

History of Japan's ODA in brief

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1. Era of ODA Recipient (1946-53)

After the WWII, Japan had to rebuild itself from the ashes and needed development assistance in the process. US, the only country that survived the war unscathed, came forward, not least because it wanted to appease the Japanese public for the sake of successful occupation and democratization. The US assistance in the form of food/medical aid and support for obtaining raw materials lasted until 1951 and summed up to \$5 billion. Japan then turned to World Bank for financial assistance and started taking loans in 1953. It took altogether 34 loans over 14 years and paid them up without arrears by 1990. This experience serves as a strong basis for defending the use of loans instead of grants as an essential vehicle of aid delivery to developing countries.

2. Reparation and Aid (1954-60s)

When Japan signed the San Francisco Peace Treaty with victor countries in 1952, it was obliged to make reparations for the

damages it had inflicted during the WWII. Only two countries, the Philippines and Vietnam, made reparation claims. Japan signed the Reparation and Economic Cooperation Agreements with those two and two more states, namely Burma and Indonesia, and started making up for losses in 1954. The reparations continued up until 1976 and amounted to around 500 billion yen in all. Japan was quite fortunate in the following senses.

- a. Japan was obliged to make reparations only within its capacity (unlike Germany after WWI).
- b. Reparation terms were determined in consultation with claimants, not unilaterally by the latter.
- c. Major countries such as China, India, US and other victors resigned reparation claims.
- d. Japan was allowed to make reparations in kind (i.e. goods and services Japan wished to export).

e. Japan thus was able to turn the reparations into export promotion opportunities (as the name of the agreements suggests, the two were married from the very beginning).

1954 also saw the very modest commencement of Japan's ODA in the form of technical assistance when it joined the Colombo Plan of the British Commonwealth. Japan also started providing aid to Asian countries that had resigned the claims on similar terms as reparations. Japan's ODA reached the second stage in 1958 when it started providing loans, first to India and then to other countries, with strings attached (i.e. tied aid). Grant financial assistance was the last to come: it began in 1968.

3. Exponential Growth of Japan's ODA (1970s-80s)

Following the Government decision in 1968 to increase aid volume to 1% of GNP, Japan's ODA expanded by leaps and bounds in 1970s and 80s, doubling every three to five years. It was made possible by "miraculous" economic growth, but it was also a response to the demands from the South that was, at least in 1970s, united in the pursuit of NIEO and to the mounting attacks from Asia on Japan's "economic invasion" to the region. Being so heavily dependent on the import of raw materials and forced to avert the attacks, Japan moved to win the minds of developing countries. The Southern demand for increased aid was echoed in 1980s by

Northern governments that had been affected by "aid fatigue" and had seen Japan amassing huge trade surplus each year. In the same decade, as economies of NIES and ASEAN countries started to grow rapidly and provide huge business opportunities and as steep appreciation of yen after the Plaza agreement made Japanese exports very expensive, Japanese corporations multiplied their efforts to relocate their productions sites to Asia. The major impediment to corporations, however, was the lack of economic infrastructure (roads, ports, electric power and grid, telecommunications, etc.). The Government of Japan (GoJ) came to the rescue by providing ODA for building the infrastructure and thereby facilitating the corporate penetration to the Asian market. The Government makes it a point, with a self-admiring overtone, that the Japan's ODA has made major contributions to the miraculous economic advancement of East and Southeast Asia.

In 1978, Japan set up the first Medium-term Target to bolster ODA in a planned manner (which means the aid had been provided without good planning). The first Target was followed by the second in 1981, the third in 1986, and the fourth in 1988. In 1989, Japan's ODA reached \$8,968 million, compared to \$458 in 1970, representing a 20-fold increase in as many years. However, its share in GNP stood at 0.32%, virtually unchanged in two decades. Geographical distribution was diversified:

the share of Asian countries decreased from 98.2% in 1970 to 62.5% in 1989 while that of Africa and Latin America increased.

In the meantime, the quality of Japan's ODA saw some improvements. Loans were being untied and debt relief started in late 1970s. The share of aid directed to basic human needs more than doubled (yet the definition of BHN is much debatable). ODA came under closer scrutiny and evaluation in 1980s. Such improvements notwithstanding, Japan's ODA came to draw criticisms from the South and from within towards the end of 1980s as to its commercialism, effectiveness, efficiency, corrupting effects, and environmental and social impacts.

4. Japan as a Top Donor in the World (1990s)

The exponential expansion lifted Japan to the top of the world in 1989 in terms of aid volume. Japan kept the position until year 2000 with a single exception of year 1990. The major feature of this period was "strategization." To that date, Japan's aid was dubbed "ODA without a vision." It was in 1992 the GoJ at long last formulated "ODA Charter," stating its visions, guiding principles and priority issues. It also started addressing cross-sectoral issues such as environment and gender, and implementing agencies developed guidelines to deal with them. The period also marked the departure from "request-based aid" to "aid based on policy dialogue." That is, instead of passively

giving aid as requested, GoJ began to set agenda on its own and actively engage in policy consultations with recipient countries. The more assertive posture as this manifested itself in taking the lead and initiatives in world development affairs. Japan volunteered to host coordination meetings on development of Cambodia, Mongolia and Africa. It also announced initiatives on HIV/AIDS, WID, and democratization — more with fanfare than with substance.

One welcome feature of the decade was building partnership with NGOs. GoJ broke its tradition of neglecting the role of civil society and first started providing subsidies to NGO projects in 1989. The subsidies and contracting out have kept expanding since then. It then agreed to engage in policy dialogues with NGOs in mid-90s and to include NGO representatives in its official delegation to international conferences. There seemed to be an ulterior motive, however. GoJ needed NGOs to put a "human face" on its aid. It was an act of counterbalancing the blames cast upon Japan's ODA.

5. Reforming Japan's ODA (1997-)

Japan's ODA has undergone transformation since mid-90s. The factor behind it is first and foremost the prolonged economic stagnation. In 1997, GoJ decided not to set a Medium-term Target with a quantitative indication any longer, because it was unable to increase aid and rather had to slash it. It was time to place less

emphasis on quantity and more on quality — quality as defined by GoJ, however. Various reform proposals were put forward from many quarters. Reform debates culminated in 1999 in the Medium-term (five-year) ODA Policy that replaced earlier Medium-term Targets. The Policy is probably the best from NGOs' point of view as it attached, for the first time, much importance to poverty reduction, social development and human development/security.

The trend for the better was soon reversed, however. The new advisory group formed under the Ministry of Foreign Affairs of the nationalist Koizumi Government submitted its advisory report in 2002. It sought to put breaks on “humanizing” ODA and prize public participation in ODA – participation of commercial enterprises in implementation was the hidden agenda. That was the context in which the ODA Charter was revised. The new Charter adopted in 2003 made it no secret to promote “Japan’s own security and prosperity” – thinly veiled wording for national interests – through provision of ODA. 9.11 cast a long shadow over the new Charter in that poverty reduction was assigned a new role of eliminating terrorism and that peace-building (as in Afganistan and Iraq) was accorded a similar significance. Strategic alliance and partnership with US has thus become a mainstay of Japan’s ODA.

The Medium-term ODA Policy is now being revised in the same vein.

In the meantime, Japan’s ODA deteriorated both in terms of quantity and quality. Its volume peaked in 1999 at \$15.3 billion and then started rolling down the hill. In 2003, it stood at \$8.91 billion: 42% less than the peak year and gaunt 0.20% of GNI. Aid budget for FY2004 is slashed another 4.8%. The loan aid was 100% untie in FY1996, but as uncompetitive Japanese firms lost ground and started yelling and crying, GoJ allowed the percentage to slip down, to the level of 60% in FY 2001.

DAC Review

DAC peer review of Japan’s ODA was undertaken soon after the Charter revision. It aptly recommends the country to “highlight that the primary objective of ODA is for the development of the recipient country” and “ensure that narrower national interests do not over-ride this objective.” It also advises to “more fully mainstream poverty reduction,” more clearly “focus on poor countries or poor populations,” and focus “more investment in basic health and education services to reduce poverty.” It then asks the Japanese Government to “make a policy statement on coherence for development” and identify “concrete measures to progressively untie the use of grant funds for primary contractors.”

Basic Information on Japan's ODA for the last 50 years

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1. Introduction

In October 6th, 2004, a full of 50 years will pass since Japan joined the Colombo Plan and started its technical cooperation as a donor country. It would be the time to review Japan's ODA for a better future of people in recipient countries and in Japan, which is a major rationale for the Reality of Aid's Conference and the symposium to be held in Tokyo in early October.

In this Jubilee Celebration, the main objective of this paper is to provide selected information and references to the participants so that they could understand basic characteristics of Japan's ODA and find some sources available at websites for their further study, especially information specific to each recipient country

2. Historical overview

1) Reparations: the prototype of Japan's ODA

One can find the "prototype" of Japan's ODA in the form of its reparations to Asian countries which indescribably suffered from its aggressions. The reparations also started in 1954 in accordance with Article 14 of the Peace Treaty of San Francisco. Japan signed a reparation treaty with Burma, South Vietnam, the Philippines and Indonesia, which laid down reparations in the form of the provision of products and services despite their strong demands for reparation in monetary terms. This form may be called "economic cooperation" type of reparations as the products and services from Japan were directed to infrastructure, plants and facilities mainly for economic activities. Loans were provided with reparations as collateral. Cambodia, Laos, Thailand, Malaysia, Singapore, South Korea and Micronesia received grant aid, which were treated as "quasi reparations".

* It is noted here that this paper is **not** intended to present PARC's position on Japan's ODA, and all the responsibility is attributed to the writer.

These “economic cooperation” type of reparations continued until the mid-1960s, and made a great contribution to Japanese industries’ reconstruction and presence abroad. Specifically, major effects of the reparations on them may be summarized as follows:

- (1) Major industries involved in the reparations, including steel, machinery and automobiles, were able to steadily enhance competitiveness in the world market;
 - (2) Provision of the products which had not been traded on a commercial basis and their prevalence in local markets served for Japanese companies’ access to such markets through exports; and
 - (3) Construction industries were given chances for their presence abroad for the first time.¹
- 2) From a recipient country to the largest donor in the world

A recipient country during the post-war reconstruction era became the largest donor in the world in 35 years since it commenced provisions of ODA. Volume of Japan’s ODA was accelerated since late 1970s, when the Government of Japan (GoJ) started to set the Medium-term Goal of ODA, a five-year quantitative target to increase its volume, which continued until 1997, the final year of the 5th Medium-term Goal. This upward trend reflected Japan’s steady economic growth with an expanding current account surplus while other donors

showed some “aid fatigue” mainly due to their tighter financial circumstances.

Under the Japan’s national policy of “recycling surplus”, ODA was more closely combined with investment and trade, serving as a catalyst to boost foreign direct investments by improving economic infrastructure. This trend was further accelerated as Japanese manufacturers were forced to transfer their production bases abroad due to the yen’s drastic appreciation against US dollar since the mid 1980s. Growing criticism against “tied aid”, where only Japanese firms can join bidding, led to untying most of the Yen-loan-funded projects.

On the other hand, global issues, including environment, gender and social development, discussed in a series of international conferences in 1990s diversified the purposes, sectors, recipient countries and actors of Japan’s ODA. Social and environmental guidelines for funding projects were prepared as more complaints were heard from those who were affected by Japan’s ODA-funded projects.

3) Emphasis on strategic uses

Since late 1990s, the dragged recession has brought about a gradually declining trend of the ODA budget and net ODA disbursement. Thus, Japan was replaced by the US with regard to its status as the largest donor in 2001 though it remains to rank the second. At the 2002 Monterrey Conference on funding for the Millenium

Development Goals (MDG), Japan was the only major donor which did not pledge to maintain or increase its ODA volume.

The budget constraint forced the line agencies handling ODA to make more justification to stop the declining trend of ODA budget by initiating “ODA reform”, which mainly emphasized the efficient and effective use of ODA, public participation and more returns to Japan/Japanese. This “reform” may highlight the revise of the ODA Charter in August, 2003, which stressed the “strategic uses of ODA”. In the new Charter, the objectives of ODA are stated as “to contribute to the peace and development of the international community, and thereby to help ensure Japan’s own security and prosperity”.

Although the term “national interests” is not used in the Charter, the peer review conducted by the Development Assistance Committee (DAC) warned that Japan should ensure that narrower national interests do not over-ride the primary objective, i.e. the development of the recipient country².

Specific approaches to achieve the objectives in the new Charter appear to be twofold. One is to sustain Japan’s conventional approach: ODA as a catalyst for FDI (foreign direct investment) through its large contributions to improvements in economic infrastructure.

Another is to shift away from GoJ’s passive attitude in favor of active attitude towards domestic policies and political issues in

recipient countries. The Charter’s stress on the active engagement in policy dialogue would lead to further shift from “request-base principle”. Japan’s active engagement in Vietnam may be the case in point, as represented by its contributions to the establishment of a Comprehensive Poverty Reduction and Growth Strategy (CPRGS), a new version of the Poverty Reduction Strategic Paper (PRSP), which emphasizes the economic growth for poverty reduction³.

GoJ has also changed its traditional principle of separation between economic and political affairs and been engaged in “peace-building”, not only covering post-conflict relief and reconstruction, but the peace process. This new policy clearly emerged after the 9.11.

4) Major issues at present

There are at least two main issues on Japan’s ODA which have drawn attention both domestically and internationally: Japan’s approach to the efforts for MDG, especially poverty reduction, and to “peace-building”.

GoJ’s approach to poverty reduction

GoJ has been strongly claiming a unique approach to poverty reduction among donors, i.e. the conventional approach of Japan’s ODA focusing on economic infrastructure. According to GoJ, economic growth with increased investments and trade is an effective and appropriate way to reduce poverty as demonstrated by experiences in East Asia (including

Southeast Asia) and most practical approach, taking into account the limited volume of ODA for the poverty reduction⁴. It has been trying to show how effective the provision of economic infrastructure is for the poverty reduction through “pro-poor growth”, which has yet to be clearly defined and substantiated.

It has been argued that the importance of economic growth is recognized as a requirement for poverty reduction, but not as a sufficient condition. In addition, the large-scale infrastructure has often had negative impacts. The DAC peer review is critical to that approach in terms of “the software and financial aspects, including cost recovery, availability of recurrent and maintenance financing, pro-poor user charges, as well as adherence to social and environmental standards such as appropriateness of resettlements, environmental impact, and capacity building.”⁵ It also points out the need to learn lessons about debt sustainability of recipient countries as large-scale infrastructure projects usually require big amounts of loans, as well as negative impacts on living environment, income distribution and Asian crisis in wider settings.

GoJ’s approach to “peace-building”

Another controversial issue is attributed to Japan’s new pillar of development cooperation: “the consolidation of peace and nation-building in countries suffering from conflicts” as expressed by GoJ in May 2002. The “consolidation of peace” was

invented by GoJ to expand the conventional area of Japan’s ODA for “peace-building”, i.e. relief and reconstruction to include new areas of security and administration, facing the unprecedented situation in Afghanistan. Since then, this approach has been applied to other conflict areas: Mindanao (the Philippines), Aceh (Indonesia), Sri Lanka and Iraq though the extent of “consolidation” seems different among the cases. The “peace-building” approach also implies GoJ’s possible engagement in the peace process before the concerned parties in conflict reach to a peace agreement. GoJ has been so far engaged in peace processes in Aceh and Sri Lanka.

