Japan’s Official Development Assistance

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Abstract
In recent years Asian foreign aid has changed. Japan, once the main provider of official development assistance within the region, has reduced its aid in response to domestic political and economic pressures. China is a resurgent aid provider, and the field of Asian aid givers is increasingly crowded. This article investigates Japan’s foreign aid as a case study to begin a comparative survey of aid policies in Asia. First, it surveys the development of Japan’s aid since the 1950s. Second, it analyzes the geographic distribution of Japanese aid. Third, it assesses the government’s efforts to develop an aid philosophy and to reorganize aid to meet post-Cold War aid requirements. Fourth, it examines Japan’s post-Cold War aid in light of the Millennium Development Goals (MDGs), the current international consensus on development. Finally, it assesses Japan as a DAC donor.

Keywords: official development assistance, Japan, Millennium Development Goals, aid philosophy, administrative reform

Introduction
In recent years the landscape of Asian foreign aid has changed dramatically. In the 1990s Japan was clearly the main provider of official development assistance within the region; today South Korea, a former aid client, has joined Japan in the ranks of the Development Assistance Committee, the rich countries club within the Organisation for Economic Cooperation and Development. China’s aid giving pedigree is as long as Japan’s, but the revival of its economic cooperation program, moribund in the 1970s and 1980s, has gained attention in recent years. In part this is due to the renewed attention within the Chinese government itself, which has grasped anew the uses of foreign aid as a diplomatic and economic tool, and in part because scholars and policy-makers abroad have released a torrent of academic and journalistic work on this topic. China’s re-emergence as an active donor has sharpened the possibilities for aid competition with Taiwan, also a long-time donor. Elsewhere, Thailand and India now aspire to
the position of aid donors, shedding their postwar identities as aid recipients. Asian aid is on
the move.¹

On the other hand, in the last twenty years Japan has experienced the limitations of
development assistance, as a tool both of development and foreign policy, and as a public policy
vulnerable to fiscal restraints. As of this writing Japan’s net ODA volume has fallen to fifth
place in the DAC, with a falloff of approximately forty percent from its peak in 1998. In 2007
it ceded its leading donor status in Asia to the United States and as a result is no longer lead
donor in any region (Gaimusho 2009, 178). The 2011 Tohoku earthquake and tsunami disaster
have placed additional strains on Japan’s already straitened fiscal situation, which may require
further reductions in the aid budget. Its foreign aid as a percentage of gross national income is
about what it was in the mid–1970s, a time when Japan was just emerging as a major aid donor.

This article investigates Japan’s foreign aid as a case study to begin a comparative survey of
aid policies in Asia. First, it surveys the development of Japan’s aid since the 1950s. Second, it
analyzes the geographic distribution of Japanese aid. Third, it assesses the government’s efforts
to develop an aid philosophy and to reorganize aid to meet post Cold War aid requirements.
Fourth, it examines Japan’s post-Cold War aid in light of the Millennium Development Goals
(MDGs), the current international consensus on development. Finally, it assesses Japan as a
DAC donor.

Development of Japan’s Foreign Aid

In 2004 the ministry of foreign affairs marked the fiftieth anniversary of the foreign aid
program. The origins of Japan’s aid date back to war reparations to Asian neighbors and the
establishment of the Colombo Plan in the 1950s, but aid per se began in the early 1960s. In
1960 Japan was admitted to the Development Assistance Committee (its official name since
1963) of the newly created Organization for Economic Cooperation and Development. In so
doing it entered the circle of “developed nations” as the sole Asian member. At the time its
role in DAC debates was limited by the relative hardness of its aid terms and its reluctance to
commit to set aid levels (Rix 1980). The Ministry of Foreign Affairs (MOFA) usually viewed
DAC pronouncements positively and used the DAC as support in its policy battles with other
ministries. The Ministry of Finance, however, tended to resist calls for Japan to raise its aid
levels. In any event, DAC criticisms constituted an external prod to Japanese aid efforts in the
1960s and 1970s.

Concurrent with rapid economic development Japan increased its aid commitments in the
Japan’s aid program rose to international prominence beginning in the late 1970s. In medium-term aid targets between 1978 and 1994 the government committed itself to a series of budgetary expansions. Aid rose from $3.3 billion in 1980 to $9.36 billion in 1997 and $13.4 billion in 2000. Aid budget increases were helped by the significant appreciation of the yen following the Plaza Accord in 1985. In 1989 and again between 1991 and 2001 Japan’s aid volume made it the largest bilateral aid donor in the world and the only donor in the history of postwar foreign aid to displace the United States from the top position.

Japan’s emergence as top donor coincided with the end of the Cold War. To that point most analyses argued that the country’s aid policy was primarily driven by commercial motives and bureaucratic interests (Hasegawa 1975; Loutfi 1973; Rix 1980; Orr 1990; Arase 1995). Quantitative analysis tended to find support for the commercial motivation for aid giving (Maisels and Nissanke 1984; Schraeder, Hook, and Taylor 1998). Bilateral relations with the United States were also a key diplomatic concern in allocations of aid to specific countries at key moments during the Cold War (Yasutomo 1986; Orr 1990; Miyashita 2003).

