quality investment which serves their own best interests as well as the nation's.

## 2. NGOs

It is possible to detect a simultaneous, complementary opportunity for Japanese NGOs. MoFA is reputedly paralyzed, embarrassed by public scandals and concerned by budget cutbacks. Traditional ODA patrons in the Diet are comparably chastened by the spotlight of adverse publicity. Meanwhile, MoF is preoccupied by banking and other macroeconomic pressures. Big Business and its METI agents no longer see ODA as an important investment boost. All of these withdrawals by the conventional ODA powers may create a policy-making vacuum which alert NGOs could partially fill. Certainly there are ample foreign and international precedents and role models. Prominent examples range from Amnesty International, to Medecins sans Frontieres, to the NGO-sponsored Landmines Treaty.

What "value added" might NGO leaders bring to Japan's ODA policy-making table that is not already being contributed by parliamentary or ministerial representatives? One comparative advantage might be community-based knowledge from NGOs' participation in grassroots projects. This field experience and expertise could be channeled into enhanced project-implementation performance by JICA and JBIC. It could also translated into more pragmatic ODA country and regional planning. Another contribution might be long-term commitment for sustainable development, beyond the feasible project timeframes of conventional consulting firms. Still another potential asset might be Japanese NGOs' awareness of, and practical experience with, global policy approaches, drawing upon international NGO networks. As the Government's policy-making partners, Japanese NGOs could also facilitate inter-agency communication and cooperation, for example between JBIC and JICA, and between bilateral Japanese ODA agencies and multilateral organizations.

So much for potential. To convert that potential into reality, research respondents repeatedly emphasized the pressing need for Japanese NGOs to enhance their expertise -- institutional as well as individual, and procedural as well as substantive. Institutional capacity-building might be expedited

through cross-fertilization between sectoral NGO clusters and between advocacy and implementation NGOs. A streamlined ODA-policy coalition might also be assembled to articulate coherent, independent, national NGO positions deemed worthy of respect by the Government, the media, the Japanese public, and interested foreign parties.

Simultaneously, on the individual front, NGO leaders would have to seriously invest in relevant skill-building, for example, with regard to country-specific development needs and negotiation techniques. Domestic and foreign-based training could be aggressively pursued for this purpose.

For both of these capacity-building tracks, a working partnership between NGO networks and progressive Japanese academic facilities like Nagoya University's Graduate School of International Development could bear reciprocal dividends. The NGOs could receive state-of-the-art, affordable training in convenient, neutral forums. Their University hosts, in turn, could extend the real-world applicability of their scholarship while earning field placements in NGO projects for their graduate students.

### 3. JICA

Occupying a somewhat different position with regard to ODA policy reform is the Japan International Cooperation Agency (JICA). In the past, JICA, like JBIC, has been considered more of an ODA policy implementer than a policy-maker. But several respondents suggested that JICA may be quietly positioning itself to challenge the validity of that perception. Repeated references have been made in this article to the accelerating impetus, in DAC as well as within the Japanese Government and media, for results-based aid evaluation. But JICA officials contacted for this research fairly point out that evaluation is only the tail on the dog. A meaningful commitment to ODA results should inform all aspects of aid management, at the country-program and perhaps even regional levels as well as the project level. Thus "what are we trying to accomplish by providing aid?" should be a front-end question, fueling an analytical, increasingly specific, sequence from goals to objectives to results and impacts to outputs to inputs. From this perspective, planning, budgeting, contracting, design and implementation should all be formulated with desired end-results as the applicable performance standard. Monitoring, evaluation and fine-tuning should apply that same criterion, as should ODA information disseminated to the Japanese public. And if, within the Japanese ODA bureaucracy, JICA is the principal agency responsible for collecting field performance data -- i.e., results -- it follows, in practice even without formal declaration, that it will be best placed to operationalize this results-oriented reform.

This scenario is no mere fantasy. The new Administrative Evaluation Law has already been enacted and takes effect in April 2002. A new freedom-of-information act is also on the books. Moves are afoot to make JICA more managerially and fiscally independent from its parent MoFA. With these

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legal instruments in hand, JICA just conceivably might be able to quietly engineer ODA policy reform from the bottom up, with no initiative or even support from the top down.

Which is not to pretend that JICA in the past has ever been a paragon of ODA innovation or flexibility. To the contrary, many knowledgeable ODA practitioners within Japan and abroad harshly criticize JICA's field performance and "culture" as slow-moving, rigidly bureaucratic, and hamstrung by home-office interference. As a remedy for these perceived chronic defects, less centralization, not more, is often prescribed. Against this background, the imposition of still another set of Tokyo-generated standards and procedures could well make matters worse. A results orientation, zealously imposed from above, is no substitute for patient, respectful institution-building, particularly in "soft" ODA sectors like judicial reform and associated rule-of-law assistance which are becoming increasingly prominent in both developing countries and transition economies. That said, if the approach were sensitively applied and steadily fine-tuned, it could legitimately enhance JICA's field reputation while simultaneously earning it a seat at the policy-making table.