This approach has raised concerns about negative impacts on the people in conflict areas. The provision of ODA to the security area could blur the distinction between civil and military affairs. Even the one to other areas such as humanitarian relief can be delivered or assisted by military personnel mainly to “win hearts and minds”. This threatens to destroy the humanitarian principle of independence, impartiality and neutrality. As a result, some people in most need may not be able to have access to the relief, and the security of civilian workers may be threatened as occurred in the past⁶.

GoJ sent the Japanese Self-defense Forces (SDF) to Iraq for humanitarian assistance and others, which divides the public opinion in Japan. Aside from the opposition against the provision of ODA to Iraq without

questioning the legitimacy of attack and the resultant casualties and human rights violations, the linkage between ODA and SDF activities for the first time in Japan's ODA history, for example, the use of special vehicles for water supply provides in grant to carry water purified by the SDF, has raised such concerns mentioned above.

Another major concern is that human rights, especially of the most vulnerable groups in conflict areas might not be given the first priority as other interests such as those of the parties in conflict are put the first. While some people are supported by relief and reconstruction assistance, other people might suffer from human rights violations under military/police operations. In Afghanistan and Iraq, civilians have been directly affected by operations of security forces. In Mindanao, not a few number of Muslim have been arrested as "terrorists" though they claim innocent. In Ache, the collapse of peace talk reportedly led to massive casualties and human rights violations of civilians.

This concern about human rights could be relieved if GoJ substantiates and mainstreams "human security"⁷, which is adopted as a Basic Principle in the new Charter, stating "to ensure that human dignity is maintained at all stages, from the conflict stage to the reconstruction and development stages, Japan will extend assistance for the protection and empowerment of individuals".

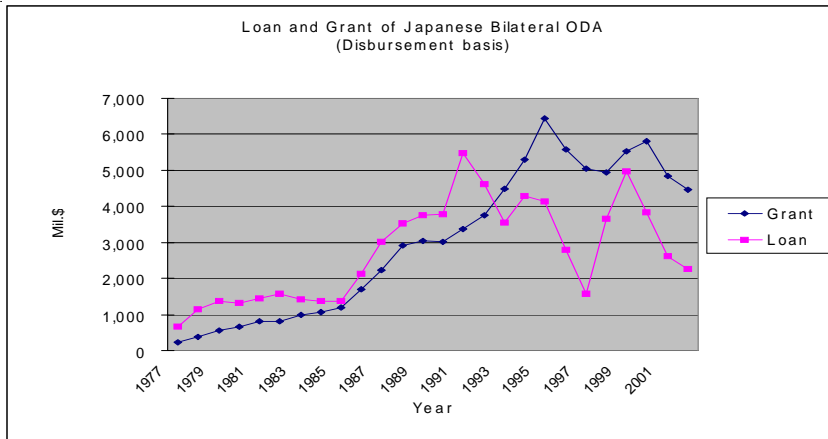
3. Some basic data

1) ODA policy, types and institutions

Japan's ODA policy framework puts to the highest the ODA Charter, which was approved by the Cabinet to set its ODA philosophy, principles and other basic issues. The Charter is more specified into the Medium-Term Policy on ODA with a five-year term frame, which sets government's basic approaches and identifies priority issues, sectors and regions. The Medium-Term Policy is going to be revised, following the revision of the Charter. Under these comprehensive policies, Country Assistance Programs and Sector-Specific Initiatives are prepared to serve as guidelines for the formulation of specific projects though they are still limited in number.

Japan's aid administration structure is complicated. Ministry of Foreign Affairs (MoFA) leads the structure to formulate policies, coordinate with other ministries and agencies, administer most grants, oversee implementing agencies and coordinate UN operations. Japan International Cooperation Agency (JICA) implements technical cooperation and "expedite" much MOFA grant assistance, and conducts development studies for planning, design and project preparation. Japan Bank for International Cooperation (JBIC) implements ODA loans, private sector investment finance, studies. Other main ministries are Ministry of Finance (MoF), which manages funds for JBIC,

Fig.1 Japan's financial flow to developing countries (net disbursement basis)



Sources: MITI. *Keizai Kyouryoku-no Genjo –to Mondaiten (Current situation and issues in economic cooperation)* and MoFA. *ODA Hakusyo (ODA white paper)*, every year issue

coordinates International Financial Institutions' operations, and Ministry of Economy, Trade and Industry (METI), which joins the decision-making on ODA loans. Ten other ministries and agencies implement ODA programs.

2) ODA volume

Figure 1 shows changes in financial flow on a net disbursement basis from Japan to developing countries from 1961 to 2002. As mentioned before, Japan's net ODA disbursement remarkably increased from late 1970s, and accelerated from mid-80s up to mid-90s. The trend turns around at mid-90's except several years, when ODA was increased to respond to the Asian Crisis. This declining trend is expected to continue due to steady increase in loan repayments⁸, as well as continuing budget constraint.

Private flow (PF) drastically increased twice, i.e. mid-80s and mid-90s, when upsurge in yen appreciation led Japanese manufactures to invest, and "emerging markets" attracted financial flow from Japan, respectively. Sharp decline in late 90s is attributable to the Asian Crisis. With increased trend of PF, ODA tends to play a role to complement the PF, for example, private sector-led infrastructure with unprofitable related facilities funded by ODA.

3) Distributive aspect

Prominent feature (1): bilateral loans

Figure 2 indicates changes in the distribution of bilateral grants, bilateral loans and contributions to multilateral organizations from 1961 to 2002. Loans occupy more than 50% until early 1980s

and the following declining trend turns upward from mid-80s to early 90s. Since then, the share of loans has been contracting while that of grants has been expanding. This trend may be partly attributable to the aforementioned increase in the repayment of loans as the figures are on a net disbursement basis. Indeed, on a gross disbursement basis, loans account for 43% while grants and contributions to multilateral organizations do for 36% and 21%, respectively⁹.

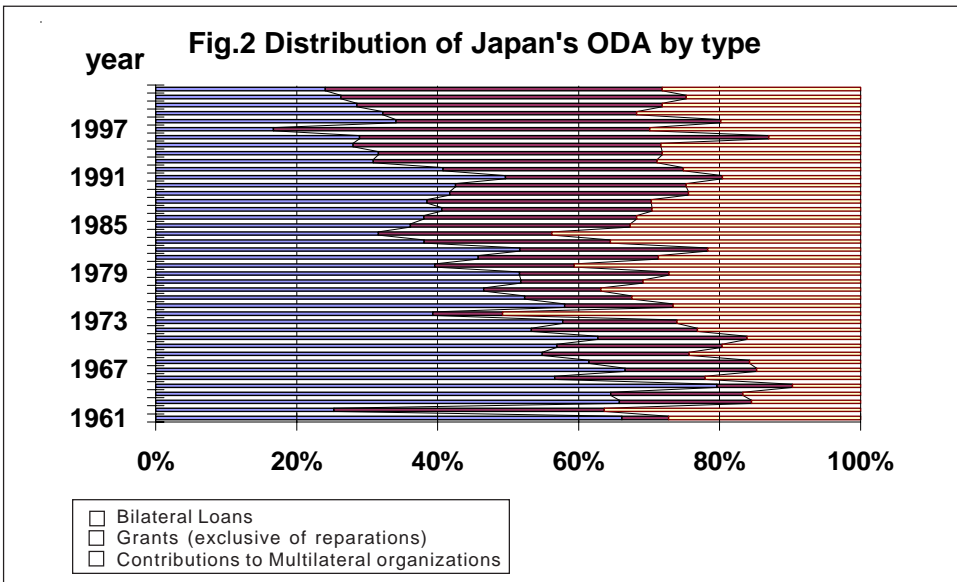
Prominent feature (2): economic infrastructure

Figure 3 shows changes in the distribution of Japan's ODA by major categories of sector on a commitment basis from 1970 to 2002. Economic infrastructure and services account for around 50% from late

1970s to mid-80s, while the share of that category poses a declining trend except late 1990s. Though the share of social infrastructure and services has been increasing since early 1990s, economic infrastructure and services still maintain as much as one-third of the share. This feature is still prominent as 37% of economic infrastructure and services can be compared with 15% of total DAC in 2001¹⁰.

Prominent feature (3): East and Southeast Asia

The third characteristics of Japan's ODA is a larger proportion provided to East and Southeast Asia. In the last five years from 1998 to 2002, this region accounts for around 50%, and an addition of South and Central Asia, i.e. Asia as a whole reaches



Sources: MITI. *Keizai Kyouryoku-no Genjo –to Mondaiten (Current situation and issues in economic cooperation)* and MoFA. *ODA Hakusyo (ODA white paper), every year issue*

to about three-fourth of total Japan's ODA on a gross disbursement basis¹¹. The top five recipient countries have not changed for the last decade: China, India, Thailand, Indonesia and the Philippines, and have received almost half of allocable bilateral ODA¹².

In terms of income group countries, only 16% went to LDCs as compared with 26% of total DAC. Japan's disbursement to LDCs as a proportion of bilateral ODA is the fourth lowest among the DAC¹³.

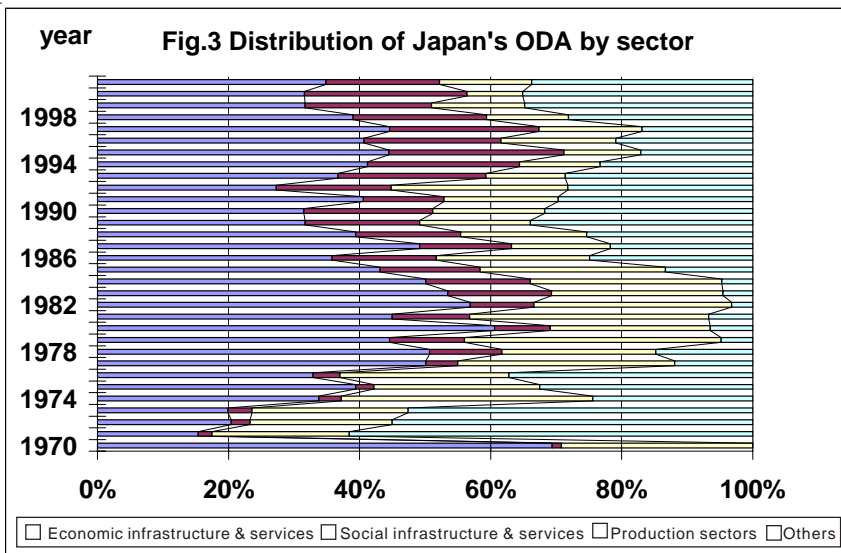
4) Integration of prominent features

These prominent features represent the Japan's conventional approach: ODA as a catalyst for FDI through its large contributions to improvements in economic infrastructure. In other words, the typical Japan's ODA is provided for economic

structure projects in East/Southeast Asia in the form of loans. MoFA praised this as saying:

“Japan has provided over half of its ODA to East Asia. This reflects the importance Japan attaches to this region, not just for historical and geographical reasons but also owing to Japan's close political and economic interdependence with East Asian countries. Japan has contributed to the region's remarkable development by linking its ODA for infrastructure improvement to the promotion of private-sector investment and trade”¹⁴.

However, there are some critical views about this type of assistance like those of the DAC peer review as mentioned before. Some data may demonstrate these views. Table 1 shows yen-loan outstanding by country at the end of 2002, which could be



Sources: MITI. Keizai Kyouryoku-no Genjo –to Mondaiten (Current situation and issues in economic cooperation) and MoFA. ODA Hakusyo (ODA white paper), every year issue

Table 1. Yen-loan outstanding and its weight in long-term bilateral debt by selected recipient countries

Yen-Loan Outstanding (at the end of 2002)							Long-term bilateral debt outstanding (2001)			
Country	Total Yen-loan (disbursement)	Accumulated repayment of principals	Paid interests	(Yen bill) Debt outstanding	(US\$ milli.) Equivalent in US\$ (1)	Concessional portion	Ratio of Yen loan(%)	Total	(US\$ milli.) Ratio of Yen loan(%)	
China	1981.5	350.3	484.1	1631.2	13028.8	17457	74.6	23704	55	
Cambodia	3.8	1.3	0.7	2.4	19.2	1943	1	1959	1	
Indonesia	2891.1	720.8	760.8	2170.4	17335.5	26554	65.3	33576	51.6	
Laos	9.1	4.6	2	4.5	35.9	1406	2.6	1407	2.6	
Malaysia	572.2	363	179.7	209.3	1671.7	3159	52.9	4706	35.5	
Burma	328.3	54.8	85.1	273.6	2185.3	2876	76	2962	73.8	
Philippines	1390	440.2	321.8	949.8	7586.3	10148	74.8	11031	68.8	
Thailand	1359.4	437.7	327.1	921.7	7361.8	8325	88.4	13856	53.1	
Vietnam	360.7	22.1	29.4	338.7	2705.3	6961	38.9	6213	43.5	
Bangladesh	508.5	197.7	94.3	310.9	2483.2	3579	69.4	3579	69.4	
India	1393.4	257.1	313.9	1136.3	9075.9	18677	48.6	17086	53.1	
Nepal	50.6	14	6.6	36.5	291.5	279	104.5	279	104.5	
Pakistan	605.2	91.7	121.2	513.5	4101.4	12430	33	11690	35.1	
Sri Lanka	361.5	83.8	87.4	277.7	2218.1	3382	65.6	3200	69.3	
Others	3577.3	1127.2	930.6	2450	19568.7	115280	17	317398	6.2	
Total	15392.6	4166.3	3744.7	11226.5	89668.5	232456	38.6	452646	19.8	

Note: (1) Conversion rate -DAC designated (1\$=125.2)

Sources: Data from Ministry of Foreign Affairs, and World Bank, Global Development Finance 2003

compared with total long-term bilateral debt and its concessional portion at the end of 2001. Except Cambodia and Laos, yen-loans occupy substantial proportions of long-term bilateral debts in many Asian countries, even some with a highest level of outstanding debt, including top recipient countries, i.e. China, India, Thailand, Indonesia and the Philippines. As data by country are not available, it is unknown whether these loans will be able to be recovered by each recipient country or not. Risk-monitored loans¹⁵, however, may indicate the overall situation of so-called “bad loans” of the yen-loans. According to the JBIC financial reports, the risk-monitored loans at the end of FY 2003 amounted to 836.5 billion yen, accounting for 7.9% of total outstanding yen-loans.

Another critical view is related to dominance of Japanese firms in Japan’s ODA-funded projects. As mentioned before, however, criticism mainly from other donor countries led to untying of yen-loan projects. As Table 2 indicates, 100% of tied loans in 1970 were completely reversed to 100% of general untied loans in 1996. Since then, however, the share of untied loans has been decreasing up to 60% in 2001, reflecting the call for more contracts to Japanese firms from the business community in the context of Japan’s recession. The share of awarded contracts by Japanese firms has been almost the same as much as around 30%, while the share of developing countries tend to increase. Still, the DAC peer review raises questions about the

necessity of Japanese approach to tying ODA grants, which is not a usual practice among donors¹⁶.

