Japan’s Development Assistance

Foreign Aid and the Post-2015 Agenda

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Japan’s ODA 1954–2014: Changes and Continuities in a Central Instrument in Japan’s Foreign Policy

Hiroshi Kato

1.1 Introduction

This chapter attempts to give a retrospective overview of Japan’s bilateral official development assistance (ODA) over the last 60 years from 1954 through to 2014, in the context of the post-2015 development challenges. It provides a chronological review of its development (Section 1.2), a discussion of major characteristics (Section 1.3), examples of some representative projects that vividly display such characteristics (Section 1.4), and, finally, a brief conclusion (Section 1.5).

Through these sections, this chapter attempts to illustrate that (1) for Japan, ODA was a very—and perhaps the most—important foreign policy tool from the post–World War II through the post–Cold War era and up to today, and that, as such, (2) it has served a wide range of purposes over the different decades, not only “developmental” purposes in the narrow sense of the word but also diplomatic and economic policy objectives vis-à-vis developing and developed countries alike. It also argues that (3) despite the constant changes of its objectives and implementation instruments over the decades, there have been some consistencies in Japan’s ODA policy and practices, resulting in significant achievements in Asia and elsewhere, and (4) Japan’s ODA could offer substantial insights into developmental goals of and approaches to development in the post-2015 era.

1.2 Chronological review

1.2.1 The 1950s: Era of war reparations and economic recovery

In the middle of the 1950s, war reparations constituted an important part of Japan’s international cooperation. Six years after the end of World War II in 1945, Japan was accepted back into the international community with the signing of the San Francisco Peace Treaty in 1951, which entered into effect in 1952. In returning to the international community, Japan was obliged to pay war reparations to compensate for the damages it caused during the war. To save foreign currency, reparations were implemented through payments in yen by the Japanese government to Japanese firms, who sold Japanese goods and services to Southeast Asian countries. This reparation program helped Japanese firms to regain access
to markets in Southeast Asia. The payments of these reparations continued from 1955 until 1977, with total expenditures amounting to $1.5 billion.

Other forms of cooperation than war reparations also gradually commenced. Technical cooperation started in 1954, with Japan’s accession to the Colombo Plan backed by strong support from the United States (Hatano 1994). The first yen loan was provided to India in 1958. The Yen Loan Program was invented as an effective means of boosting exports, a policy agenda most urgently felt among the policymakers of Japan at that time.\(^3\)

1.2.2 The 1960s: ODA expanded as a means of economic growth

The 1960s saw rapid progress of Japan’s ODA system, reflecting the government’s will to expand it to Southeastern Asian countries and to support the country’s rapid economic growth policy (known as the “income doubling policy”). This policy was welcomed by the United States, for whom economic development and political stability in non-communist Southeast Asian countries had become an issue of critical importance in the context of the then raging Cold War.

The decade also saw steady development of administrative infrastructure for Japan’s ODA. In 1961, the Overseas Economic Cooperation Fund (OECF) was established to provide developmental finance to developing countries. In the same year, Japan was admitted to the Development Assistance Committee (DAC). Three years later, in 1964, Japan was admitted to the Organisation for Economic Co-operation and Development (OECD), again with strong support from the United States. Earlier in 1962, Overseas Technical Cooperation Agency (OTCA), which was later to merge with the Japan Emigration Service (JEMIS) into Japan International Cooperation Agency (JICA) in 1974, was established. A program similar to the Peace Corps in the United States, a Japanese version of an overseas volunteer program, Japan Overseas Cooperation Volunteers (JOCV), was inaugurated in 1965.\(^4\)

1.2.3 The 1970s: ODA policy changes in the wake of various shocks

In the 1970s, Japan was hit by several shocks, and the scope and purpose of its ODA programs began to diversify. This was also a period when Japan had to rethink and modify its policy toward Southeast Asian countries.

The first two of the shocks were economic: one was a sudden embargo of US soybeans for the Japanese market, a decision made by President Nixon in June 1973, and the other was the first oil shock in October the same year. These two incidents forced the Japanese government to acknowledge the country’s food and natural resource insecurities, and hence the need to develop comprehensive security policies. The establishment of JICA in 1974 is said to have been prompted by this series of shocks. Japan’s ODA policy was modified accordingly—now it was expanded to partners beyond Southeast Asian countries, such as to Middle Eastern countries.

The third shock that took place in the 1970s was political and diplomatic, and this occurred when Prime Minister Kakuei Tanaka made a visit to Southeast Asia in 1974. He was greeted with angry riots both in Bangkok and in Jakarta, protesting against the over-presence of Japanese firms in Southeast Asia. This prompted the government to review its approach to Southeast Asia, and a new
policy was subsequently crystallized when Prime Minister Fukuda made a visit to the area three years later in 1977. The policy was what later came to be called the “Fukuda Doctrine,” in which Fukuda pledged that Japan, a country committed to peace, would never become a military power and that Japan would build up a relationship of mutual confidence and trust with Southeast Asian countries in wide-ranging fields. Following this policy, Japan’s ODA policies toward Southeast Asian countries expanded both in volume and in coverage in subsequent decades.