### 4. Win/Win Synergies

It would be presumptuous to characterize any of these sketched scenarios as a probability. But together they may make a reasonable case that Japanese ODA policy-making stands at a crossroads. One path forward, of least resistance, would be to continue past practices with little or no significant change. An alternative path, into uncharted territory, might attract fresh players and talents.

Moreover, thoughtful synergies could magnify prospects for reform. The Prime Minister and his Foreign Minister, for example, could reap double benefits from cultivating NGOs -- at one stroke reducing the policy-making monopoly of vested interests and stimulating public support for ODA and its reform.<sup>223</sup> JICA is already enlisting NGOs for independent evaluations of its projects. Mobilizing its Technical Coordination window, JICA might also fruitfully forge working coalitions with NGOs to assert lead field responsibility for any new Japanese peace-building initiatives. The Prime Minister, in turn, might expand those initiatives by informing the public how such traditional Japanese ODA interventions as micro-credit and women's education can help nurture an anti-terrorist environment. Such pragmatic partnerships might, over time, effectuate a quiet, consensual, consummately Japanese approach to ODA policy reform. A shift in fact, if not in fanfare.

\* \* \*

## REFERENCES

By far the most useful, authoritative, and current documentary sources consulted during the course of this research were the relevant official institutions' Internet websites:

For the Office of the Prime Minister: <http://www.kantei.go.jp>;

For the Ministry of Foreign Affairs: <http://www.mofa.go.jp>;

For the Ministry of Finance: <http://www.mof.go.jp>;

For JBIC: <http://www.jbic.go.jp>;

For JICA: <http://www.jica.go.jp>;

For OECD/DAC: <http://www.oecd.org>;

For the Asian Development Bank: <http://www.adb.org>.

These sites offered and continuously updated the sponsoring institutions' ODA policy pronouncements, reports and statistical data, supplemented by linked speeches, press releases and diverse background papers.

During the author's two-month Visiting Research Fellowship, English-language, print-media accounts of the Japanese Government's ODA-related activities, on the domestic and international fronts, were regularly monitored in the Asahi Shimbun, the Japan Times, the Economist, and the International Herald Tribune ( synthesizing the New York Times and the Washington Post )

Specific references accessed through these electronic and print-media channels are cited in the article's Endnotes.

Additional background information of great practical value was also graciously provided to the author by the Foundation for Advanced Studies on International Development ( FASID ) Key examples included:

Fuwa, Y. and Yoshida, H., eds. 2001. *Challenges of Globalization for International Cooperation*;

- *Evolving Concept of Peacebuilding: Natural Resource Management and Conflict Prevention*;

Suzuki, N. March 2000. *IDRI Occasional Paper No. 18: The Road to Hell is Paved with Good Intentions -- Challenging Facing NGO Practitioners*;

Takahashi, K. March 2000. *IDRI Occasional Paper No. 19: Globalization and Development Cooperation*;

Takahashi, K., ed. *Agenda for International Development 1999: Harnessing Globalization*;

- , *Agenda for International Development 2000: Coping with Marginalization*;

- , *Agenda for International Development 2001: Strengthening Slow Track Globalization*.

## ENDNOTES

<sup>1</sup>) The author would like to take this opportunity to express his deep appreciation to Professor Hiroshi Osada, GSID Dean at the time of the visit, to Professor Yasunobu Sato, principal host for the visit, and to the other faculty colleagues and students in GSID and the School of Law who made his Nagoya sojourn so educational and enjoyable. Despite their valued research guidance, the views expressed in this article are his alone.

<sup>2</sup>) This article adopts the definition of "Official Development Assistance" ( abbreviated "ODA" ) that has been

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negotiated over time by the Organization for Economic Cooperation and Development, the authoritative international aid-monitoring body. OECD defines ODA as external financing to developing countries from donor governments, on concessional terms ( with a grant element of at least 25% on loans ) for the purpose of promoting economic development or welfare.

This definition includes capital projects, food aid, emergency relief, peacekeeping efforts and Technical Cooperation. Also included are contributions to multilateral organizations, such as the United Nations and its specialized agencies, and concessional funding to the Multilateral Development Banks ( like the World Bank and Asian Development Bank )

The definition excludes military and non-concessionary flows from official creditors, which are labeled by OECD as "Other Official Flows". It also excludes concessional flows to transition economies and to other countries considered too rich to be eligible for ODA, which are termed "Official Aid". For Japan, the latter category is insignificant. In 2000, for example, Japanese Official Aid generated a negative net flow of minus \$54 million, in stark contrast to a positive ODA total of \$13.5 billion. OECD Internet website: *Development Cooperation Report 2001*.