There have been large-scale economic infrastructure projects funded by Japan’s ODA which caused serious social and environmental impacts. A case in point is Japan’s ODA-funded Kotapanjung dam project for hydroelectric power with massive forced resettlements, leading thousands of resettled residents to sue GoJ, JBIC, JICA and a Japanese consulting firm before the Tokyo district court for the first time in the history of Japan’s ODA.

To cope with these social and environmental issues, JBIC and JICA have been using guidelines for their appraisals on projects, and have recently revised them, which are considered “one of the strict guidelines among DAC members”¹⁷, especially with clearer descriptions about consultations with the affected people and access to information, about suspensions of loan disbursements or recommendation of stopping projects, and introduction of compliance mechanism which must accept complaints regarding non-compliance from third parties. It may be too early to appropriately evaluate these guidelines at present (there are some comments on these guidelines from Japanese NGOs which involved in the process of revisions)¹⁸.

4. Country-specific references

1) Japan’s ODA by country

Table 3 shows changes in provisions of

Table 2 . Yen-loan related procurements by Japanese firms

	1970	1975	1980	1985	1990	1995	1996	1997	1998	1999	2000	2001	2002
Yen-loan (Yen bill.)													
Disbursed	34.8	116	282	412.7	763	655	610	646	903.1	787.4	695.3	655.9	595.9
Recovered	0	5.2	27.9	70	120	249	331	335	296.4	321.8	300.7	349.2	396.9
Outstanding	110	550	1628	3358	5950	8594	8884	9181	9794	10272	10687	10998	11227
Ratio of tied/untied loan(%)													
General untied	0	8.8	61.7	52.7	84.5	97.7	100	99	91.5	83.6	64.7	60.1	88.1
LDC untied	0	48.3	37.2	44.8	15.6	2.3	0	1	7.2	3	0	0	0
Tied	100	42.8	1.1	2.5	0	0	0	0	1.3	13.5	35.4	39.9	12
Rate of awarded contracts by country (%)1)													
Japan					31.3	36.3	46.1	40.8	28.2	28.9	34.5	38	29.1
Other donors					24.6	17.3	18.7	17	22.6	14	12.8	8.8	10.3
Developing countries (for foreign portion)					44.1	46.1	35.3	42.3	49.3	57.1	52.7	53.1	60.6
Bidding by Japanese firms (%)2)													
Bidding rate					78	87	84	81.8	69.9	69.8	63		
Rate of successful bidding					58	51	53	48.4	41.3	38.1	38		
Notes:													
1) Excluding the portion of local costs													
2) Contracts more than one billion yen worth													

Sources: JBIC. *Financial Statements and Michiko Yamashita. Nihon-no ODA seisaku-no genjo-to Kadai*
(Current situation and issues on Japan's ODA policies), Cabinet Office, Feb. 2003

Japan's ODA by types for selected 12 recipient countries (see Annex).

2) Country Assistance Programs

Not available at MoFA's website.

3) Country Evaluation

There are selected evaluations on assistance by country at the following website: <http://www.mofa.go.jp/policy/oda/evaluation/index.html>

4) Specific projects/programs

General information and data on specific projects/programs by country are available at MoFA's website: <http://www.mofa.go.jp/policy/oda/summary/index.html> and <http://www.mofa.go.jp/policy/oda/white/index.html>

5) Policy and other general information

Policy and other general information are available at the following website: MOFA: <http://www.mofa.gov.jp/policy/oda/index.html>

JBIC: <http://www.jbic.go.jp/english/index.php>

JICA: <http://www.jica.go.jp/english/index.html>

Endnotes

¹ International Development Center, Japan. *ODA yonjunen-no soukatsu, Tokutei kadai betsu enjo shishin sakutei-no tameno kiso chosa (The 40-year History and Achievements of Japan's Official Development Assistance)*, prepared for the Ministry of Foreign Affairs, March 1994, p.92

² DAC. *Peer Review: Japan*, OECD 2004, p.11 (<http://www.oecd.org/dataoecd/43/63/32285814.pdf>). Ministry of Foreign Affairs.

Japan's ODA White Paper 2002 explains about the new ODA Charter and current issues at the MoFA's website: (<http://www.infojapan.org/policy/oda/white/2002/index02.html>)

³ DAC, op. cit. p.p. 56-57

⁴ See details in MoFA, op.cit.

⁵ DAC. Op. cit. P.32

⁶ UN Commission on Human Security. *Human Security Now*, 2003, p.p.26-27 (<http://www.humansecurity-chs.org/finalreport/FinalReport.pdf>)

⁷ UN Commission on Human Security. op.cit. was the final report of the commission initiated by GoJ.

⁸ DAC. op.cit. p.21

⁹ Ibid. p.76

¹⁰ Ibid. p.79

¹¹ Ibid. p.77

¹² Ibid. p.25

¹³ Ibid.

¹⁴ MoFA. *Japan's ODA White Paper 2002*, pp.40-43

¹⁵ Risk-monitored loans are composed of bankrupt loans, non-accrual loans, past due loans (three months or more) and restructured loans. Please see details at <http://www.jbic.go.jp/english/base/achieve/annual/2003/pdf/fins.pdf>

¹⁶ DAC. op.cit. p.62

¹⁷ Ibid. p.33. As for JBIC's guidelines, see <http://www.jbic.go.jp/autocontents/english/news/2003/000050/index.htm> and as for JICA's guidelines, see <http://www.jica.go.jp/english/environment/index.html>

¹⁸ See for instance Mekong Watch Japan. <http://www.mekongwatch.org/english/policy/jbiceg.html>

Annex:

Table 3. Japan's ODA by country
Changes in Japan's ODA by type:
Indonesia (1/12) (net disbursement: US\$ million)

	Grant	Technical cooperation	Loans	Total
1966	-		30.00	30.00
1967	-		95.50	95.50
1968	5.00		81.87	86.87
1969	10.00		81.43	91.43
1970	10.00		203.68	213.68
1971	12.09	2.77	97.03	111.89
1972	7.04	4.49	91.68	103.20
1973	3.62	7.08	132.16	142.86
1974	8.78	7.44	204.87	221.09
1975	0.43	10.32	187.17	197.92
1976	0.83	12.02	187.63	200.48
1977	8.15	16.05	124.15	148.35
1978	14.33	25.00	188.26	227.59
1979	19.94	23.65	183.31	226.90
1980	26.5	32.70	290.80	350.00
1981	15.10	37.30	247.40	299.80
1982	19.50	37.20	237.90	294.60
1983	20.00	40.00	175.40	235.50
1984	30.00	43.70	94.00	167.70
1985	31.10	45.30	85.00	161.30
1986	46.75	63.07	51.01	160.83
1987	68.70	67.88	570.72	707.31
1988	49.40	93.79	841.72	984.91
1989	44.66	101.82	998.78	1,145.26
1990	58.38	108.68	700.72	867.78
1991	79.73	133.07	852.71	1,065.51
1992	85.73	141.72	1,129.26	1,365.71
1993	67.61	157.93	923.35	1,148.89
1994	72.28	177.69	636.20	886.17
1995	66.46	203.67	622.28	892.42
1996	64.41	163.31	737.81	965.53
1997	66.57	148.39	281.90	496.86
1998	114.59	123.99	589.88	828.47
1999	100.54	130.80	1,374.49	1,605.83
2000	52.07	144.60	773.43	970.10
2001	45.16	117.27	697.64	860.07
Total	1,325.45	2,422.70	14,801.14	18,558.31

Sources: MITI. *Keizai Kyouryoku-no Genjo -to Mondaiten (Current situation and issues in economic cooperation)* and MoFA. *ODA Hakusyo (ODA white paper)*, every year issue

Table 3. Changes in Japan's ODA by type: Sri Lanka (2/12)
(net disbursement: US\$ million)

	Grant	Technical cooperation	Loans	Total
1965	-		5.00	5.00
1966	-		5.00	5.00
1967	-		5.00	5.00
1968	-		5.00	5.00
1969	0.50		5.00	5.50
1970	0.50		5.00	5.50
1971	-	0.74	6.67	7.41
1972	0.32	0.66	3.84	4.79
1973	-	0.94	2.88	3.82
1974	0.91	1.27	8.32	10.50
1975	0.13	1.67	14.28	16.08
1976	2.18	1.60	7.13	10.91
1977	2.54	2.37	13.66	18.57
1978	8.52	3.12	27.82	39.46
1979	17.75	3.95	18.33	40.03
1980	26.60	3.10	15.10	44.80
1981	27.50	4.10	17.40	49.10
1982	23.90	3.90	33.80	61.60
1983	29.50	5.80	37.80	73.10
1984	29.40	5.80	28.50	63.80
1985	33.40	7.70	42.70	83.70
1986	56.60	11.10	59.20	126.90
1987	54.20	12.50	51.60	118.30
1988	65.70	21.20	113.00	199.80
1989	75.90	17.80	91.60	185.30
1990	74.39	16.58	85.10	176.07
1991	48.05	19.23	188.86	256.13
1992	43.78	20.97	31.31	96.05
1993	71.70	22.74	52.76	147.20
1994	53.59	27.51	132.66	213.75
1995	82.06	36.37	145.28	263.70
1996	52.39	34.16	87.39	173.94
1997	44.08	28.79	61.69	134.56
1998	52.06	24.32	121.47	197.85
1999	34.10	30.48	71.45	136.03
2000	34.23	35.26	94.19	163.68
2001	19.61	31.65	133.46	184.72
Total	1,066.09	437.38	1,829.25	3,332.65

Sources: MITI. *Keizai Kyouryoku-no Genjo -to Mondaiten (Current situation and issues in economic cooperation)* and MoFA. *ODA Hakusyo (ODA white paper)*, every year issue

Table 3. Changes in Japan's ODA by type: Bangladesh (3/12) (net disbursement: US\$ million)				
	Grant	Technical cooperation	Loans	Total
1970	0.50		-	0.50
1971	1.28		-	1.28
1972	10.01	0.14	7.20	17.36
1973	15.79	0.90	12.28	28.97
1974	1.81	2.18	17.30	21.29
1975	15.43	2.21	29.41	47.05
1976	2.93	1.84	26.72	31.49
1977	17.25	2.93	45.70	65.88
1978	18.46	5.29	95.87	119.62
1979	39.70	5.32	161.31	206.33
1980	36.50	6.30	172.30	215.10
1981	48.30	6.80	89.90	145.00
1982	42.50	6.20	167.10	215.80
1983	36.70	6.10	61.40	104.20
1984	43.00	5.20	75.10	123.30
1985	55.90	6.30	59.30	121.50
1986	49.40	9.30	189.80	248.50
1987	124.60	11.30	198.30	334.20
1988	118.70	15.00	208.20	342.00
1989	135.60	16.70	218.30	370.60
1990	131.66	19.98	221.94	373.57
1991	122.41	22.11	-29.53	114.98
1992	163.59	28.47	-28.63	163.43
1993	207.51	34.01	-56.48	185.04
1994	204.71	35.93	-13.05	227.60
1995	228.75	34.84	-8.69	254.89
1996	184.77	30.52	-41.25	174.03
1997	169.60	26.83	-66.45	129.98
1998	216.35	22.83	-50.14	189.05
1999	204.43	25.04	-102.81	123.66
2000	201.96	40.55	-40.90	201.62
2001	169.22	33.06	-76.65	125.64
Total	3019.33	464.18	1542.85	5023.46

Sources: MITI. *Keizai Kyouryoku-no Genjo –to Mondaiten (Current situation and issues in economic cooperation)* and MoFA. *ODA Hakusyo (ODA white paper)*, every year issue

Table 3. Changes in Japan's ODA by type: Nepal (4/12)
(net disbursement: US\$ million)

	Grant	Technical cooperation	Loans	Total
1969	-		1.00	1.00
1970	0.20		-	0.2
1971	0.21	0.37	-	0.57
1972	0.30	0.42	0.06	0.78
1973	0.28	0.90	0.07	1.25
1974	-	1.36	0.13	1.49
1975	0.38	1.56	0.76	2.70
1976	0.73	2.10	0.12	2.71
1977	2.11	2.73	0.13	4.71
1978	4.69	4.33	0.51	9.53
1979	10.95	3.30	5.41	19.66
1980	16.70	3.60	4.00	24.30
1981	24.30	5.10	3.70	33.10
1982	26.60	5.80	2.90	35.30
1983	19.30	5.40	3.60	28.30
1984	15.20	6.40	7.00	28.50
1985	36.30	4.80	9.60	50.70
1986	44.70	9.10	14.40	68.10
1987	50.00	14.70	12.10	76.80
1988	41.40	14.60	6.40	62.40
1989	42.20	14.60	20.60	77.40
1990	34.27	12.86	8.04	55.17
1991	44.33	15.52	67.69	127.54
1992	52.32	24.79	29.51	106.63
1993	68.11	35.28	7.50	110.89
1994	83.96	31.18	3.61	118.75
1995	95.38	29.42	2.80	127.60
1996	64.36	30.21	-5.78	88.79
1997	59.11	23.00	4.05	86.15
1998	35.79	21.49	-0.40	56.88
1999	41.63	22.88	1.08	65.59
2000	46.69	25.50	27.74	99.93
2001	49.72	19.57	15.10	84.39
Total	1012.20	392.90	253.20	1657.80

Sources: MITI. *Keizai Kyouryoku-no Genjo -to Mondaiten (Current situation and issues in economic cooperation)* and MoFA. *ODA Hakusyo (ODA white paper)*, every year issue

**Table 3. Changes in Japan's ODA by type: China (5/12)
(net disbursement: US\$ million)**

	Grant	Technical cooperation	Loans	Total
1971	-	0.13	-	0.13
1972	-	0.16	-	0.16
1973	-	0.21	-	0.21
1974	-	0.49	-	0.49
1975	-	0.45	-	0.45
1976	-	0.54	-	0.54
1977	-	0.58	0.08	0.50
1978	-	0.84	-	0.84
1979	-	2.59	-	2.59
1980	-	3.40	0.90	4.30
1981	2.50	9.60	15.60	27.70
1982	25.10	13.50	330.20	368.80
1983	30.60	20.50	299.10	350.20
1984	14.30	27.20	347.90	389.40
1985	11.60	31.20	345.20	387.90
1986	25.70	61.20	410.10	497.00
1987	54.30	76.00	422.80	553.10
1988	52.00	102.70	519.90	673.70
1989	58.00	106.10	668.10	832.20
1990	37.82	163.49	521.71	723.02
1991	56.61	137.48	391.21	585.29
1992	72.05	187.30	791.23	1,050.58
1993	54.43	245.06	1,051.19	1,350.67
1994	99.42	246.91	1,133.08	1,479.41
1995	83.12	304.75	992.28	1,380.15
1996	24.99	303.73	533.01	861.73
1997	15.42	251.77	309.66	576.86
1998	38.22	301.62	818.33	1,158.16
1999	65.68	348.79	811.50	1,225.97
2000	53.05	318.96	397.18	769.19
2001	23.02	276.54	386.57	686.13
Total	897.93	3543.79	11496.67	15937.37