The 1970s was an era when Japan’s status as a developed country, and its accompanying responsibilities, came to be recognized and felt by Japan itself and other members of the developed world—especially the United States, with whom Japan had come to have several issues. The first was the issue of burden sharing; the United States wanted Japan to do more in economic cooperation—rather than in the military domain—and pushed Japan to expand its ODA program. To comply with this request, Japan decided to double its ODA budget in 1977. The second area was trade friction, stemming from the ever-widening US trade and payment deficits with Japan. It was under these circumstances that Japan decided to untie its aid and make its projects accessible to countries except for the Easter bloc countries, including, most importantly, American firms. A third issue concerned alignment with US geopolitical strategy. Successive Japanese administrations decided to support countries in harmony with US strategy, such as Pakistan, Turkey, Egypt, and Sudan.

1.2.4 The 1980s: Road to the top—Further expansion of ODA

Japan’s ODA continued to expand in volume and develop in its range of activities during the 1980s. With the repeated introduction of its ODA medium-term targets (1981, 1985, and 1988), the volume expanded almost linearly. Elevated further by the appreciation of the yen against the dollar after the Plaza Accord in 1985, Japan finally became the world’s top ODA donor in 1989, surpassing the United States.

Reflecting Japan’s policy toward more mature relationships with Southeast Asian countries, several important projects were launched during this period. One was a comprehensive human resource development package for the ASEAN member countries, amounting to $100 million, announced by Prime Minister Suzuki in 1981. This plan was to establish one human resource development center in each of the then ASEAN members. Another landmark project was the Eastern Seaboard Industrial development project in Thailand, which later helped Thailand develop an industrial complex, attracting 1,400 firms and creating more than 300,000 job opportunities. The 1980s saw also the expansion of Japan’s ODA to China. Prime Minister Ohira made a visit to China in 1979, making a pledge of cooperation of 50 billion yen. Following this, cooperation with China steadily increased up to the 1990s.

1.2.5 The 1990s: Fulfilling responsibility as the top ODA donor

While enjoying the status of a top ODA provider, Japan experienced a major setback in the early period of the 1990s: the humiliating experience following Iraq’s invasion of Kuwait. Japan’s inability to make contributions in personnel
in response to the crisis, in addition to its monetary contribution, which in itself was later disparaged as “too little, too late,” simply served to strengthen the international impression that Japan was a mercantilist, self-centered country. Learning from this diplomatic “defeat,” the government became strongly aware of the need to contribute more to the resolution of international conflicts. In 1992, the government passed the International Peace Cooperation Law, which enabled it to send its Self-Defense Forces (SDF) to join the United Nations peacekeeping operations.

Along with these moves, the government embarked on a number of efforts to win greater support from the public for ODA domestically and also toward improving its position within the international community. The promulgation of the ODA Charter in 1992 was intended to articulate to political leaders and the public of Japan the raison d’être of ODA and also to its foreign partners—especially the United States.6

In the international arena, Japan tried to fulfill its responsibility as the world’s top donor by providing international public goods and services. One such effort was the organization of a large-scale international conference on Africa (Tokyo International Conference on African Development: TICAD) in 1993, in an attempt to once again highlight Africa, amidst the “aid fatigue” prevalent among the Western donors.7 During this period, Japan also took a leading role in the state-building process of Cambodia, and 1,200 SDF troops were sent to participate in the peacekeeping operations in the country. Japan was also active in supporting the process of transition to the market economy of former communist bloc countries like Mongolia.

In terms of the international development debate, Japan sparked debate on views on development and development strategies based on the orthodox neoclassical economics theory (see chapters 2, 7, and 16 by Kodera, Page, and Abe and Katsu, respectively). Japan also played an active role in the process leading up to an OECD development strategy, “Shaping the 21st Century: The Contribution of Development Co-operation” (OECD-DAC 1996), adopted in May 1996. This strategy is said to have paved the way for the adoption of the Millennium Development Goals at the Millennium Summit in 2000 (Hattori 2003).

Toward the end of the decade, when the Asian currency and financial crisis hit the region in 1997, Japan stepped in with a bold support package toward the crisis-hit economies, amounting to a total of US$80 billion, including some special ODA yen loan facilities.

1.2.6 The 2000s: The period of soul-searching

Despite these efforts by the government both within and out of the country, the support for and the budget allocated to ODA continued to decline throughout the 2000s. This contrasted with other donors, who started, especially after 9–11, to boldly enhance their commitment to international poverty reduction as part of their fight against terrorism. The continued decline of Japan's ODA during this period was largely because of the prolonged recession and the alarmingly high level of public debt.
Still, efforts were made to fulfill its responsibilities as one of the world’s leading—if not the top—ODA providers and a strong ally of the United States. Thus, Tokyo hosted the International Conference on Reconstruction Assistance to Afghanistan in January 2002 and subsequently embarked on a series of projects aimed at the state building of the country as well as the improvement of the socioeconomic conditions of the people.8

The 2000s also saw several important developments concerning the policy and administration of Japan’s ODA. First, in 2003, the ODA Charter was revised (see MOFA 2003). Reflecting the then prevailing critical view of the public toward ODA—given the prolonged domestic economic slump—the revised charter had to stress how ODA can be important to the national interest of Japan, although the use of the term “national interest” was carefully avoided. The new charter also enshrined the concept of human security as one of its guiding principles.9

