

# Japan: Partnership at a turning point

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The environment surrounding Japanese CSOs has been changing rapidly. More and more ODA has flowed into CSOs under the banner of the strengthening partnership between Japanese ODA and CSOs. However, Japanese private companies have increasingly moved into the field of development, because the government has significantly increased ODA support to private companies in order for them to expand their business in developing countries. These shifts in funding opportunities create an environment where CSOs and private companies are increasingly competing for funding from the Japanese government ODA programs.

On the other hand, Japanese CSOs have not changed their approach, preferring to directly implement projects rather than partner with local CSOs in developing countries. But at the same time, local CSOs have built their capacity to undertake development initiatives on their own. This article focuses on what has changed and what has remained unchanged in the relationship between Japanese CSOs and other actors such as the Japanese government, Japanese private companies and local CSOs in developing countries.

## **Autonomy at risk — closer relationship with the government**

The term “partnership” is commonly used in Japan to describe the relationship between the

Japanese government and CSOs. During recent years, these relationships have expanded based on a government policy to strengthen partnerships with CSOs. The amount of money allocated to CSO support schemes in Japanese ODA has been increased, and accordingly, CSOs have expanded their projects utilizing these schemes. In doing so, the government has given preferential treatment, in terms of funding opportunity and flexibility, to those CSO projects that align with government ODA policies.

Japanese ODA in support of CSO projects began to increase in 2010 after the Democratic Party administration came to power in 2009. On coming to power, the Democratic Party — which had kept a close relationship with CSOs — reviewed the ODA budget allocated for CSO support, which resulted in an increased allocation. In 2009, the volume of ODA directed to CSO support by the former administration was approximately US\$29 million. In the first budget of the Democratic administration in 2010, the amount for CSO support rose sharply to US\$50 million, and it increased again by 10% in 2012 to US\$55 million.

Even after the Democratic Party lost power in 2012, the new administration retained the ODA budget for CSO support at these higher levels. However, a qualitative change in the partnership has been taking place. The government has established a new policy for its CSO support schemes. This policy improves the terms of

funding. For instance, there has been an increase in the ceiling and overhead cost which can be budgeted by CSOs. But it also requires the CSO projects to be aligned with priority areas set by the government.

The government's policy on the priority areas for CSO projects stipulates specific countries and types of activities, set with consideration for CSO interests. However, in 2014, the government implemented another policy that requires CSOs to also align their projects with the overall aid policy of the Japanese government. Some CSOs are concerned that this policy may potentially lead the government to reject proposed CSO projects that are developed based on the CSO's mission and priorities when these projects do not closely follow the government policy.

Basically, in the past, the government had been responsive to CSO proposed projects that were based on the latter's interests and mission. Now, however, such flexibility may be over, as it appears clear that CSOs will be under pressure to align with the particular ODA strategy of the government.

The ODA Charter, which is the primary policy statement for Japanese ODA, will be reviewed in 2014. This review is expected to give greater priority to ODA that contributes to the Japanese national interests. The media has revealed that key areas for the review will be the use of ODA for national security as well as the strategic use of ODA in competing with emerging developing country aid providers. Under these possible changing policy priorities, CSOs are also being asked to follow the government's aid policy when using ODA money for their projects. Whether CSOs are able to maintain autonomy, as they have enjoyed in the past, largely depends on future dialogue between the government and CSOs. Japanese CSOs are facing a crucial moment in their relationship with the government.

## **Friend or foe: Private sector as an emerging actor**

A "Base of Pyramid (BOP) business," which is a form of business targeting the low-middle income class in developing countries, is largely acknowledged in Japanese society because the term has been often picked up in the media. Expanding such businesses overseas, especially in developing countries, is becoming one of major options for many Japanese companies, which often have little experience in overseas business.

One prominent example is the case of Uniqlo, a leading Japanese clothing company. Uniqlo started a business in Bangladesh by forming a business partnership with Grameen Healthcare Trust, which is a non-profit organization under the Grameen Bank Group. Uniqlo intends to facilitate job creation for people living in poverty and promote their participation in society. They will do so by creating a domestic supply chain for clothing where poor people are able to find work. The company ultimately aims to solve social problems in poverty, health, and education, among others.