Sources: MITI. *Keizai Kyouryoku-no Genjo -to Mondaiten (Current situation and issues in economic cooperation)* and MoFA. *ODA Hakusyo (ODA white paper)*, every year issue

**Table 3. Changes in Japan's ODA by type: Thailand
(6/12)(net disbursement: US\$million)**

	Grant	Technical cooperation	Loans	Total
1970	0.10		-	0.10
1971	0.20	3.38	11.94	15.52
1972	0.81	3.66	10.99	15.46
1973	0.06	5.00	12.57	17.63
1974	1.42	5.07	10.88	17.37
1975	2.14	5.58	33.49	41.21
1976	-	8.28	34.80	43.08
1977	4.20	11.13	33.53	51.83
1978	6.13	20.00	77.62	103.75
1979	22.87	20.12	136.87	179.86
1980	44.00	26.20	119.30	189.60
1981	50.40	32.20	131.90	214.50
1982	33.70	27.50	109.10	170.30
1983	52.20	37.20	158.80	248.10
1984	50.20	40.20	141.60	232.00
1985	76.50	40.70	146.90	264.10
1986	71.60	54.20	134.70	260.40
1987	62.90	72.60	166.90	302.40
1988	44.20	94.30	222.20	360.60
1989	107.80	96.70	284.40	488.90
1990	76.02	96.34	246.21	418.57
1991	51.03	100.82	254.32	406.17
1992	42.69	116.74	254.50	413.92
1993	24.80	135.38	189.97	350.15
1994	27.36	137.36	217.83	382.55
1995	14.75	147.46	505.16	667.37
1996	1.86	135.41	526.73	664.00
1997	1.58	127.07	339.61	468.26
1998	18.57	121.74	418.12	558.42
1999	2.09	123.99	754.18	880.26
2000	1.51	121.04	512.69	635.25
2001	2.50	90.12	116.97	209.59
Total	896.20	2057.50	6314.80	9271.20

Sources: MITI. *Keizai Kyouryoku-no Genjo -to Mondaiten (Current situation and issues in economic cooperation)* and MoFA. *ODA Hakusyo (ODA white paper)*, every year issue

Table 3. Changes in Japan's ODA by type: Malaysia (7/12)
(net disbursement: US\$ million)

	Grant	Technical cooperation	Loans	Total
1971	3.02	1.07	8.26	12.34
1972	-	1.14	11.85	12.98
1973	-	1.34	14.11	15.45
1974	-	2.86	33.40	36.26
1975	-	3.26	60.01	63.27
1976	-	3.86	30.10	33.96
1977	-	5.34	24.11	29.45
1978	2.85	7.76	37.39	48.00
1979	0.15	9.89	64.58	74.62
1980	0.10	12.60	52.90	65.60
1981	0.30	15.00	49.40	64.70
1982	1.10	15.50	58.70	75.30
1983	6.70	22.60	63.00	92.30
1984	11.00	24.80	209.30	245.10
1985	0.60	23.10	102.00	125.60
1986	7.10	36.40	-5.70	37.80
1987	7.90	40.80	227.70	276.40
1988	2.90	54.70	-32.80	24.80
1989	1.70	57.00	20.90	79.60
1990	1.77	58.54	312.31	372.62
1991	8.00	60.03	131.82	199.85
1992	6.42	63.75	86.90	157.07
1993	0.02	76.81	-99.00	-22.18
1994	1.61	78.01	-74.30	5.32
1995	1.46	84.68	-21.30	64.83
1996	0.69	69.91	-553.11	-482.51
1997	1.20	62.77	-322.84	-258.88
1998	3.92	59.53	115.65	179.10
1999	1.27	68.49	52.85	122.61
2000	1.14	61.20	-38.40	23.94
2001	0.51	52.21	-39.60	13.11
Total	73.43	1134.94	580.18	1788.41

Sources: MITI. *Keizai Kyouryoku-no Genjo -to Mondaiten (Current situation and issues in economic cooperation)* and MoFA. *ODA Hakusyo (ODA white paper)*, every year issue

**Table 3. Changes in Japan's ODA by type: Vietnam (8/12)
(net disbursement: US\$ million)**

	Grant	Technical cooperation	Loans	Total
1959			7.50	7.50
1969	1.72			1.72
1970	1.39		4.50	5.89
1971	3.20	0.68	4.48	8.65
1972	6.68	1.05	3.78	11.51
1973	9.52	1.32	7.15	17.99
1974	24.58	1.85	28.20	54.63
1975	7.19	1.26	8.830	17.28
1976	27.66	0.72	-	28.38
1977	11.72	0.82	-	12.54
1978	19.48	1.19	7.84	28.51
1979	10.25	1.38	27.07	38.70
1980	-	1.00	2.70	3.70
1981	-	0.90	-	0.90
1982	-	1.30	-	1.30
1983	0.10	0.60	-	0.70
1984	-	1.10	-	1.10
1985	0.30	0.30	-	0.60
1986	0.90	4.80	-	5.70
1987	-	0.30	-	0.30
1988	0.20	4.60	-	4.80
1989	0.30	1.20	-	1.60
1990	-	1.31	-	1.31
1991	0.17	6.93	-	7.10
1992	0.21	5.20	275.81	281.23
1993	8.31	13.25	10.10	11.47
1994	58.76	30.84	10.14	79.46
1995	98.66	45.70	25.83	170.19
1996	46.37	46.67	27.81	120.86
1997	79.08	54.35	99.06	232.48
1998	55.46	45.98	287.18	388.61
1999	84.87	61.66	533.46	679.98
2000	41.52	91.49	790.66	923.68
2001	51.58	86.71	321.25	459.53
Total	650.20	516.50	2442.90	3609.90

Sources: MITI. *Keizai Kyouryoku-no Genjo -to Mondaiten (Current situation and issues in economic cooperation)* and MoFA. *ODA Hakusyo (ODA white paper)*, every year issue

**Table 3. Changes in Japan's ODA by type: Cambodia 9/12)
(net disbursement: US\$ million)**

	Grant	Technical cooperation	Loans	Total
1971	4.14	0.20	0.40	4.74
1972	6.24	0.24	1.26	7.78
1973	10.50	0.32	-	10.82
1974	7.98	0.47	-	8.45
1975	-	0.15	-	0.15
1976	-	0.12	-	0.12
1977	-	0.10	-	0.10
1978	-	0.15	-	0.15
1979	-	0.14	-	0.14
1980	-	-	-	-
1981	-	0.01	-	0.01
1982	-	0.40	-	0.40
1983	-	0.10	-	0.10
1984	-	-	-	-
1985	-	-	-	-
1986	-	-	-	-
1987	-	-	-	-
1988	-	0.90	-	0.90
1989	1.80	0.20	-	2.00
1990	-	0.15	-	0.15
1991	-	0.48	-	0.48
1992	0.65	4.06	-	4.71
1993	52.00	9.19	0.15	61.34
1994	51.39	13.12	-	64.52
1995	134.90	17.14	-	152.04
1996	55.40	20.12	7.38	71.33
1997	36.11	25.52	-	61.63
1998	58.35	23.05	-	81.40
1999	27.62	23.25	-	50.87
2000	65.32	32.35	1.53	99.21
2001	79.89	40.11	0.21	120.21
Total	592	212	11	804

Sources: MITI. *Keizai Kyouryoku-no Genjo -to Mondaiten (Current situation and issues in economic cooperation)* and MoFA. *ODA Hakusyo (ODA white paper)*, every year issue

**Table 3. Changes in Japan's ODA by type: India 10/12)
(net disbursement: US\$ million)**

	Grant	Technical cooperation	Loans	Total
1961			80.00	80.00
1962			0	0
1963			80.00	80.00
1964			60.00	60.00
1965			60.00	60.00
1966			45.00	45.00
1967			52.00	52.00
1968			45.00	45.00
1969			52.00	52.00
1970			1969.90	1969.90
1971	5.07	1.18	27.29	33.54
1972	-	1.18	25.50	26.67
1973	-	1.44	67.54	68.98
1974	-	1.76	62.99	64.75
1975	0.01	1.88	44.72	46.61
1976	-	1.46	77.98	79.44
1977	1.12	1.21	26.46	28.79
1978	0.48	1.78	42.58	44.76
1979	18.67	2.06	21.46	42.19
1980	25.90	2.10	9.50	37.40
1981	18.30	2.50	-16.80	4.00
1982	14.80	2.30	24.10	41.10
1983	10.40	3.00	116.10	129.50
1984	14.50	3.20	4.00	21.60
1985	9.70	4.50	7.80	21.90
1986	22.50	6.90	197.20	226.70
1987	23.10	10.10	270.80	303.90
1988	35.30	10.30	133.90	179.50
1989	24.60	10.50	222.20	257.20
1990	22.17	11.72	53.38	87.26
1991	25.79	13.17	852.09	891.05
1992	23.94	16.59	384.64	425.17
1993	31.03	17.73	247.18	295.94
1994	34.64	23.61	828.28	886.53
1995	37.41	25.39	443.62	506.42
1996	35.18	21.83	522.26	579.26
1997	31.84	23.26	436.70	491.80
1998	23.1	20.51	461.33	504.95
1999	14.57	22.48	596.97	634.02
2000	3.47	21.38	343.31	368.16
2001	5.32	18.03	505.52	528.87
Total	512.90	305.10	9484.40	10301.90

Sources: MITI. *Keizai Kyouryoku-no Genjo -to Mondaiten (Current situation and issues in economic cooperation)* and MoFA. *ODA Hakusyo (ODA white paper)*, every year issue

	Grant	Technical cooperation	Loans	Total
1971	4.14	0.20	0.40	4.74
1972	6.24	0.24	1.26	7.78
1973	10.50	0.32	-	10.82
1974	7.98	0.47	-	8.45
1975	-	0.15	-	0.15
1976	-	0.12	-	0.12
1977	-	0.10	-	0.10
1978	-	0.15	-	0.15
1979	-	0.14	-	0.14
1980	-	-	-	-
1981	-	0.01	-	0.01
1982	-	0.40	-	0.40
1983	-	0.10	-	0.10
1984	-	-	-	-
1985	-	-	-	-
1986	-	-	-	-
1987	-	-	-	-
1988	-	0.90	-	0.90
1989	1.80	0.20	-	2.00
1990	-	0.15	-	0.15
1991	-	0.48	-	0.48
1992	0.65	4.06	-	4.71
1993	52.00	9.19	0.15	61.34
1994	51.39	13.12	-	64.52
1995	134.90	17.14	-	152.04
1996	55.40	20.12	7.38	71.33
1997	36.11	25.52	-	61.63
1998	58.35	23.05	-	81.40
1999	27.62	23.25	-	50.87
2000	65.32	32.35	1.53	99.21
2001	79.89	40.11	0.21	120.21
Total	592	212	11	804

Sources: MITI. *Keizai Kyouryoku-no Genjo –to Mondaiten (Current situation and issues in economic cooperation)* and MoFA. *ODA Hakusyo (ODA white paper)*, every year issue

**Table 3. Changes in Japan's ODA by type: Philippines (12/12)
(net disbursement: US\$ million)**

	Grant	Technical cooperation	Loans	Total
1971	4.14	0.2	0.4	4.74
1972	6.24	0.24	1.26	7.78
1973	10.5	0.32	-	10.82
1974	7.98	0.47	-	8.45
1975	-	0.15	-	0.15
1976	-	0.12	-	0.12
1977	-	0.1	-	0.1
1978	-	0.15	-	0.15
1979	-	0.14	-	0.14
1980	-	-	-	-
1981	-	0.01	-	0.01
1982	-	0.4	-	0.4
1983	-	0.1	-	0.1
1984	-	-	-	-
1985	-	-	-	-
1986	-	-	-	-
1987	-	-	-	-
1988	-	0.9	-	0.9
1989	1.8	0.2	-	2
1990	-	0.15	-	0.15
1991	-	0.48	-	0.48
1992	0.65	4.06	-	4.71
1993	52	9.19	0.15	61.34
1994	51.39	13.12	-	64.52
1995	134.9	17.14	-	152.04
1996	55.4	20.12	7.38	71.33
1997	36.11	25.52	-	61.63
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ODA Briefing “Peace-building”

27 September, 2004

K. Takahashi

ODA Reform Network

1. “Peace-building” in Japan

(1) Details

“Peace-building” has been developed in Japan through the following events.

- The concept was introduced at Japan-Canada Peace-building Joint Symposium (September 1999)
- JICA studied conceptual framework and possible work areas and publicized the research report (April 2001)
- Donors Meeting for Afghanistan Reconstruction was held in Tokyo (Jan. 2002)
- International Peace Cooperation Committee under Cabinet office publicized a report that suggested joint operational framework between PKO by Self-defense force, civil police, ODA and NGOs (Dec. 2002)
- JBIC studied roles of yen loan for “peace-building” including cases studies for Sri Lanka and Afghanistan (Jan. 2003)
- MOFA revised ODA Charter that explicitly stipulated Japan’s commitment on “peace-building” as a priority area (August 2003)
- Japan pledged \$ 5 billion (including \$ 1.5 billion of grant) for Iraq reconstruction at Donors meeting in Madrid (Oct 2003).
- SDF was dispatched to Iraq under the name of “humanitarian assistance” (Dec 2003).
- Japanese government will host the Third Donor Committee Meeting and Expanded Meeting of the International Reconstruction Fund Facility for Iraq (IRFFI) in Tokyo on October 13 and 14 to discuss political process, security and reconstruction.

(2) Policy

Japanese government does not define the term of “peace-building” in articulated manner though an interpretation can be found in the section of “Priority Issues” in new ODA charter as follows.

“In order to prevent conflicts from arising in developing regions, it is important to comprehensively address various factors that cause conflicts.... Japan will extend bilateral and multilateral assistance flexibly and continuously for peace-building in accordance with the changing situation, ranging from assistance to expedite the ending of conflicts assistance for the consolidation of peace and nation building in post-conflict situations.”

Japanese government regards a series of engagement from post-conflict reconstruction through nation-building as “peace-building.” However, this does not necessarily mean that Japan has specific policy and strategies about “peace-building” while the government uses this term *statically* for its diplomatic purposes, such as demonstration of being a part of international community or consolidation of Japan-US relationship over the prevention of terrorism.

Ambiguity over the definition of “peace-building” leads to various interpretations and perspectives by different actors” as follows.

- MOFA wants to see it politically useful for international presentation in order to consolidate US-Japan relationship, and resource mobilization for ODA.
- JICA and JBIC see the possibility of extending their works as a new mandate, but are still confused over how and what to do with it.

- NGOs have mixed feeling over its political implications and funding opportunity
- General public is rather innocent or indifferent as little consultation opportunities have been given so far.