Subsequently, important changes were made to the implementation bodies of ODA. First, in 2003, JICA was turned into what was called an “independent administrative institution” (IAI), a genre of public body that is expected to exercise an increased degree of autonomy and flexibility in implementation, while the planning functions remain within government. Concomitant to this change was the appointment of Sadako Ogata as president of the newly IAI-turned JICA. With this new legal status and new leadership, the new JICA embarked on a number of reforms, the most important of which perhaps was the mainstreaming of the human security concept into JICA operations. With this latter emphasis, JICA increased its resource allocation to “fragile” countries, typically in Africa.

Another, and perhaps more important, administrative change took place when, in 2008, the two then existing ODA agencies were merged. With this merger, JICA and the ODA loan departments of the Japan Bank for International Cooperation (JBIC)10 were combined, making the new organization (which took over the name of JICA) capable of handling the three major modus operandi under one roof: technical cooperation, grants, and loans.

1.2.7 The 2010s: Toward the reinvention of ODA

The second Abe administration, which came to power in late 2012, embarked on a process of introducing a whole range of new policies, including, most importantly, national security and economic revitalization. The administration came up with a new National Security Strategy in December 2013 (Prime Minister of Japan and His Cabinet 2013), in which ODA was referred to as an important means of ensuring the security of the country, including economic and natural resource securities. ODA has also been identified as an instrument for the implementation of the regime’s economic policy advertised as “Abenomics.” With these policy orientations, the government revised the ODA Charter for the second time in 2015. The new document, now titled “Development Cooperation Charter,” emphasizes the role of ODA as a catalyst for other actors that engage in development cooperation (see MOFA 2015).
1.3 Characteristics of Japan’s ODA

This section looks at some of the characteristics of Japan’s ODA. Starting with the characteristics most often perceived by foreign observers, it will demonstrate that some of the “old” views on it no longer necessarily capture it in its present form, given the radical changes that Japan’s ODA has undergone, and that, at the same time, it has maintained some of its traits despite such changes.

1.3.1 Decentralized systems and responsibilities for ODA policymaking and implementation

Japan’s ODA system has often been considered as being highly fragmented. However, there has been a shift in the way that the budget, resources, and power are distributed among different ministries.

At the ministerial level, there has been a process of integration of power and budget into a few ministries. Today, the following three ministries are the most influential in managing Japan’s ODA policy and budget: the Ministry of Foreign Affairs (MOFA), the Ministry of Finance (MOF), and the Ministry of Economy, Trade, and Industry (METI). They have large budgets, and each is involved in the process of project selection for different types of aid. These three ministries have led Japan’s ODA policy, each with its own priority policy agendas. Put simply, the major concerns were, for MOFA, diplomatic relations with major stakeholders and Japan’s image in the international community; for METI, promotion of Japan’s economic and commercial interests; and for MOF, stringent budget control and also finding ways to make meaningful contributions to international financial institutions.

There are other ministries that manage a significant budget to implement programs that are counted as constituting ODA, like the Ministry of Education, Culture, Sports, Science and Technology, which provides ODA-based scholarships. However, other than that, the ODA budgets of line ministries have been in continuous decline, with the result that—fortunately or unfortunately—the high degree of fragmentation among many ministries has become a thing of the past.

Another important change in Japan’s ODA system that has been instrumental in streamlining it was the merger of JICA and JBIC in 2008 that, as previously stated, brought the three major modalities of ODA—loans, grants, and technical cooperation—under the mandate of one organization. With this merger, decision-making for these various modalities of ODA became much more rationalized.

Aside from the fragmentation of administrative bodies involved, one criticism of Japan’s ODA system, both from outside and from inside, is that it lacks a control tower of or a clearly articulated guiding principle for it, for example, like a cabinet-level development agency, or a legal framework like a basic ODA law (Arase 2005; Lancaster 2007). However, a country’s ability to coherently control its ODA policy boils down to the leadership of politicians. In previous administrations, there were a number of intragovernmental coordinating bodies under different names such as “Councils on Economic Cooperation,” none of which were ever fully functioning. Under the second Abe administration, however, the Prime Minister’s Office is
sending out articulate instructions on the strategic use of ODA, providing a sharp contrast with the mode of ODA decision-making prevalent in the past.

1.3.2 Extensive use of loans

The extensive use of loans has been a distinct characteristic of Japan’s aid compared to other DAC member countries. Grants as a percentage of gross aid volume for Japan are much lower than the DAC member average—Japan’s share of grants being around 40 percent (during the period 1990–2000) compared to other DAC member countries, such as Germany (around 70 percent) and France (around 80 percent), both of which are major loan-providing countries.

Japan often explains the extensive use of loans in relation to the “self-help” principle: loans will provide stronger incentives than grants for self-help on the part of the borrowers. There are, however, other practical reasons for Japan’s preference of loans, especially in the early days of its ODA history. Akiyama and Nakao (2005) list several reasons behind Japan’s preference to loans, such as that loans can be used even under budgetary constraints (as Japan has been, especially during the 1950s and 1960s), and Japan was able to tap large savings in the postal saving system (Akiyama and Nakao 2005).