<sup>3)</sup> The main published sources consulted during the course of this research are cited in the "References" annex to the article.

<sup>4)</sup> Structured interviews were conducted with more than two-dozen senior officials and other ODA specialists, in Tokyo and Nagoya. Their anonymity and the non-attribution of their personal opinions were guaranteed in order to facilitate candor and comfort in sensitive policy discussions. The author is deeply grateful for the accessibility and insights of these individuals.

<sup>5)</sup> OECD Internet website: *Development Cooperation Report 2001*: Table IV-1: "Net ODA Flows from DAC Members in 1999 and 2000".

<sup>6)</sup> The Table estimated the U.S. contribution as \$9.96 billion. DAC figures are for actual net disbursements: i.e., total annual actual grant and loan outlays, offset by loan repayments received by the donor that same year.

<sup>7)</sup> Japan's \$13.51 billion equaled 25% of aggregate ODA contributions of \$53.74 billion.

<sup>8)</sup> In fact, Japan has been the world's largest donor since 1989. MoFA Research and Programming Division, informal briefing paper, "History of Japan's Assistance to Developing Countries ( 1945-1999 )".

<sup>9)</sup> Article 9.

<sup>10)</sup> In 2000, Japan's Asian and worldwide ODA contributions were \$8.44 billion and \$13.01 billion, respectively ( in constant 1999 dollars ) OECD Internet website: *Development Cooperation Report 2001*.

<sup>11)</sup> *ibid*.

<sup>12)</sup> For contributions to all multilateral organizations, the dollar values were 17.69 billion by all DAC Members and 3.74 billion by Japan. For contributions to the ADB, the corresponding figures were 0.86 billion and 0.55 billion, respectively. OECD On-line Statistics, 2002: "Table 15. ODA from DAC Contributions to Multilateral Organizations in 2000".

- <sup>13)</sup> For a detailed summary of the Monterrey Conference agenda, see, for example, *The Economist*, March 16, 2002, “Missing the point”, p.16, and “Help in the right places”, p.73.
- <sup>14)</sup> See the Statement by Mr. Shigeo Uetake, Senior Vice Minister for Foreign Affairs, delivered at the Monterrey Conference on 22 March 2002. MoFA Internet website.
- <sup>15)</sup> Africa contains 33 of the 48 Least Development Countries designated by the United Nations Development Program. See, e.g., MoFA Medium-Term Policy, Note 3.
- <sup>16)</sup> MoFA Internet website, ODA budget, 2000: “FY2000 ODA Operational Budget, Government Total”.
- <sup>17)</sup> JBIC Internet website: “JBIC at a Glance”, 2/22/02, page 8.
- <sup>18)</sup> The incidents, well-known to this article’s Japanese readers, frequently dominated print-media headlines and television news broadcasts during the author’s two-month Visiting Fellowship. They involved, most notoriously, the contretemps between then Foreign Minister Makiko Tanaka, on the one hand, and senior MoFA bureaucrats and Parliamentarian Muneo Suzuki, on the other, over participation of Japanese NGOs in the January Afghanistan Donors Conference; the Prime Minister’s subsequent removal of Minister Tanaka; and Mr. Suzuki’s subsequent removal from the LDP over an ODA misprocurement scandal.
- <sup>19)</sup> The American and European annual ODA increases of \$5 billion and \$4 billion, respectively, were analyzed, *inter alia*, by UN Secretary General Kofi Annan in *The New York Times*, March 20, 2002, “Help by rewarding good governance”.
- <sup>20)</sup> Since DAC and other international-organization figures are computed in U.S. dollars, the yen’s depreciation from 114 to 134 dollars in the past two years will, by itself, translate into an 18% decrease in Japanese ODA in international comparative tables.
- <sup>21)</sup> In the words of the 2nd Committee’s Interim Report: “The Japanese public should raise their interests in ODA, constantly discuss the ways and means in which ODA is implemented, form a broad public consensus and participate more intensely in ODA activities. It is necessary to overcome bureaucracy-led ODA and to develop new ODA in which the vigor and wisdom of the Japanese people are exhibited.”
- <sup>22)</sup> A possible preview of this intention may have been signaled by new Foreign Minister Kawaguchi’s in her announcement of “Ten Reform Principles to Ensure an Open Foreign Ministry” during the first week following her appointment in February of this year. The Principles notably included a call for increased efficiency and transparency in ODA policy-making and implementation. MoFA Internet website.