(3) Conceptual and operational development by JICA

JICA, among other institutions, has studied about “peace-building” through a series of learning process such as Canada-Japan peace-building lesson learned program, and established its basic principles: 1) Focus on reconstruction assistance, 2) Prompt assistance from viewpoints of mid-to-long-term development, 3) Promotion of Conflict Prevention lens, 4) Support for self-initiatives by post-conflict countries/region. They have decided seven priority areas of JICA’s peacebuilding assistance based on these principles.

- Reconstruction
- Governance
- Security improvement
- Rehabilitation of social infrastructure
- Economic recovery
- Assistance for socially vulnerable people
- Humanitarian emergency assistance

JICA also has been studying a tool (PNA – Peace-building Needs Assessment) to promote safe-guard policy (“Do No Harm”)

and participatory process over planning of peace-building operation.

(4) Examples (by country)

a. Kosovo

April 1999: Announcement of a \$200 million package of aid for refugees, neighboring countries, and reconstruction for the following projects.

- Assistance for Elections by sending election experts and financial contributions to OSCE to assist with the first and second municipal elections and Kosovo Assembly elections, and financial contribution to the OSCE for the first municipal elections (Oct 2000 – Nov 2001)
- Assistance for UNDP's plan to rebuild independent broadcasting media (Jan 2000)
- Support for an International Organization for Migration plan to reintegrate former Kosovo Liberation Army combatants (Jan 2000)
- Financial contributions to the UNHCR and other international organizations (Aug 1998 – Jan 2000)
- Support in the sectors of health and medical care and education and for infrastructure restoration (Oct 1999 – Sep 2002)
- Assistance to Neighboring Countries (Macedonia and Albania)

b. East Timor

December 1999: Announcement of a three-year \$130 million aid package at the first Donor's Meeting for East Timor in Tokyo (\$100 million in reconstruction and development assistance and \$30 million in humanitarian assistance).

May 2002: Announcement of up to \$50 million in aid over three years at the sixth Donor's Meeting for East Timor in Dili.

- Assistance for the UN Transitional Administration in East Timor
- Financial contribution to the Constituent Assembly Elections
- Financial contribution to the Commission for Reception, Truth, and Reconciliation in East Timor
- Assistance for regional development centers to provide reemployment training for former military personnel
- Police training in cooperation with Singapore
- Financial contribution to provide medical supplies and help refugees in West Timor
- Reconstruction and Development Assistance (infrastructure, agriculture, human resources)

c. Afghanistan

Aid totaling \$450 million was committed, including \$92 million for humanitarian assistance and \$358 million for

rehabilitation and reconstruction assistance over three major areas:

- Peace Process Assistance (Total: about \$81 million)

Administrative capacity building, Media support, and non-project grants, etc.

- Security Assistance (Total: about \$59.6 million)

Reintegration of ex-combatants, Demining, Anti-narcotics, etc.

- Rehabilitation and Reconstruction Assistance (Total: about \$177.34 million)

Resettlement of refugees and internally displaced person, Infrastructure, Education, Health and medical care and public health, Women, Agriculture, etc.

d. Others

Sri Lanka

Following a cease-fire agreement in Sri Lanka in February 2002, Sri Lanka is now moving toward genuine conflict resolution through these negotiations. Now that the peace process has been launched, it may be possible to make significant progress in the peace process if the recovery and reconstruction assistance from the international community and the efforts of the people of Sri Lanka enable all Sri Lankans to enjoy tangible peace dividends. Japan now promote the consolidation of peace in Sri Lanka by supporting the peace and reconstruction process.

Aceh (Indonesia)

At the 12th Consultative Group Meeting on Indonesia in January 2003, Japan announced that it would provide over \$6.2 million to facilitate and support the peace process in Aceh. The Aceh peace process is about to begin in earnest.

Mindanao (Philippines)

The Philippine government is currently implementing a mop-up campaign against the remaining members of the Abu Sayyaf Group, an extremist organization based in Mindanao. At the same time, it is negotiating a final peace settlement with the Moro Islamic Liberation Front (MILF). Incidents like terrorist acts, localized conflicts, and kidnappings have continued, though, even during this process. Recognizing these situations Japan will provide ongoing support based on medium- and long-term perspectives under the Support Package for Peace and Stability in Mindanao, designed to contribute to poverty eradication, peace negotiations, and peace consolidation in Mindanao. It was announced by Prime Minister Koizumi during a visit to Japan by Philippine President Gloria Macapagal-Arroyo in December 2002.

2. Problems of "Peace-building" by Japanese ODA

- (1) Lack of accountability and transparency mechanism

Peace-building assistance in post-conflict situation is usually carried out in a series of humanitarian emergency operation that requires quick disbursement and implementation. This gives an excuse to skip ordinary operational procedures such as Social and Environment Impact Assessment, and sometimes even bidding process and cost-benefit analysis.

- (2) Lack of a clear “peace” vision and coherence among related policies such as MDGs, Human Security, debt cancellation, etc.

Peace-building is implemented in very politicized environment, and thus situational decision is made at higher policy level. This leads to double standard at project level while operation at this level requires needs-based planning, people-initiative, Do-No-Harm perspective and peace-coherence.

- (3) Lack of operational tools and guidelines to mainstream “Conflict Sensitive Approach”

Japan tries to jump drastically from “Work around conflict” position towards “Work on conflict” position for direct and proactive engagement. Therefore, some essential tools and guidelines to ensure “Conflict Sensitive Approach” or “Do No Harm” concept to avoid

exacerbation of conflict are underdeveloped because Japan did not experience and learn these matters in “Work in conflict” stage. A typical problematic example of this case is the joint operation of ODA with SDF in Iraq, which blurs the distinction between civil activities (i.e. humanitarian assistance by NGOs) and military operation. Conflict Sensitive Approach is particularly important and essential to promote “Culture of Prevention,” that leads to lesser reliance on military actions for peace.

- (4) Lack of capacity and human resources

In line with lack of Japan’s peace-centered strategy and concrete tools for Conflict Sensitive Approach, scarce capacity and human resource in related sectors are serious problem. Ministry of Foreign Affairs, in particular, does not have capacity and skills to analyze conflict and assess people’s needs on the ground while they are primarily responsible for peace-building policy.

In order to address these problems, substantial policy consultation is needed between NGO, CSO and government over what peace-building should be and how it should be implemented if necessary.

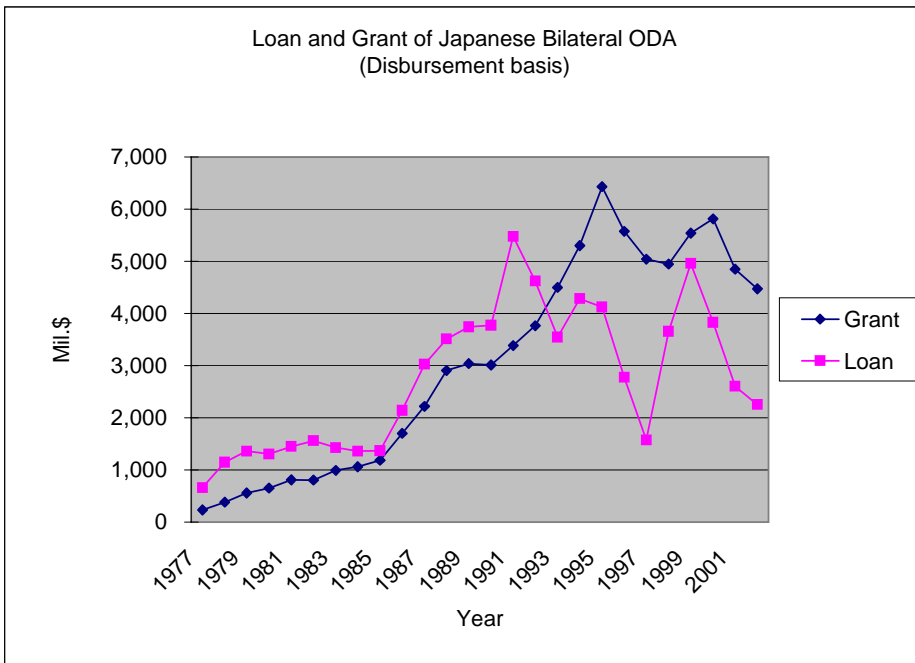
High Rate of Loan in Japanese ODA and Debt

Inoue Reiko
Pacific Asia Resource Center

1. The share of grant is still very low.

The percentage of grant has been gradually increased after 1990 under the strong criticism both from Japanese civil society

and from abroad, but the percentage of the Loan in Japanese ODA is still quite high among DAC countries and most of these Loans are spent for the large economic infrastructure projects.



Source: "International Cooperation Handbook" published by OECF and JBIC

Table 1. Grant share of total ODA (per cent)		
	2001	2002
Australia	100	100
Austria	76.7	99.9
Belgium	98	98.6
Canada	100	99.6
Denmark	99	98.1
Finland	99.7	97.9
France	88.7	87.2
Germany	87.8	93.1
Greece	99.4	100
Ireland	100	100
Italy	97.1	96.2
Japan	51.8	55.3
Luxembourg	100	100
Netherlands	100	100
New Zealand	100	100
Norway	99.7	99.1
Portugal	93.8	99.3
Spain	80.1	78.1
Sweden	99.3	99.5
Switzerland	97.8	98.8
United Kingdom	97.7	94.9
United States	99.2	99.2
TOTAL DAC	85.4	89.3

Source: *Statistical Annex of the 2003
Development Co-operation Report by
DAC*

Solution to Debt required

The above Yen Loan, together with other official financing including export credit, has brought the debt burden to many recipient countries. Japanese Government agreed to cancel 100% of the debt owed by the HIPC's based on the consensus at the occasion of Cologne G7 summit in the year 1999 in response to Jubilee 2000 which was deployed strongly globally and also in Japan and also has finally agreed, in the year 2002 to abandon Debt Relief Scheme, unique to Japan, which was notorious because of its lack of transparency and enforcement of import from abroad. But many other countries still suffer from debt from Japanese loans and we should reconsider the following points and need to make a thorough review on debt of each country and take a clear and definite measure to solve these issues, especially since heavy burden of debt to many countries should be attributed to the responsibility to the lender as written below.

(1) High interest rate in the eighties

The average interest rate is 1.4-1.5% now and the maturity period is mostly 30 years with grace period of 10 years for Japanese Yen Loan. But during the eighties, when Japanese Yen loan has started to rapidly increase, the interest rates was 2.75% to 3.5% and this high interest rate still causes the difficulty.

(2) Rise of Yen and devaluation of Asian currency

The exchange rate of yen to one US Dollar during the first half of eighties was ¥220-250 and then after the Plaza Agreement in 1985 the yen rose up nearly to the double ¥110\120.

Since most of the Asian currencies have been linked to the US Dollars and then this rise of yen has made the debt more than double in their own currencies. And after the Asian Economic Crisis in 1997, the currencies of Indonesia, Philippines, Thailand and Malaysia have been devaluated and the debt burden caused by Yen loan have become again serious.

(3) Borrowing countries need to repay the loan even for the failed projects.

The borrowing countries are forced to repay the debt for the projects after the projects have been found as failures, even though all the feasibility studies were done by the Japanese side.

(4) Odious debt

The Japanese ODA has supported Asian development dictatorship like Marcos

Government in the Philippines and Suharto Government in Indonesia; Japan has poured a large loan into the Marcos Government until the last moment against the aspiration of the people. Some record of kickbacks from Japanese company to Marcos was exposed after the fall of Marcos. Japanese ODA to Indonesia has started in 1966, the following year of the Birth of Suharto Government and Indonesia has continued to be one of the top recipient countries of Japanese ODA all through the era of Suharto. After the fall of Suharto, it has been exposed that 8 to 10 billion dollars of World Bank lending was lost as kickbacks to the government. Regarding the loan provided by Japan, it is unknown how much was lost due to the similar reason, but it was reported by the "Fortune" in 1998 that the total asset of Suharto Family amounted to 40 billion dollars, which is nearly equal to one fourths of the external debt of Indonesia. And the peoples of these countries are now repaying the debt of these loans. Both the Philippines and Indonesia are in the critical situation of their indebtedness.

Table 2. Debt owed to Japan and its weight to the total external debt of selected Asian countries (end of FY 2002)

	Public debt owned to Japan (100 million Yen)	Public debt owed to Japan (Million dollar)	Total External Debt (Million dollar)	Debt Owed to Japan/ Total External Debt
China	22,798	18,209	168,255	11%
Mongolia	271	216	1,037	21%
Cambodia	24	19	2,907	1%
Indonesia	35,789	28,585	132,208	22%
Lao PDR	46	37	2,664	1%
Malaysia	5,300	4,233	48,557	9%
Burma	3,054	2,439	6,556	37%
Philippines	13,850	11,062	61,121	18%
Thailand	16,119	12,875	59,212	22%
Vietnam	3,762	3,005	13,349	23%
Bangladesh	3,368	2,690	17,037	16%
India	13,307	10,629	104,429	10%
Nepal	365	292	2,953	10%
Pakistan	6,231	4,977	33,672	15%
Sri Lanka	2,854	2,280	9,611	24%

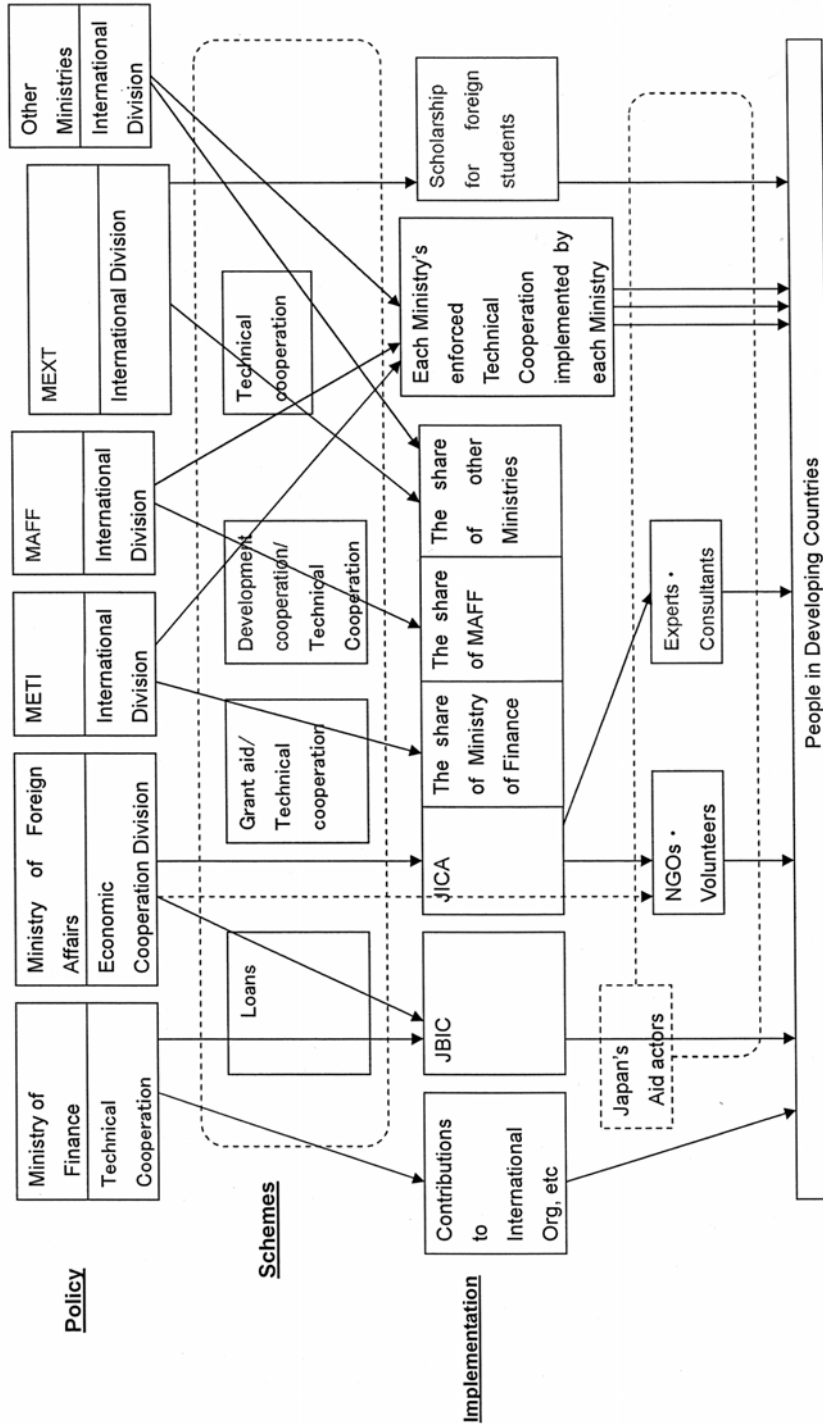
Table 3. Indebtness of selected Asian countries