After the intensive debate on the pros and cons of loans and grants around the turn of the century, international consensus seems to have converged that the two instruments, after all, must be used in optimal combinations for different purposes. This is what occurred with Japan’s ODA: as the target countries and regions of Japan’s ODA began to diversify in the 1970s, Japan started to mobilize different modalities (schemes) for different purposes in different countries. For example, currently, poorer countries such as those in sub-Saharan Africa (SSA) tend to receive larger grants from Japan than relatively better-off countries in Southeast Asia.

1.3.3 Request-based principle

The “request-based” principle is another oft-mentioned characteristic of Japan’s ODA. This principle is usually understood as a procedure in which Japan takes a “wait-until-requests-are-made” attitude in selecting projects. The origin of this practice is often associated with the historical background of Japan’s ODA that started as part of the country’s war reparations (Ishikawa 2005; Lancaster 2007). More importantly, however, this principle can be said to have been associated with the sense of trust that Japan has had in its partner countries based on the conviction that the requesting governments should know what is needed most for the development of their countries (see Chapter 21 by Kato, Page, and Shimomura).

This attitude seems to be changing gradually. In fact, after the new ODA Charter in 2003, there have been steady efforts to intensify dialogue with partner countries, and for that purpose, various instruments such as countrywise assistance policy documents have started to be produced. The New Development Cooperation Charter adopted in 2015 makes it clear that Japan will take a more proactive attitude in holding dialogue with its partner countries.
1.3.4 Asia-centered

Another characteristic often attached to Japan’s ODA is that it has been centered on Asia, especially in Southeast Asia. This is evident in figures, as shown in Table 1.1. The emphasis on Asia is a self-proclaimed goal articulated in Japan’s ODA Charter, both in its 1992 and in its 2003 versions. This recurrent labeling of “Japan’s emphasis on Asia,” however, must be considered with care. First, while Asia (Far East along with South and Central Asia combined together) is still by far the largest receiver of aid, its dominance over other regions is no longer as overwhelming as it was in the 1980s, also shown in Table 1.1.

Second, the large volume of yen loans to Asia tends to overshadow efforts to other areas through other modalities such as grants and technical cooperation. However, in fact, within these modalities the emphasis has definitely been shifting toward other areas than Asia. For example, for grants, the region receiving the largest amount in recent years has been sub-Saharan Africa, surpassing both Far East Asia and South and Central Asia (see Table 1.2).

1.3.5 Emphasis on economic infrastructure

As is widely known, Japan’s ODA has placed a strong emphasis on economic infrastructure and productive services. This emphasis has often been the subject of criticism from those who took it as being motivated by economic or commercial interests. While this view may have captured Japan’s ODA in its early days, however, these direct economic/commercial motives became less predominant,

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Table 1.1 Regional distribution of gross disbursements of Japanese ODA

<table>
<thead>
<tr>
<th>Donor</th>
<th>Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Part 1: Part I—developing countries</td>
<td></td>
</tr>
<tr>
<td>Aid type</td>
<td>Memo: ODA total, gross disbursements</td>
</tr>
<tr>
<td>Amount type</td>
<td>Constant prices (2012 US$ millions)</td>
</tr>
<tr>
<td>Europe</td>
<td>0</td>
</tr>
<tr>
<td>North of Sahara</td>
<td>1</td>
</tr>
<tr>
<td>South of Sahara</td>
<td>0</td>
</tr>
<tr>
<td>America</td>
<td>1</td>
</tr>
<tr>
<td>Far East Asia</td>
<td>737</td>
</tr>
<tr>
<td>South and Central Asia</td>
<td>375</td>
</tr>
<tr>
<td>Middle East</td>
<td>1</td>
</tr>
<tr>
<td>Oceania</td>
<td>..</td>
</tr>
<tr>
<td>LDCs</td>
<td>370</td>
</tr>
</tbody>
</table>

Note: Constant prices (2012 US$ millions).
Source: OECD stat, data extracted on 7 Jul 2014 05:48 UTC (GMT).
Table 1.2  Total grants to the African and Asian regions: 1960s through 2010s (in current prices, US$ millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-Saharan Africa</td>
<td>202</td>
<td>202</td>
<td>306</td>
<td>812</td>
<td>1,359</td>
<td>2,026</td>
</tr>
<tr>
<td>Far East Asia</td>
<td>1,199</td>
<td>452</td>
<td>1,317</td>
<td>1,078</td>
<td>1,114</td>
<td></td>
</tr>
<tr>
<td>South and Central Asia</td>
<td>510</td>
<td>308</td>
<td>620</td>
<td>742</td>
<td>1,463</td>
<td></td>
</tr>
</tbody>
</table>

Source: OECD stat.

especially from the 1980s and onwards, in the aftermath of the introduction of the untying policy of yen loan projects.