With this increased interest on the part of Japanese business in developing countries, the government has developed programs of support for these companies. Among these support programs are ODA schemes providing companies with the resources to initiate a business in developing countries, which would address social problems in these countries. The government is working on the assumption that acceleration of overseas operations by Japanese companies potentially contributes not only to the economy of the countries concerned, but also to Japan's national interests.

The Japan International Cooperation Agency (JICA) sets out its purpose on partnerships with private companies as follows: "Strengthening

partnerships with private corporations and private business and supporting improvement of the business environment in developing countries, thereby creating win-win-win situation for developing countries, private enterprises and ODA.” Based on this concept, JICA has set up a number of ODA schemes to support private business in developing countries. A distinct feature of these schemes is that Japanese companies are now able to make a direct proposal to JICA for funding the development of their plan for a business opportunity or for the business operation itself, while Japanese ODA projects are usually based on requests from counterpart governments, in the case of bilateral ODA.

As an example of such partnership between ODA and private business, the Ministry of Foreign Affairs (MoFA) has often mentioned the case of Tsumura, a Japanese herbal company, which has been growing and harvesting various kinds of herbs in developing countries. Tsumura made a plan to plant herbs in an area of Lao PDR which was heavily contaminated with UXOs (Unexploded Ordinances). With a proposal from Tsumura to the Japanese government, ODA funds were provided to a Japanese demining organization, JMAS (Japan Mine Action Service), to conduct a clearance operation in Tsumura’s site so that Tsumura was able to operate without risks of UXOs. The MoFA has stressed that the project has contributed to not only the company but also local people because the project has provided safer land and created job opportunity to work in the company’s herb farm. With the primary motive of more direct support going towards Japanese business interests, as is shown in the above case, Japanese ODA stands at a turning point.

In response to these changing private sector dynamics for ODA, Japanese CSOs have been actively exploring opportunities to strengthen their partnerships with Japanese private firms.

Japanese companies have also increasingly been choosing Japanese CSOs as partners when engaging in activities related to BOP businesses and to strengthen their Corporate Social Responsibility. CSOs are seen as organizations with knowledge and specialized expertise regarding social issues in developing countries.

There are many efforts to strengthen the ties between CSOs and businesses. One of these is a network established by the Japan NGO center for International Cooperation (JANIC), which aims at promoting such ties to achieve sustainable development. This network consists of approximately 30 major Japanese CSOs and 20 major Japanese companies such as Toyota, Ajinomoto and Sony. Until a decade ago, CSOs had tended to take a critical view of Japanese companies operating in developing countries from a human rights and environmental point of view. However, these attitudes have been changing among some CSOs. Private companies are recognized as actors that influence the local labour and economic environment, and they are also seen as playing an important role in achieving the right to development, according to this network. Topics such as “Business and Human Rights” and “The Post MDGs” have been put on the network table for discussion by both sides to promote mutual understanding. As compared to a decade ago, these CSOs are now taking a proactive approach, one that shares views and thoughts on development with private companies.

It is still unclear, however, if those Japanese private companies expanding business overseas government support are actually able to contribute substantially to development, as intended by CSOs. Some CSOs take a sceptical attitude toward the impact of these private companies. One criticism is that companies put less emphasis on some key elements that are needed for development impact. Because

business activity ultimately pursues profit, private firms are thought to be less concerned with some important issues for development, such as human rights and environment sustainability.

Another criticism relates to the selection of countries where these business activities are taking place. Japanese CSOs have asked the Japanese government to prioritize ODA budget allocations for Least Developed Countries (LDCs). However, private companies have tended to target new markets in middle-income developing countries. This tendency is apparent in the project proposals that have been approved for support by JICA in recent years. Most projects have been targeting middle-income countries such as Vietnam, India, and Indonesia rather than LDCs as CSOs have been seeking.

CSOs have been approaching the private sector in a number of ways not only to seek out opportunities for cooperation, but also to share their concerns. Yet there are some limitations to these outreach activities. For example, the network organized by JANIC mainly consists of large-scale corporations that have broad experience in this field and have a shared understanding in discussion with CSOs. However, more and more small-medium sized Japanese companies have entered this field, and the access to these new actors is currently limited because there is no established space for dialogue between such companies and CSOs. Japanese CSOs are facing a new challenge to create a solid foundation for future talks with these new actors.