	Total Debt Stock (EDT)	Total Debt Service Paid (TDS)	Export of Goods and Services (XGS)	EDT/XGS	TDS/XGS	GNI	EDT/GNI
China	170,110	27,092	309,709.00	54.9	7.8	1,131,112	15
Mongolia	885	45.3	591.2	149.7	7.7	1,030.40	85.9
Cambodia	2,704.00	21	1,671.00	161.9	1.3	3,285	82.3
Indonesia	135,704	15,530	65,914.00	205.9	23.6	139,646	97.2
Lao PDR	2,495	44	483	516.5	9	1,674	149.1
Malaysia	43,351	6,229	104,282.00	41.6	6	79,628	54.4
Burma	5,670	84	117	211.6	3.1		
Philippines	52,356	7,776	41,863.00	125.1	18.6	75,702	69.2
Thailand	67,384	20,073	80,065.00	84.2	25.1	111,624	60.4
Vietnam	12,578	1,216	18,155.00	69.3	6.7	32,723	38.4
Bangladesh	15,215	672	9,214.00	165.1	7.3	46,442	32.8
India	97,320	9,283	79,264.00	122.8	11.7	474,644	20.5
Nepal	2,700	89	1,827.00	147.8	4.9	5,781	46.7
Pakistan	32,020	2,958	11,483.00	278.8	25.8	57,795	55.4
Sri Lanka	8,529	716	7,405.00	115.2	9.7	16,284	52.4

Source. Report by JBIC and Global Development Finance 2003

Note: Indebtedness: Standard World Bank definitions of severe and moderate indebtedness are used to classify economies in this table. Severely indebted means either of the two key ratios is above critical levels: present value of debt service to GNI (80 percent) and present value of debt service to exports (220 percent). Moderately indebted means either of the two key ratios exceeds 60 percent of, but does not reach, the critical levels. For economies that do not report detailed debt statistics to the World Bank Debtor Reporting System (DRS), present-value calculation is not possible. Instead,

the following methodology is used to classify the non-DRS economies. Severely indebted means three of four key ratios (averaged over 2000-2002) are above critical levels: debt to GNI (50 percent); debt to exports (275 percent); debt service to exports (30 percent); and interest to exports (20 percent). Moderately indebted means three of the four key ratios exceed 60 percent of, but do not reach, the critical levels. All other classified low and middle-income economies are listed as less indebted.



Notes: METI: Ministry of Economy, Trade and Industry
 MAFF: Ministry of Agriculture, Forestry and Fisheries
 MEXT: Ministry of Education, Culture, Sports, Science and Technology

Improvements in and main issues on social and environmental considerations: environmental guidelines and ex-post evaluation

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Summary

With some NGOs' successful advocacy, Japanese aid institutions, i.e., Japan International Cooperation (JICA) and Japan Bank for International Cooperation (JBIC), have been improving environmental guidelines to reduce or mitigate social and environmental impacts of projects/programs. Above all, important environmental documents like environmental impact assessments (EIA) are made open to the public, consultations with stakeholders including the affected people and NGOs are conducted from earlier stages, and introduction of objection procedures against possible violation of guidelines paved the way for the stakeholders' direct complaints before the Japanese aid institutions. However, public access to important information is still limited, including whether all the projects with expected serious

impacts are in compliance with the guidelines and whether they have caused no harm to the people and environment, or not. Other important documents like detailed design reports are still strictly classified.

Japanese aid institutions also release their assessment reports about the performance and impacts of their funded projects/programs. Lessons obtained from these ex-post evaluations are supposed to be fed-back to the recipient countries, as well as to Japanese aid institutions, for their improvements. These ex-post evaluations have also been upgraded in terms of transparency and the coverage and quality of evaluations. In particular, assessments of environmental and social impacts could provide important lessons to ensure avoidance of negative impacts, as well as the compliance with the environmental guidelines.

It seems, however, that social and environmental assessments in the ex-post evaluations have rooms to be improved. There are some cases with no descriptions about social and environmental problems which actually happened to people and environment. Even a controversial project like the Batangas port development project in the Philippines, to which loan was suspended due to a bloodshed incident involved with demolition of houses for evacuation. Both the proponent and the Japanese aid institution dubbed the people opposing displacement “professional squatters (illegal occupants for compensation)”, and claimed that there were no faults in the procedure of the demolition of houses. Courts ruled, however, that the people were not “professional squatters” but honest and peaceful occupants, and that there were faults in the procedure of demolition. These facts are not mentioned in the ex-post evaluation.

In addition, the evaluation found out that most of displaced people were forced to lower their living standards, which breaches the relevant part of the environmental guidelines. But, the report does not mention about countermeasures against the predicament of the displaced people.

These biases may be attributed to insufficient compliance with the “impartial and independence” principle of evaluation, which was one of principles laid down by the guideline of Development Assistance

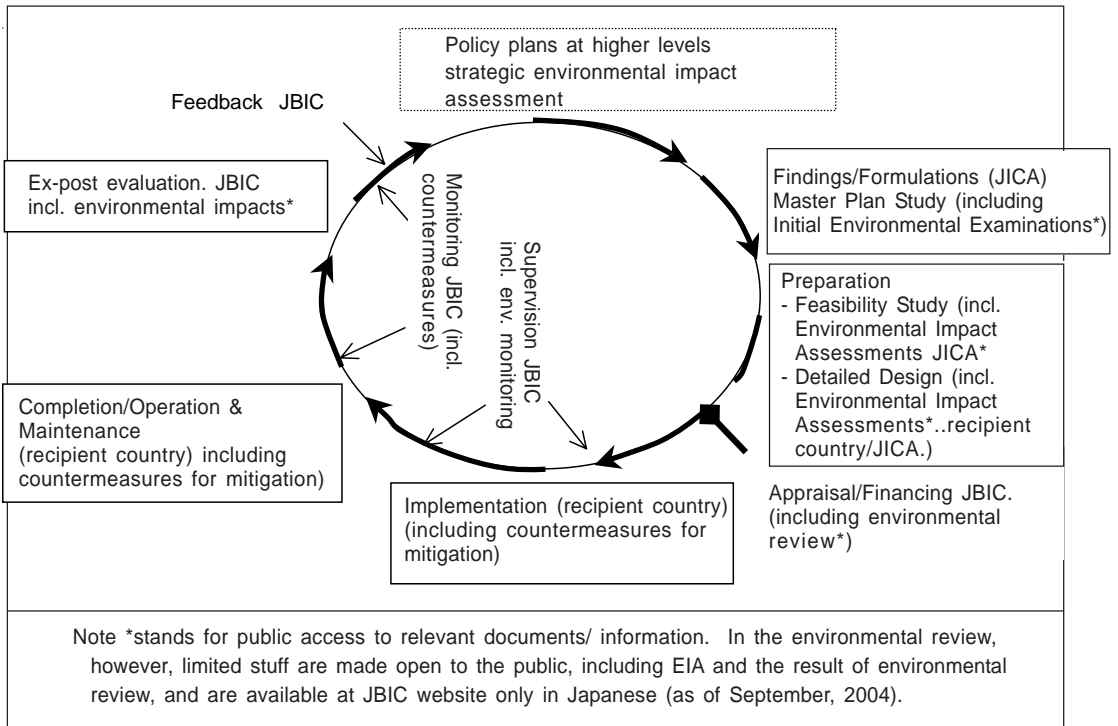
Committee (DAC). Possible countermeasures would include public access to the results of environmental monitoring, better approaches and methods of environmental and social impact assessments, including mechanisms to listen to affected people, as well as independent evaluation unit, which might be set up at the Diet (Parliament).

2. Features of New Environmental Guidelines

1) Major improvements

- *Better public access to information and consultation with stakeholders:* public access to EIA documents and consultation with stakeholders, including affected people and NGOs, from “earlier stages”.
- *Suspension measures:* JBIC can suspend loan disbursements due to major problems like the breach of guidelines. Similarly, JICA can recommend a cancellation of the study to Ministry of Foreign Affairs.
- *Objection procedures:* Stakeholders, including affected people and NGOs, can file a complaint of possible breach of the guidelines before the aid institutions. If it is found correct, the aid institution has to take appropriate actions, including a suspension of the undertaking. Also, JBIC will promote a dialogue between the parties concerned.

Figure 1. Simplified project cycle



2) Major issues

Insufficiency of earlier and radical safeguard measures: to get rid of projects with serious social and environmental impacts and assess accumulated impacts in a certain area at earlier stages, social and environmental considerations have to be incorporated into master plans/ sector plans/ programs and policies (“strategic assessment”). The guidelines include some of such considerations like examining alternatives including “no implementation of the project” or a description about the efforts to incorporate the concept of strategic

assessments, but still have uncertainties to what extent they will be implemented. In reality, the examination of alternatives seem to be conducted in a narrow sense, i.e., with minor differences.

- *Internalization of social and environmental costs:* this internalization, as described as a basic concept in JICA guidelines, is specifically to be quantitatively measured as *much as possible* to be included in economic and financial evaluations. How the counting will be done has yet to be clarified. As for financing yen loans, no information/ data on economic and financial evaluations are disclosed.

- *Insufficiency of transparency/ accountability at operation level:* the details of appraisals, results of monitoring and others are not made open to the public. Transparency/ accountability remains to be improved.

- *Uncertainties about actions against breaches of guidelines:* specific actions against the violations are uncertain as depend on the President of JBIC or Ministry of Foreign Affairs.

- *Insufficient mechanism for saving victims or solving conflicts:* it is uncertain how effective the dialogue between the parties concerned to be promoted by JBIC will be functioning to save the victims or solve the problems.

3. Features of ex-post evaluations by JBIC

1) Major improvements

Full coverage of completed projects: all the projects in two years after completion have undergone evaluation.

- *Introduced criteria for evaluation:* the common criteria of Development Assistance Committee (DAC) were introduced: Relevance of project objectives; Efficiency of outputs in relation to inputs; Effectiveness in terms of achievement of objectives; Impacts including macro-economic, social and environmental aspects; and Sustainability of effects.
- *Improved transparency:* disclosure of ex-post evaluation reports and

incorporation of opinions from third parties for feedback

2) Major issues

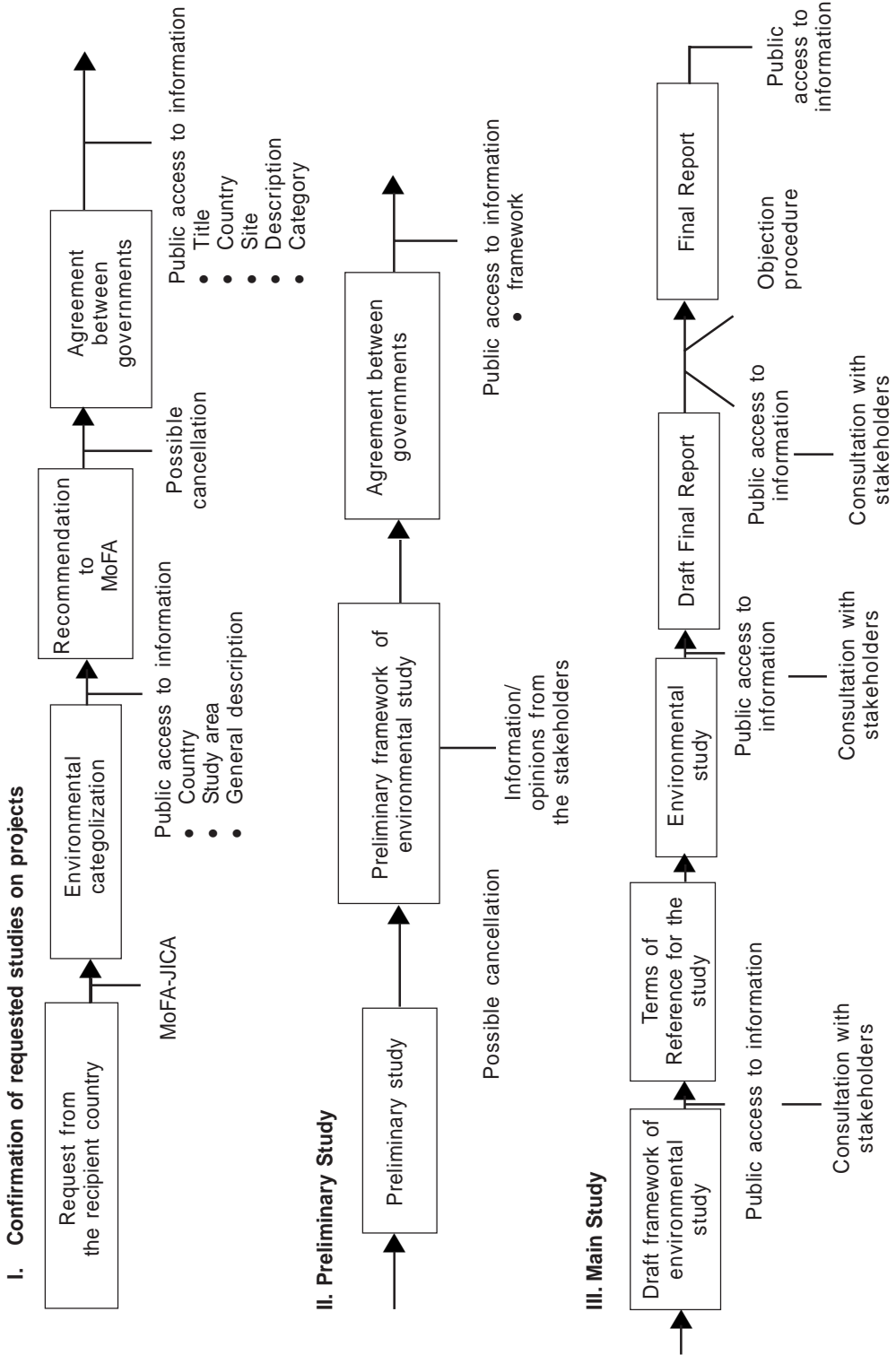
- *Possible breach of "Impartiality and Independence" principle:* this may lead to insufficient evaluation of social and environmental impacts
- *Insufficient linkage with environmental guidelines:* there appear no confirmation about compliance with guidelines and effectiveness of countermeasures for avoidance/ mitigation.
- *Insufficient feedback:* lessons learned from evaluations are not reflected in policies and new projects, e.g. lack of local budget for operation and O&M.
- *Less coverage of important evaluation items:* information on debt services is not disclosed to the public.