Setting the motives aside, the fundamental issue must be ways in which the supply of infrastructure can be an important vehicle for economic development and poverty reduction. Although a definitive proof on this linkage is yet to be found, some literature does point to the potential positive impacts of infrastructure (see Chapter 18 by Addison and Tarp). Going beyond economic development at the macro level, some even argue that infrastructure development positively impacts “human development” at the micro level, as represented by the Human Development Index (Sapkota 2014).

Talking specifically of Southeast Asia, one can safely argue that infrastructure development, supported by Japan’s foreign aid, has laid a foundation for economic development, while rigorous quantitative proof is difficult in the absence of a counterfactual. Table 1.3 summarizes Japan’s massive contribution to infrastructural development in selected ASEAN countries.

Overall, Japan has been a consistent, and sometimes lonely, advocate of infrastructure development, even when other DAC donors and the World Bank reduced

Table 1.3  Major contributions of Japan’s ODA to infrastructure development in selected ASEAN countries

<table>
<thead>
<tr>
<th>Subsector</th>
<th>Country #1</th>
<th>Country #2</th>
<th>Country #3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airport (passenger/day)</td>
<td>Vietnam</td>
<td>Thailand</td>
<td>Malaysia</td>
</tr>
<tr>
<td></td>
<td>84.76%</td>
<td>75.78%</td>
<td>61.72%</td>
</tr>
<tr>
<td>Railroads (km)</td>
<td>Philippines</td>
<td>Indonesia</td>
<td>Thailand</td>
</tr>
<tr>
<td></td>
<td>51.15%</td>
<td>36.41%</td>
<td>22.05%</td>
</tr>
<tr>
<td>Ports Container cargo (TEU/day)</td>
<td>Cambodia</td>
<td>Indonesia</td>
<td>Thailand</td>
</tr>
<tr>
<td></td>
<td>72.84%</td>
<td>48.29%</td>
<td>21.61%</td>
</tr>
<tr>
<td>Ports Cargo handled (tons/day)</td>
<td>Indonesia</td>
<td>Cambodia</td>
<td>Vietnam</td>
</tr>
<tr>
<td></td>
<td>40.32%</td>
<td>39.28%</td>
<td>37.32%</td>
</tr>
<tr>
<td>Thermal power (GWH/year)</td>
<td>Vietnam</td>
<td>Myanmar</td>
<td>Indonesia</td>
</tr>
<tr>
<td></td>
<td>36.48%</td>
<td>11.69%</td>
<td>10.97%</td>
</tr>
<tr>
<td>Hydropower (GWH/year)</td>
<td>Indonesia</td>
<td>Malaysia</td>
<td>Myanmar</td>
</tr>
<tr>
<td></td>
<td>61.54%</td>
<td>52.89%</td>
<td>44.54%</td>
</tr>
</tbody>
</table>

Source: Compiled by JICA using its evaluation reports on yen loans and grant projects as well as information from the WDI and statistical sources of relevant countries as of 2010.
their resource allocation to this sector. From the Japanese perspective, it is encouraging that the international community is making a turnaround and starting to recognize the centrality of infrastructure, as seen, for example, in the recent debate on the post-2015 development framework.

1.3.6 Poverty reduction versus economic take-off

Around the turn of the century, Japan slightly shifted the overall goal of its ODA or the ultimate goal that Japan aspires to achieve with its ODA. Up until the end of the 20th century, the goal was economic development and the resultant “take-off” of developing countries. Thus, the 1992 ODA Charter declared, in the fourth paragraph of the “Basic Philosophy” section, that

Japan attaches central importance to the support for the self-help efforts of developing countries towards economic take-off. It will therefore implement its ODA to help ensure the efficient and fair distribution of resources and “good governance” in developing countries through developing a wide range of human resources and socioeconomic infrastructure, including domestic systems, and through meeting the basic human needs (BHN), thereby promoting the sound economic development of the recipient countries.

(Japan. MOFA 1992, emphasis by author)

This policy seems to have changed at the turn of the century, with a shift toward poverty reduction. The 2003-revised ODA Charter puts poverty reduction as the first issue to be tackled, while adding the importance of growth after it, as follows:

3. Priority Issues

(1) Poverty reduction

Poverty reduction is a key development goal shared by the international community, and is also essential for eliminating terrorism and other causes of instability in the world. Therefore, Japan will give high priorities to providing assistance to such sectors as education, health care and welfare, water and sanitation and agriculture, and will support human and social development in the developing countries. At the same time, sustainable economic growth, increase in employment, and improvement in the quality of life are indispensable for realizing poverty reduction and Japan places importance on providing assistance for these issues accordingly.

(Japan. MOFA 2003, emphasis by author)

This change in Japan’s policy statement is likely to have been affected by the shift in policy orientation by the mainstream development institutions, for example, the World Bank and the United Nations. If that is indeed the case, then questions could be asked as to whether Japan’s policy change represents a fundamental shift in philosophy or was it made rather reluctantly to show its allegiance to the internationally accepted norm. Ohno (2002) presents interesting evidence indicating that Japan was not wholly supportive of enshrining poverty reduction as
the main goal. In his paper, he summarizes a view on development and development assistance commonly found among Japanese officials at that time, as follows:

Development must be achieved on cumulative efforts, not impulsive shifts. The recent global passion for cutting poverty may have gone to extremes. Poverty must be reduced, but in a way that permits pursuing other development goals and strategies reflecting the diversity of poor countries. To supplement the current pro-poor policies, Japan proposes an alternative, more dynamic concept of development assistance for the purpose of helping latecomer countries to be integrated in the world economy as active trading partners. It is up to each developing country, and not donors, to decide whether the ultimate national goal is poverty reduction, industrial dynamism, or otherwise.