### **Changing environment, unchanging approach: Relationships with southern CSOs**

The challenge of building fair and equitable partnerships between CSOs in the North and

CSOs in the South has a long history. Although some CSOs in Japan have been concerned with this partnership issue and sought to improve relationships, such efforts have been limited to only a few CSOs. Building equitable partnerships, for many Japanese CSOs, has been neither a concern nor an issue to be addressed; these organizations prefer to implement their projects directly. However, direct implementation of projects by Northern CSOs has been long questioned, recently even in Japan.

Nevertheless, a limited number of Japanese CSOs have made efforts to work with the Southern CSOs through partnership. Those CSOs have supported partner CSOs financially and technically to achieve their goals through capacity development. But most Japanese CSOs still manage projects directly by dispatching one or more Japanese staff that works as a country director and manager. In many cases, rules and regulations set by headquarters in Japan are applied in the running of such projects. Relatively large Japanese CSOs are still likely to work with this management style. One reason is that they have tended to focus on local people who face social and economic difficulties of poverty as the main target of their activities, but not local CSOs that support such people. However, it is also true that this latter approach sometimes imposes inappropriate solutions and lacks a perspective of sustaining civil society for the community as a whole.

There is even less attention on this issue of North/South partnership in dialogue between Japanese CSOs and the government. The modalities for cooperation between CSOs and the government have been the main subject in this dialogue. There has been little discussion about how Japanese CSOs supported by ODA work cooperatively with local civil society organizations to contribute to development.

In Japanese society, emergency relief work, which is normally done through direct implementation, is widely recognized as the major activity of CSOs. This attitude is the result of the fact that many major CSOs were born in the 1970s as a reaction to the Indo-China War, in which CSOs were engaged mainly in emergency relief activities. This trend can still be seen in the government funding schemes for CSOs. The Japan Platform (JPF), one of major funding source in ODA, accounting for nearly half of the government budget for CSO support, largely focuses on emergency-relief work and reconstruction in post-conflict societies, but not on development work. As a result, much attention has been focused on how Japanese CSOs are able to implement their projects directly with the support of the Japanese ODA. But there is little attention given to the work with local CSOs towards long-term development.

Donors' funding policies are also an important factor affecting CSOs' behaviour in fund-raising. Japanese donors, including individual citizens, foundations and the government, prefer to ask CSOs to send Japanese staff to be on the ground managing the activities. One such example is "JICA Partnership Programme", which is a JICA's major support scheme for CSOs. For projects funded by the scheme, CSOs are basically supposed to implement them directly by sending Japanese staff at the grass-roots level. Since Japanese CSOs tend to rely largely on outside funds, the behaviour of CSOs is often affected by donors' terms and conditions, as the CSOs needs to raise funds. Whether Japanese CSOs become fully aware of the concept of equitable partnerships and are committed to work through such partnerships, consequently partly depends on donors' funding policies.

Although Japanese CSOs are less aware of concerns for operating through equitable partnerships with Southern counterparts, some senior CSO staff actively raised this issue inside the Japanese CSO community. They point out that the more capacity Southern CSOs have to manage and operate projects, the less need there is for Japanese CSO to be involved directly projects. They have also been sending a strong message that the presence of Japanese CSOs on the ground is becoming a major issue that has to be addressed. Changing perspective on challenges for Japanese CSOs' role is increasingly a main point of discussion for the future direction of partnerships between Japanese CSOs and Southern CSOs.

## **Conclusion: Deepening partnerships**

As JICA points out, "creating a win-win-win situation for developing countries, private enterprises and ODA" is a key issue in working through partnerships. However, it is more important to have a perspective on "partnership for whom?" In ODA allocations, more weight should be given to the creation of win-win situations for developing countries involving partner governments, local CSOs and local people, and far less to the interests of Japanese private enterprises.

Proactive measures to focus on this balance are needed in working through partnerships. For example, appropriate evaluation system or operational framework for partnerships should be in place to measure not only outputs and outcomes, but also the process inherent in the partnership. Partnership is not all about tools, but also process and value.