3) Case study of insufficient environmental impact evaluation: Batangas Port Development Project (Philippines)

(1) General

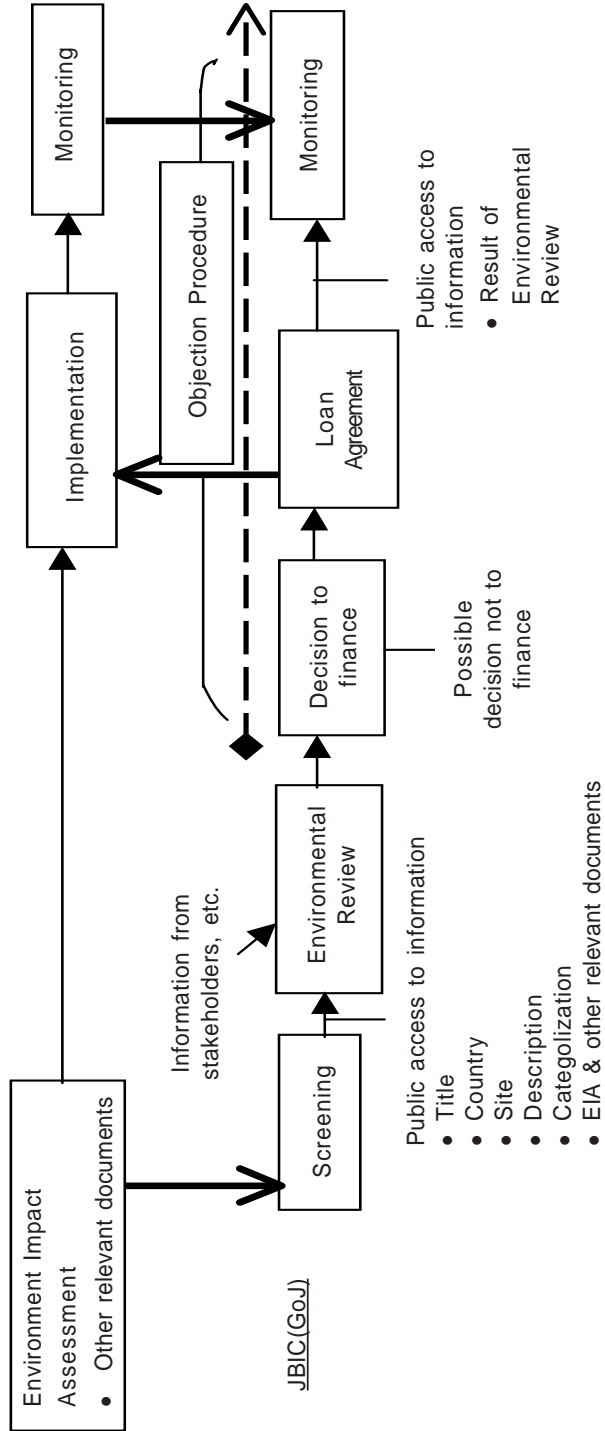
- *Proponent:* Philippine Port Authority(PPA)
- *Loan Agreement:* March 1991, *Completion of disbursements:* July, 1997, *Committed amount:* 5.788 billion yen (actual disbursement 5.497 billion yen)
- *Objective:* Improve and expand degraded narrow port facilities for more efficient flow of goods

Figure 2. Simplified flow of environmental appraisals/ studies
Environmental studies in JICA development studies



Yen-loan-funded projects—JBIC environmental appraisal

Recipient government



- *Completion:* March 1999 (delay by 43 months mainly due to the conflict involved with displacement and widening scope of work)
- *Cost:* increase in local cost, especially relocation and resettlements - about four times
 - (2) Relocation and resettlement issue
- *Number of those who were displaced:* 1,467 households—(a) those who were subject to voluntary relocation (about 200 households), (b) those who were forced to resettle at government resettlement sites after demolition (about 600 households, but about 130 households left and returned to the original site), (c) those who raised an objection and bought their land nearby to resettle themselves (nearly 400 households)
- The group of (c) above demanded that the proponent should establish their resettlement sites near the port as they would lose their livelihoods. The proponent, however, refused their demand due to lack of budget.
- In June, 1994, the proponent conducted demolition (house destruction by force), when the armed police fired and about 10 people were injured. JBIC suspended its loan disbursement from July to December, 1994.
 - (1) Major issues on relocation pointed out by JBIC ex-post evaluation in 2000
- This relocation process satisfied all conditions stipulated by law for more “humane” demolition of houses.
- The relocatees (affected residents) are “illegal settlers (squatters)” as they have no evidences of land ownership, including land title.
- As of 1999, most of the resettlers at two government sites were forced to lower their standard of living, i.e., income level and employment opportunities. Unemployment ratios were 45% and 53%. Basic infrastructure such as water and electricity had yet to be improved.
- *Lessons:* (a) the representatives of residents were unable to persuade them → conduct consultations with residents reflecting their diversity with balanced information-gathering; (b) much increase in the number of relocatees → finalize the list of relocated households at one time before the project, (c) basic infrastructure was constructed after demolition → complete the development of resettlement sites before the project, (d) many resettlers did not join discussions on their livelihood programs → involve the participation of resettlers in the formulation of livelihood programs
- (4) recognition by courts in the case of PPA vs. residents (group (b) above): PPA was defeated both at Batangas district court in 1996, and at the court of appeal in 2000 PPA offered out-of-court settlement

following the recommendation by the court, and settled in 2002

- There were some faults in the procedure for the demolition of houses. In particular, the proponent did not obtain the court order for demolition. They used falsified expressions in the notice of relocation.
- The residents are not “professional squatters”, who intentionally settled for compensation, but “possessors in good faith” and “in peaceful occupation” who have rights to receive appropriate compensation. The proponent must pay for their damages.

(5) Comments on JBIC ex-post evaluation

- The JBIC report does not refer to the recognition and decision ruled by the Batangas court

Both Philippine and Japanese government sides dubbed the affected people as “professional squatters” and created an image that their demands were egoistic, seeking for compensation

- There is no examination about whether JBIC’s appraisal on this project is appropriate or not in the wake of resettlers’ lower standard of living, which means that the relocation does not comply with the relevant part of the JBIC environmental guidelines.

- The JBIC’s lesson about livelihood program, which emphasizes the participation in discussions, serves only to be a necessary condition: there should be more conditions to be considered for successful livelihoods, including quality and demand in the markets. They must analyze the alternative demanded by a group of residents, i.e., resettlement site to be developed near their original livelihoods, which ensures their continuation of livelihoods.
- JBIC did not take some lessons suggested by “the third-party evaluator”, including “real, genuine and participatory consultations”, trust-building between the proponent side and the people, the necessity for ensuring know-how and budget for relocation and resettlement.
- There is no evaluation about the agreement between two governments to resume the loan disbursement: (1) continued efforts to persuade dissenting residents and to accomplish a peaceful and legitimate relocation; (2) measures to improve the lives of the relocated residents (priority employment at the port, infrastructure improvements at resettlement sites, etc.); and (3) the creation of a monitoring committee with the participation of both governments.

PARC Position Paper on 50 Years of Japan's ODA

**“ Proposal on ODA aiming for the well-being of all people
and global social security”**

Introduction

Japan's Official Development Assistance (ODA) started 50 years ago. Together with people in Asian Pacific, we have been watching Japan's ODA. Marking its 50th anniversary, we like to present our proposals of how Japan's ODA should look like in the future based on our fifty-years of observation and analysis.

With regard to the Japan's ODA, there are various opinions and evaluations. One says that the Japan's ODA has made great contribution in Asian countries particularly in the areas of economic infrastructure development that Japan was best at, boosting their economic development and economic growth. Another says that it has contributed little in the aspects of eliminating poverty as well as social development or it has even “promoted” authoritarianism, development dictatorship, and political fraud and corruption in the recipient countries. Following are our review and vision on Japan's ODA from the

viewpoint of the “ordinary citizens” who are not at the center of power and not able to participate in the ODA policy making process.

1. 50 Years Overview

From 1960's through mid-1970's Japan's ODA, originated as a postwar repatriation, was often used for its short-term economic benefits to achieve rapid economic growth, carrying out a mission to support national economic activities in the first half of its service.

For Japan known as a “resourceless” country, reservation of resources such as oil was the national priority for its economic growth. It was believed that the acquisition of foreign currencies by exporting manufactured goods and entry of private capital into Asian market were crucial for its economic success.

Accordingly, Japan's ODA was often used for obtaining resources, trading market share, and inexpensive labor forces. The

large loan granted to Indonesia for oil and LNG development was the one of the clear evidences.

In 1970s, the flood of Japanese business inflamed the anti-Japanese sentiment in Southeast Asia, and Japan was compelled to review the conventional manners of its short-sighted and profit-centered ODA policy. The Fukuda Doctrine of 1977 and the comprehensive security policy introduced by Prime Minister Taihei brought a great transition for Japan's ODA. Success in rapid economic growth and capital advance overseas brought Japan an era of economic luxury, "taking off" to become one of the leading ODA donor nations.

In particular, the bubble economy of the late-80s pushed up Japan to become the world biggest ODA provider (1989). Often criticized as ODA without principles or profit-centered aid, in response to fall of Berlin Wall (1989) and Gulf War (1990-1991), Japanese Cabinet endorsed Japan's ODA Charter and publicized its principles and guidelines both internally and externally. The guiding principles are (1) to withhold ODA to military regimes and arms exporters/importers (2) to include democracy, human rights, and realization of freedom in the evaluation criteria to select ODA recipient countries. Although some measures should be positively credited, specific guidelines for their implementation were lacking.

While the Japan's ODA during 90s was said to be "in full blossom", it has been facing a major turning point since Japan's internal economic crisis (collapse of the bubble economy) and the Asian monetary and financial crisis in addition to "the September 11 Terrorist Attacks" in U.S. in 2001. Under the pressure from the business community. Japan's ODA is again sailing towards the time of profit-oriented aid over the past few years loans, once completely untied, have been rapidly shifting into those with strings attached.

Moreover, new Japan's Oda Charter revised in 2003 has clearly shifted its direction towards "national-interest-first policy". In the new Charter, it proclaims an involvement in peace building and conflict prevention where it never had got involved previously. The tendency of Japan's ODA policy going alone with the U.S. foreign policy is becoming even more obvious.

Recognizing contributions made by Japan's ODA in such areas as economic infrastructure development, following negative aspect also has to be pointed out on behalf of people in Asian Pacific. The infrastructure development has destroyed people's life and environment, accelerated authoritarian system and dictatorship, failed to actively involve in democratization movements and human rights protection, supported fraud and corruption of regions in recipient countries and most importantly left a large amount of debt. We believe that ODA policy should not be implemented

before thorough review is conducted.

Many people are still suffering from famine and poverty in the developing countries, which constitute a great majority among countries in the world. From humanitarian viewpoint, the international community can ill afford to ignore this fact.

Japan's ODA Charter consists of four major principles including "international humanitarianism", recognition of the fact of interdependence among nations of the international community", "environmental conservation" and promotion of the self-help efforts of developing countries towards economic take-off". Although Japan's ODA has been criticized for the absence of clear principles, in addition to these four principles the Charter addresses to consider recipient countries' military expenditures, their development and production of mass destruction weapons and missiles, their export and import of arms, promoting democratization and introduction of a market-oriented economy, and the situation regarding the securing of basic human rights when it provides aid services. Creation of the Charter was a step forward for Japan's ODA.

On August 29, 2003, the new ODA Charter was endorsed by the Cabinet, addressing in its opening that "The objectives of Japan's ODA are to contribute to the peace and development of the international community, and thereby to help ensure Japan's own security and prosperity. Taking advantage of Japan's experience as the first

nation in Asia to become a developed country. Japan has utilized its ODA to actively support economic and social infrastructure development, human resource development, and institution building. Consequently, Japan has significantly contributed to the economic and social development of developing countries, especially in East Asia." The spirit of international humanitarianism was toned down and instead national-interests-first policy was put greater emphasis.

The reason behind the shift in direction of the Japan's ODA policy is due to changing situations of world affairs as well as Japan's economic downturn. One might question how important ODA is particularly in the time of Japanese economic slump. However, at the expense of all principles of "international humanitarianism", "recognition of the fact of interdependence among nations of the international community", "environmental conservation", and "support for the self-help efforts of developing countries towards economic take-off", pursuing national interest under the ODA scheme may leave Japan far behind the international aid community.

Some recognize that the most important factors that changed situations in the world affairs are the September 11 Terrorist Attack which occurred in U.S. as well as the afterwards "word with daily terrorist incidents". Based on this theory, the U.S. has launched a worldwide campaign to "fight with terrorism". Then the question arises: Should Japan change its ODA

policy in accordance with U.S. led world cognition?

The revised Charter states, "conflict and terrorism are occurring more frequently and they are becoming even more serious issues. Preventing conflicts and terrorism, and efforts to build peace, as well as efforts to foster democratization, and to protect human rights and the dignity of individuals have become major issues inherent to the stability and development of the international community." In reality, it is not quite easy for Japan with no experience for peace building to exercise these measures especially within the ODA platform.

There is no discussion about the righteousness of building peace. However, under the delicate nature of international politics, "peace building" efforts could trigger the conflicts. Thus, it is vital to fully discuss the adequacy of peace building within ODA scheme.

We agree that principles of ODA include the spirit of international humanitarianism. Question, however, is whether Japan's ODA has really been utilized for people in hunger and poverty above anything else?

Economic growth theory backed by the modern economic theory is one of the most important theoretical pillars of Japan's ODA. That is, ODA stimulates economic growth resulting in enlargement of economic pie. While the enlarged economy may temporarily cause unequal distribution of wealth on the long term, the trickle down

effect will eventually bring wealth down to the poor and social welfare will also expand in that society. Based on this theory, the economic effect of the large scale infrastructure development has been more emphasized as compared to micro-level assistance.

It is important to point out that the tendency to favor infrastructure development originated from the fact that the Japanese bureaucrats who had led Japan's ODA policy such as Ministry of Foreign Affairs, Ministry of Economy, Trade and Industry, and Ministry of Finance, often insisted on the legitimacy of infrastructure development based on the historically proven Japan's economic success. A bureaucrat of Economic Cooperation Bureau, Ministry of Foreign once wrote below.