(Ohno 2002, 19)

It has been almost 15 years since the 1999–2000 policy about-face toward poverty reduction, and today, the pendulum seems to be swinging back again, this time toward more nuanced understanding about poverty reduction and economic growth. Given these circumstances, Japan articulated its stance on poverty reduction and economic growth in its new Development Cooperation Charter of 2015, where it is emphasized that poverty reduction must be achieved through “quality growth.” This can be understood as a carefully rephrased version of its consistent belief on the importance of growth as the driver of poverty reduction.

1.3.7 Emphasis on human resource development and field orientation

Another characteristic of Japan’s ODA is its very strong—almost “obsessive”—emphasis on human resource development. Human resource development is an absolute priority unanimously upheld by those working in development. It is a kind of “collective wisdom” shared among Japanese society, which has long been teaching itself the importance of education and human resource development.17

In practical terms, the term “human resource development,” means two things: one is the belief in the vital importance of formal education and particularly of basic education, and in this regard, Japan is not quite different from other donors; the other meaning of human resource development for Japan’s development practitioners, which perhaps sets Japan apart from other donors, is the importance placed on nurturing people’s practical problem solving capacity. This includes many things: to be disciplined at work, be able to identify and solve problems using available resources and knowledge, to have an attitude to try to improve things gradually (kaizen) rather than expecting drastic changes, and to work collaboratively with people.

They also believe this type of capacity can and must be developed in the workplace or in the field (known as gemba in Japanese). Thus, Japanese experts, consultants, and volunteers, though neither always fluent in verbal communication nor good at report writing, try to work together with their counterparts, and
share what they have—tacit skills, knowledge, and attitude in addition to explicit ones.

This human resource development orientation is so widespread that it permeates every sector and modality. As such, it is emphasized in every sector, not necessarily in just the education sector. Nor is the spirit limited to technical cooperation, but is also dominant in the work of infrastructure development projects.\(^{18}\)

1.3.8 Broad-based support for implementation

Japan’s ODA depends on a wide range of people and organizations as its supporters and implementers, but their compositions have varied over the years. Below, we will have a look at what kinds of resources are mobilized, for different cooperation modalities.

Initially, in implementing its technical cooperation, Japan had to heavily depend on the human resources available in the public sector, personnel both to dispatch overseas as technical experts and to organize training programs organized in Japan. Such public sector human resources came from the government, government-related public corporations (see Chapter 6 by Sato), and local governments. Over time and with the expansion of ODA budget and programs, actors in the private sector, particularly development consultants, came to be more active and worked in both technical and financial cooperation (loans and grants) projects. The establishment of an association of the Engineering and Consulting Firms Association (ECFA), Japan, in 1964, testifies to the growth of such consulting firms. In 1965, JOCV was started, tapping into a vast reservoir of human resources: the youth.\(^{19}\) In the meantime, the source of “experts” to be dispatched overseas, an area that was traditionally dominated by the public sector personnel, also started to change by including more people from the private sector—especially since the 1990s. This change took place because of the then subsiding interest of governmental and public bodies in ODA resulting from administrative reform pressure, and, second, JICA shifted its recruitment policies to look for human resources more in the private sector under the influence of the government policy.

In the meantime, the rapid expansion of ODA starting from the 1980s resulted in a growing number of off-the-job technical training programs in Japan, a type of technical cooperation conducted through lectures, field visits, seminars, and workshops. To organize such training courses, government agencies, public corporations (see Chapter 6 by Sato), as well as local governments came to be mobilized. Later, starting from the 1990s, participation in ODA programs of NGOs, local governments, and universities expanded.

With this historical background, Japan’s ODA came to be supported by a wide range of actors for its implementation, many of whom are not developmental experts working exclusively on development. Rather, they participate in the ODA activities—whether for profit or otherwise—only on demand and on an ad hoc basis, that is, only when they are requested by aid-implementing agencies like JICA. This composition of the personnel in ODA, especially in technical cooperation, is the very reason that many Japanese aid policymakers believe it may be
inappropriate to untie technical cooperation as, by nature, their services are not something that can be transacted in the market.20

This system of Japan’s “on-demand” recruitment system for ODA personnel has both advantages and disadvantages. On the positive side, the system makes it possible to recruit, though not always, personnel from a wide range of fields, rather inexpensively and in a flexible manner. And personnel thus recruited through an on-demand basis from relevant agencies and firms are generally very competent in providing practical and useful advice to their counterparts in developing countries. The disadvantages are that, due to lack of exposure to the issues of developing countries on a day-to-day basis, specialists who have been thus recruited from the ground tend to lack knowledge of developing countries, and often lack the communication and negotiation skills needed as development experts.

Unlike technical cooperation, participants for Japan’s financial cooperation (loans and grants) are principally from the private sector, particularly trading houses, construction companies, and manufacturing firms. This was because financial cooperation has been centrally used for the provision of equipment and construction of facilities. As previously stated, when Japan’s ODA started, it was strongly motivated by the need for export promotion, with the private sector working as major implementers of the loans and grants part of ODA. This, however, gradually started to change during the 1980–1990s, when the private sector began to take less interest in pursuing ODA-related business. One reason was the systems’ change toward untying yen loans in the late 1970s and a resulting decline in the number of contracts won by Japanese firms, which eventually fell to approximately 20 percent in the 2000s.21 Another was the attitudinal change of the private sector toward ODA: during the 2000s, many major trading companies started to withdraw from the ODA business, and particularly from grant projects, which they no longer saw as lucrative due to the alleged risks associated with corruption of recipient governments as well as other political risks.

Since the beginning of the 2010s, however, a new, more broadly based, kind of private–public partnership has come to be mainstreamed. Up until then, the private sector roles in ODA were rather limited to that of the implementers of ODA (and particularly infrastructure) projects. By contrast, the emerging form of ODA is aimed at supporting the mainstream business activities of the private sector in developing countries. As such, this is a clear break with the traditional ODA–private sector relationship. Practically, this new private–public partnership is being promoted by ODA-implementing agencies like JICA through a process of soliciting business proposals from the private sector, including from firms that have hitherto had little engagement in ODA-related activities, particularly small- and medium-sized enterprises. Once such proposals are judged as beneficial to developing countries, they can be selected as subjects of financial and technical support from ODA for their implementation.

This movement is underpinned by several motives. The first is the recognition that what is truly called for by developing countries is trade and investment, rather than aid. The second premise is based on domestic policy needs felt by Japanese political leaders to encourage Japanese firms to expand their overseas activities in
view of the domestic market, which is doomed to shrink in the long run, given the decreasing population of Japan.

1.4 Examples of landmark projects

This section attempts to illustrate the history of Japan’s ODA by looking at some projects that typically display the characteristics we have been discussing. We will start with the two projects often referred to as being typical and representative of Japan’s ODA in Asia—growth oriented and implemented in partnership with the private sector.

The first project is the Brantas River Basin Development Project (1969–2000s). This was a comprehensive river basin development project in Indonesia to which Japan provided assistance for over 40 years, from 1969 and into the 2000s. It comprised construction of multipurpose dams and canals for irrigation and flood control as well as measures to cope with volcanic activities. It resulted in a wide range of benefits in terms of power generation, agricultural development, river management and improvement, disaster prevention, and, very importantly, human resource development, made possible through the collaborative efforts by the Japanese and Indonesian engineers.

The second project, in Thailand, was the Eastern Seaboard Industrial Development (1980s–1990s). From the end of the 1970s through the beginning of the 1990s, a huge coastal industrial zone was constructed to the southeast of Bangkok, equipped with two deep-sea ports. Japan provided assistance amounting to a total of 180 billion yen to this project, which included the construction of ports, industrial estates, railways, roads, and industrial water supplies. The complex has absorbed a huge influx of foreign direct investment, especially those by automobile and electronic appliance companies from Japan and the United States. It has become Southeast Asia’s biggest center of automobile production, accommodating more than 1,400 factories and workshops, and has created more than 300,000 jobs.

Outside Asia, one landmark project representing the orientation of Japan’s ODA toward growth and public–private partnership is the development of “Cerrado” (1970s–1990s) in Brazil. It started during the 1970s when Japan started to diversify its ODA use outside Southeast Asia (see Section 1.2.3), and in the two decades since then, Japan has provided technical and financial assistance for agricultural development in the area. Prior to the project, the savannah area was believed to be useless for any productive activities. However, the project, comprising technical cooperation by JICA, yen loans, as well as financial support by the then OECF and participation from the private sector, has turned the area into one of the world’s largest agricultural production areas, especially for soybeans, maize, and wheat, making Brazil a net exporter of agricultural products.

We noted earlier that in Japan’s ODA, the emphasis on human resource development, especially through on-the-job training, permeates every sector and is not limited to technical cooperation. One good example is the Matadi Bridge, a suspension bridge project of the Democratic Republic of Congo (1980s–present).
Completed in 1983 with Japanese loan aid and technical assistance, it has a span of 520 meters, carrying the main highway between Kinshasa and the Atlantic coast. While working on the project, Japanese experts placed special emphasis on the training of the Congolese engineers and technicians by working together with them on the ground. Today, the bridge is still in service after having been guarded, during the 15 years of conflict that have ravaged the country, by Congolese technical personnel who learned from their Japanese counterparts back in the 1980s how to manage and maintain it.

This emphasis on human resource development, especially for practical problem solving capabilities, can be seen in projects for comprehensive human resource development that Japan started in Southeast Asia (see Section 1.2.4), but later expanded similar activities to other parts of the world. The Jomo-Kenyatta University of Agriculture and Technology (JKUAT) in Kenya was founded in 1981 to nurture engineers in agriculture and engineering. Japan has been supporting the school, even from before the university’s opening, through the provision of technical assistance by a number of experts and volunteers. Now JKUAT is a multifaculty university with more than 30,000 students.