In regard with the insignificance of economic-growth-centered aid such as infrastructure development, there is no question that World Bank loan helped Japan with its rapid economic growth by constructing significant power plants, steel plants, the Tokaido Shinkansen bullet train, Aichi Service Water System, Tomei Highway and other facilities. It proves that this type of assistance is clearly necessary for industrial diversification and industrialization as well as sustainable economic growth and development in the developing countries. (Sadojima, Shiro. 1991. Is ODA "the source of evil?" SEKAI vol. 12:359)

We believe, however that the infrastructure-oriented ODA promoted by the Japanese bureaucrats as well as business community has departed from its fundamental principle, "humanitarian crusade against poverty and hunger". When one analyzes the past Japan's ODA records in detail, it becomes clear that the humanitarian efforts such as elimination of poverty and hunger has not been placed as a top priority in its agenda.

Evidence further shows that Japan's ODA projects, mostly infrastructure related projects, have been unequally allocated into neighboring East and Southeast Asian countries indicating its economic and geopolitical interests.

In addition, when we weigh the advantage of the Japan's political interest with U.S. as an "allied power" and Japan's ODA recipient countries, unfortunately in large part, Japan's ODA has not been derived from its principle of "humanitarian crusade against poverty and hunger" but the artifact of bureaucrat-led economic-interest seeking symbolized as an infrastructure-oriented aid as well as U.S.-dependent diplomacy.

3. Proposals for Future Japan's ODA

As seen above, we see various issues in the past Japan's ODA policy.

In the present world, both donor and recipient countries are falling into a great wave of globalization. Globalization has brought a new experience to the human society, developing itself with accelerating

speed particularly after the collapse of Eastern World, enabling large-scale cross-border movement of people, goods, money, and information as well as a global market economy. In particular, developing countries where market economy has spread wide into all aspects of social life have been compelled to play by the rules of competitive market economy. As a result, it is creating a pattern in which wealth and powers concentrate on the strong in market economy. Everything from grass, trees, water to sand has been commercialized and peaceful collectives and blessings of nature are vanishing. Under the name of free market economy, environment is destroyed, production of essential foodstuff is marginalized and subsidy for "unprofitable services" such as health care and education are cut.

The world has produced an unprecedented number of the poor, the gap between the rich and the poor has expanded both domestically and globally, the issue of large scale unemployment has been unsolved, infectious disease has become widespread, regional and tribal conflicts has occurred in all continents, and there is no sign of significant decline in number of national and regional displaced refugees. In the era of globalization, conventional "view of aid" has already lost its significance.

We believe that now is the time to emphasize the spirit of international humanitarianism which Japan has carried. We believe ODA should be utilized to ensure the existence of the poorest who

can barely manage to survive tomorrow. We would like to define ODA as a means of ensuring existence of people next door and creating environment where people can live without terror. Following are proposals that map new directions for Japan's ODA so as to achieve the spirit of international humanitarianism.

1. ODA for Building People's Right to Peaceful Existence

Preamble to the Constitution of Japan addresses "We recognize that all peoples of the world have the right to live in peace, free from fear and want". It recognizes that all people on the world possess the right to live in peace (right to existence in peace). Article nine contains a world preeminent and pioneering passage, which ensures renunciation of war and the right to belligerency of the state, and this is the foundation of ensuring the right to peaceful existence. We hereby propose that Japan's ODA should be utilized for those people to ensure right to peaceful existence.

Japan's ODA Charter revised in 2003 states that ODA should be utilized for peace building (conflict prevention, establishment of peace, reconstruction assistance, etc.). From poverty reduction and the correction of disparities in order to prevent conflicts, emergency humanitarianism assistance in conflict situations to the establishment of peace in post-conflict situations, the new Charter added the significance of seamless and flexible assistance to achieve peace

building efforts. For Japan, which possesses a peace constitution, it is important to take part in this kind of undertaking. At the same time, one should keep in mind that a country should not favor one side under the military conflict or occupation and war situations in order to conduct peace building in a true manner.

In that sense, U.S. and British military attack against Iraq and dispatch of self-defense force of Japan that supported Iraqi occupation as well as any type of assistance to occupied Iraq should not be justified as peace building. If Japan's ODA truly gives importance to right to existence in peace, Japan should clarify that she will not cooperate with "war against terrorism" that is a part of U.S. national security strategy" announced on September 2002.

In addition, a policy guideline "A Development Co-operation Lens on Terrorism Prevention: Key Entry Points for Action" was introduced on October 2003 at the "High Level Meeting" of Development Assistance Committee (DAC), which is one of the key committees of the Organization for Economic Co-operation and Development (OECD). This guideline is to re-examine the definition of ODA and expand ODA's objectives to the areas of security and peace along with the existing poverty reduction. There is a possibility that inclusion of the new objectives may change the quality and emphasis of ODA drastically.

As a result, there is concern that social developments such as efforts to reduce poverty or prevent infectious disease will be marginalized, human rights abuses will be justified under the name of security and peace, more aid will fall into the hands of oppressive regimes, giving a great impact particularly on the poor and the socially vulnerable. Therefore, we hereby strongly oppose the “redefinition of ODA” from the standpoint of respecting poverty reduction as one of the key principle of Japan’s ODA. We demand that Japanese government as well take a clear stance to oppose this reform and further strive to achievement objectives such as MDG while encouraging other donor countries to do the same.

2. Poverty Elimination and reform of ODA Structure that Creates Gap between the Rich and the Poor

It is needless to say that nobody chooses to live in fear and want. These fears and wants for the most part are artificially created. Unfortunately in this world, there exists a structure that drives people into poverty and fear. People are discriminated by their ethnicity, religion, birth, gender, age, class, and so on. They are impoverished, jobless, infected with diseases, ostracized in the classroom, and jeopardized for life. Globalization is accelerating these “processes of impoverishment”. We believe that new ODA spirit should be introduced based on the recognition that poverty is not merely a static condition like “want of substances” derived from low-income, but also the

process that deprives people of economical, political, and sociocultural capability.

In this light, Japan’s ODA should give priority to the following objectives.

1. Rehabilitate people whose political, economical, and sociocultural capability are taken away and life is jeopardized.
2. Aid people of extreme poverty, the most discriminated and ostracized as well as the physically and mentally challenged whose livelihood are jeopardized.
3. Accelerate the process to remove the structure which generates these victims of oppression and poverty, aiming at an ODA-free world.

3. ODA as Global Social Security

We believe that so that all people in the world live in peace, the creation of a global-scale framework for security and protection is necessary. In addition, ODA should not be emphasized on national interest in a narrow sense.

Aid in the 21st century should serve as a global social security transcending national interest. United Nations General Assembly in 2000 constituted the “Millennium Development Goals” calling for active engagement of international community in its measures. MDG sets common goals that includes elimination of extreme poverty and starvation, establishment of universal primary education, promotion of gender equality and empowerment of women,

reduction of child mortality, improvement of maternal health, prevention of the spread of HIV/AIDS and other infectious diseases, and conservation of sustainable environment in addition to respecting people's initiatives and their unique cultures in recipient countries. When ODA targets poverty groups, it is necessary to make elaborate plans that identify the regional and inter-class wealth gap that GNP hardly indicates. While conventional country assistance programs of Japan were developed based on macroeconomic policy, in order to achieve above objectives, we need to see the Human Development Index (HDI) as well as social maturity level of recipient countries. In that respect, it is essential to receive input from NGOs in the recipient countries as well as Japanese and international NGOs that are working in that regions.

In regard to the revision of Japan's ODA Charter, Peer Review of Japanese development co-operation presented by the OECD Development Assistance Committee on December 2002 warns that the primary development objectives of ODA should not focus on its narrow national interests.

Sadako Ogata, president of Japan International Cooperation Agency (JICA), states that "Japan's national interest is to gain trust from neighboring countries". Unless Japan uses ODA as a diplomatic tool to achieve narrow national interests, it is impossible for her to receive any trust from people in poor countries and people oppressed under military governments. In

order for Japan's ODA to achieve its primary objectives, it is vital to listen to the critical opinions from civil society in ODA recipient countries.

4. ODA for People who are Socially, Economically and Politically Vulnerable

As already mentioned earlier, ODA Charter approved by the Cabinet on August 2003, opens with the phrase that "[t]he objectives of Japan's ODA are to contribute to the peace and development of the international community, and thereby to help ensure Japan's own security and prosperity". In this phrase, "Japan's own security and prosperity" is more emphasized than common goals within an international society. Based on the analysis of 50 years of ODA, there is rising concern that Japan's ODA has been shifting its direction to prioritizing the Japanese economy as well as the interests of Japanese corporations in the light of recent increase in ratio of untied loans that had been kept quite low for years.

It is assumed that inclusion of this phrase "Japan's own security and prosperity" in the new ODA Charter is the reflection of voices from ODA related agencies headed by businesses and construction communities suffered from Japanese economic downturn.

As already noted, Japan's ODA have been placing great emphasis on macroeconomic growth and infrastructure development.

ODA White Paper 2003 also addressed that “[w]e focus on economic growth by poverty reduction and infrastructure and insisted on this idea in the international discussion” (Ministry of Foreign Affairs, 2003. Japan’s ODA). World Bank once praised Asian economic growth as the “the Asian Miracle” in its report. Shortly after the Asian monetary and financial crisis, the fragility of economic growth achieved by external dependence was exposed. In particular, Indonesia experienced the collapse of the 23-years-old Suharto’s military dictatorship government owing to the monetary and financial crisis. Indonesia under the Suharto Administration was the biggest recipient of Japan’s ODA. Looking back the history of Japan’s ODA over the past 50 years, Japan has focused on big national projects together with Marcos Administration of the Philippines and Suharto Administration, directly or indirectly supporting various human rights suppression, destruction of livelihood of local people, and environmental destruction. Japan must learn from these history.

Learning from the case in Indonesia, we believe that the ODA policy that focuses on macroeconomic growth should be cancelled and instead create elaborate ODA policies that aim at people who are socially, economically and politically vulnerable.

5. Our Concrete Proposals

Based on the basic principles described

above, we hereby propose the following eight concrete measures.

Proposal #1: Enactment of ODA Basic Law

Japan’s ODA, which has a dominant weight in Japan’s foreign policy, is not legally binding, simply guided by “ODA Charter” endorsed by the Cabinet through administrative procedure. This system provide no opportunity for both the Diet as the representatives of citizens and taxpayers to get involved in the policy making process.

While Japanese NGOs have demanded for the enactment of ODA basic law a number of times, it has not been yet realized. We again demand for the creation of ODA basic law, which defines in detail ODA fundamental principles, enforcement agencies, policy-making process, rules of budget allocation, and administrative instruction.

Proposal #2: Establishment of “Ministry of International Aid”

Japan’s ODA is currently carried out by three major agencies, Ministry of Foreign Affairs, JICA and Japan Bank for International Cooperation (JBIC) along with many other governmental institutions. This dispersed management structure has been criticized for its bureaucratic sectionalism, complex decision-making process, incoherent ODA policies, and inefficient implementation. In order to resolve above

issues, all ODA-related services should be centralized in a “Ministry of International Aid” to bring transparency and coherent policies to Japan’s ODA. Along with the fact that current ODA is run by more than 10 agencies creating conflict of interest and opacity of process, also persons who is in charge of ODA matters in each agency including Ministry of Foreign Affairs leaves their duty in every two to three years, making accumulation of knowledge on recipient countries and training of personnel for development difficult. As a result, these tasks are heavily dependent on consultants.

Proposal #3: Requirement of People’s Participation from both Donor and Recipient Countries

While ODA has various impacts on the target regions, people in recipient countries hardly have a chance to participate in the ODA policy. Likewise, Japanese people who pay taxes or use postal savings seldom take part in the policy making process. Unfortunately, voices of citizens and civil society in recipient countries are never reflected on most programs or projects. As citizens of recipient countries, participation is their right. We have to create a system where information is fully disclosed and citizens can practically participate in the policy making and implementation process.

Needless to say, people of both donor and recipient countries should be able to participate in the ODA process. For people

in recipient countries, donor countries should require recipient governments to encourage citizen’s participation. In addition, while we credit that Ministry of Foreign Affairs and Ministry of Finance for providing opportunities for NGOs to take part in the policy making process to some extent such as regular consultation meetings, we further demand that our voices should be practically reflected in policies.

Proposal #4: Resolution of a Debt Problem

It is noteworthy that Japanese government took steps to reduce debts for the Heavily Indebted Poor Countries (HIPC), abolishing the ambiguous scheme of debt relief aid. Japanese government should further introduce a bold policy to reduce debts for countries which are incapable of breaking debt burden from yen-loan especially granted in the time of high interest rate during 80s.

Proposal #5: Loans should be changed into grants or those with no interest

While ratio of loan in Japan’s ODA has gradually lowered due to the criticism by the international community as well as Japanese NGOs, the figure still stands highest among DAC countries. In the past half century, yen-loan along with other loans has imposed a heavy debt burden on many recipient countries and these debts have become a great barrier for poverty reduction efforts. Learning from the fact that ODA, primarily for the socially vulnerable

and the poverty group, had created these structural oppressions, following rules for loans should be adopted.

1. All loans within ODA scheme should be free of interest.
2. Since the payback period is extended over a long period of time, foreign exchange gain or loss should be shared in a fair manner between a donor and a recipient.
3. As for loans made with thorough research and examination, gain or loss from the project during payback period should be also shared in a fair manner between a donor and a recipient.

Proposal #6: Shift to Untied both for loans and grants

As stated in Proposal #5, during the transition period to abolish ODA loans, all loans should be untied.

As far as ODA donations, DAC is adopting an untied policy. In “DAC Review”, the outstandingly higher ratio of Japan’s tied aid among donor countries is taking up as a target of criticism. Furthermore, even for the 100-percent-tied donation currently granted from Japan’s ODA, it is a global standard that all these donations should be untied. At the same time, in addition to the shifts of all loans and donations into untied, it is desirable for projects to hire corporations and workers inside of recipient countries.

Proposal #7: Partnership with NGOs in Implementation

While the ratio of funding to NGOs in Japan’s ODA is gradually increasing, it is still miniscule. In addition, this fund is one-year bases and takes a long time for its screening process, making it almost impossible for NGOs to take a prompt action. Japan’s ODA should shift its directions to boldly increase funding scheme for NGOs and at the same time foster capacity of Japanese NGOs so that they can engage in projects with a long-term view.

Proposal #8: Imposition of Effective Binding Force on the Guideline

Creation of “JBIC Guidelines for Confirmation of Environmental and Social Considerations” and “JICA Guidelines for Environmental and Social Considerations” is worth noting. However, the guideline without binding force can turn out to be a pie in the sky. Thus, following rules should be documented.

1. Punitive measures should be established against violations of guidelines.
2. In particular, monitoring system should be adopted so as these measures to be applied to private sector.
3. Comprehension or correction should be actively made even for projects before the creation of the guideline in case that tangible violations are found.