Another example that highlights the sharing of practical knowledge by ODA through working together on the ground is the case of an expert named Keiji Nishioka. He went to Bhutan in 1964 as an OTCA (former JICA) expert. There, he carefully studied the local conditions of society and of agriculture while interacting with the farmers and provided practical ways to improve vegetable farming, soil properties, and clearing of uncultivated land. His ideas were widely supported and adopted by the farmers and the government. For all his achievements over 28 years, he was awarded the country’s highest medal in 1980. When he died in the country in 1982, he was honored with a state funeral.

A case that illustrates the “broad-based” ODA is a project to fight against Chagas disease in Central America, a parasitic disease attacking the most vulnerable people—the poor. Since the end of the 1990s, working in Guatemala, Honduras, El Salvador, and Nicaragua, using approaches adapted to the context of the local communities and respective governments, Japanese experts and a large number of volunteers have succeeded in developing a participatory Chagas disease monitoring system that has resulted in significant reduction of risk by preventing the transmission of the disease.

1.5 Conclusion

By way of summarizing the whole discussion, I would like to emphasize the following. First, though Japan’s ODA has undergone significant changes over the last six decades, overall, it can be judged as being successful in that it served at various points in time to achieve various policy objectives, contributing not only to international development but helping the country resolve various issues. Second, despite such consistent changes, certain consistent characteristics were maintained throughout its history, like the emphasis on growth through private sector activities supported by infrastructure and human resource development.
And third, there seems to be an emerging international consensus regarding the orientations that Japan’s ODA has been pursuing. This includes, among other things, the centrality of the private sector–driven growth for poverty reduction, the need for infrastructure development, and the need for broad-based cooperation to mobilize all available financial and other resources. In view of these points, the experiences Japan has accumulated through its ODA programs could offer the international community ample lessons to learn from.

Notes

1. This chapter deals primarily with bilateral ODA and, in particular, its part implemented through the Japan International Cooperation Agency (JICA), a major ODA implementation agency of Japan. For multilateral ODA, see Chapter 2 by Kodera, Chapter 15 by Hasegawa, and Chapter 16 by Abe and Katsu.

2. This section heavily draws on Iokibe (2006) and Sato (2006).

3. Yen loans at that time, unlike today’s ones, were tied to Japanese goods and services and were provided by the Export–Import Bank of Japan.

4. See Chapter 14 by Okabe.

5. Following this decision, the proportion of untied yen loan programs increased rapidly. See also Section 1.3.8.

6. See Chapter 5 by Shimomura.

7. See Chapter 10 by Cornelissen.

8. For a description of such activities, see JICA-RI Afghanistan Project Team (2012).

9. See Chapter 13 by Kamidohzono, Gómez, and Mine for the process of mainstreaming human security in Japan’s ODA operations.

10. Earlier, in 1999, OECF and the Export–Import Bank of Japan were merged to form the Japan Bank for International Cooperation (JBIC).

11. See Chapter 6 by Sato for a discussion on how “fragmented” aid system in Japan has served certain positive functions.

12. The ministry was formerly called MITI, or the Ministry of International Trade and Industry, until it was renamed METI in the 2001 administrative reforms.

13. MOFA, MOF, and METI for yen loan projects, and MOFA for grants and technical cooperation projects. In addition, MOFA and MOF are responsible for Japan’s contributions to multilateral agencies.

14. A similar view can be found in Lancaster (2007).

15. DAC statistics show that Japan stands out in terms of the share of aid going to economic infrastructure and production sectors.

16. The World Bank under the leadership of James Wolfensohn, made a major policy shift in 1999, when it launched a new initiative called the comprehensive development framework (CDF) and poverty reduction strategy paper (PRSP). Later, this policy orientation of the Bank was combined with a United Nations initiative, culminating in the adoption of the UN Millennium Development Goals (MDGs) that enshrined reduction of absolute poverty as the goal of utmost priority.

17. Such teachings on human behavior, such as those philosophers and thought leaders of Ninomiya Sontoku, Fukuzawa Yukichi, Nitobe Inazo, Shibusawa Eiichi, and Matsushita Konosuke, among others, may have contributed to the formation of the idea.

18. To see how capacity development is emphasized in infrastructure development, refer to the cases of the Brantas River Basin Development and the Matadi Bridge construction project in Section 1.4.

19. See Chapter 14 by Okabe.

20. Morrison (2005, 36) seems to have missed the standpoint of Japanese aid practitioners when he argued that “Japanese technical cooperation is almost always ‘tied’ to Japanese
providers, which […] reduces the ownership of the project by recipient countries.” Japanese ODA practitioners believe that untying the technical cooperation resources has nothing to do with the enhancement of the ownership of partner countries, while it will deprive Japan’s ample human resources of their opportunities to cooperate with developing countries.

21. This decline was also in part due to the deteriorating international price competitiveness of Japanese firms, caused by the appreciation of the yen against the dollar during the 1980s.

22. For more details, see Fujimoto (2013).

23. For details, see, for example, Shimomura (2013).


References