The end of the Cold War has produced new directions in Japan’s aid policy, including administrative reform and serious thinking about the purposes of aid, discussed below. SaoriKatada (2004) observes two trends in post-Cold War Japanese aid: on one hand it has become more nationalistic and tied more clearly to security issues, especially after 9/11, on the other it has come to better incorporate humanitarian concerns. As the government has come to openly assert its security concerns while upgrading its military capacity (Shinoda 2004; Samuels 2007), foreign aid and Self Defense Force participation in peacekeeping operations have developed in parallel in Cambodia, Mozambique, East Timor, and Iraq. To date, ODA and PKO operations have not been formally integrated and separate agencies are charged with decision making. In Iraq, however, the author found evidence of *de facto* overlap in regional allocations of foreign aid and dispatch of the SDF in that country (Potter 2011).

Moreover, in the post-Cold War period the Japanese government has used aid sanctions, positive and negative, to promote democratization, human rights, and nuclear non-proliferation (Furuoka 2007; Long 2001). It applied sanctions and other measures on aid to China numerous times beginning with the Tiananmen incident in 1989 (Takamine 2006; Katada 2001). Finally, as the economic rise of China is increasingly seen in Tokyo as developing an economic rival and a potential security threat. This prompted the Japanese government in 2003 to announce it
would phase out loan aid to China and terminate it in 2008. The downgrading of aid to a country that had been given special status as a recipient is a clear demonstration of the use of aid policy for strategic purposes. Sato and Asano (2008) also note that countries around China and along Japan’s sea-lanes also received more aid after 2001, suggesting both a hedging strategy against a rising China and a foreign aid policy that directly supports the national interest.

In 1999 human security was adopted as a key aid concept, which allows aid officials to think about the link between security issues and development. Aid, therefore, has also taken on a more humanitarian aspect. This is especially so in the grant aid program, where the human security concept has facilitated thinking about aid for post-conflict reconstruction in conflict-affected countries and for refugee relief. Quantitative evidence (Tuman, Strand, and Emmert 2009) has identified humanitarian considerations in Japanese foreign aid especially since the 1990s.

**Types of Aid**

Japan disburses three types of aid: loans, grants, and technical assistance. It also contributes to multilateral aid agencies, including the World Bank, United Nations agencies, and the regional development banks. Bilateral aid has always taken the lion’s share of the aid budget, between two-thirds and three-quarters of total aid in any given year.

Loans have made up a significant component of aid giving. Japan’s loan aid as a share of total aid is larger than any other major DAC donor, and this tends to lower the grant element of Japanese aid. Japan has provided three kinds of loans: project loans, commodity loans, and program loans. Project lending has been the most common form throughout Japan’s aid history. Commodity loans were common until the 1980s but are now rare. Program loans have been used selectively since the 1980s. Loans emphasize economic infrastructure development, which has been a characteristic of Japan’s overall aid.

The relatively large share of loans in Japan’s aid profile has consequences for assessments of aid quality. The DAC uses two measures of aid quality: ODA as a proportion of GNI and the grant element of total aid. Japan has always performed poorly on the first measure, although this is not due to the composition of aid itself. Loans do matter in the calculation of grant element simply because a higher proportion of concessional loans to grant assistance inevitably lowers a donor’s grant element. With roughly half of Japan’s ODA disbursed in the form of loans in any given year it continues to have one of the lowest grant elements among the DAC donors despite efforts to improve in the last decade (Nishigaki, Shimomura, and Tsuji, 2009).
Despite, or because of, the large loan component Japanese policy makers resisted the international consensus of the 1990s toward significant debt relief for the poorest countries. Two reasons reinforce this reluctance. First, in line with the notion of self-help outlined below, policy makers have argued that debt forgiveness is a form of moral hazard that encourages governments to borrow more than they can repay. Justifications of Japan’s own postwar development point to the limited and selective use of international borrowing to finance development policies. Second, yen loans have been financed from the fiscal investment loan program, Japan’s “second budget” not part of the annual government budget. Loan aid funds are drawn from the national postal savings, social, security, and other public savings programs, so failure to repay loan aid has potentially serious impacts on safety nets to Japanese citizens. Only in recent years, faced with mounting demands from other donors for participation in resolving the development problems of the poorest countries and declining aid budgets, has the government resorted to significant debt forgiveness. In 2005, for example Japan’s debt forgiveness, mostly to Iraq, amounted to about one-fifth of the annual aid budget.

**Geographic Distributions of Japanese Aid**

In 2005 the Ministry of Foreign Affairs announced that since 1954 Japan had provided aid in some form to nearly 190 countries in all parts of the world (MOFA 2005). Asian countries have been the core recipients of Japan’s ODA. In the early 1970s Asian countries accounted for about 80 percent of its bilateral aid in the 1970s, and about 65 percent in the 1980s. In 1982 China received ODA from Japan for the first time, and through the 1990s it, Indonesia, Thailand, and the Philippines alternated as the largest recipient of Japanese aid in any given year. The Asian bias in aid results from a combination of the evolution of the aid program from postwar reparations, Japan’s commercial and economic interests, and the strategic and political importance of the region. (Potter 1996) The region remains important: according to DAC calculations Asia (including South and Central Asia) accounted for about 53 percent of Japan’s gross bilateral aid in 2007–08.

As Japan’s international aid presence increased in the 1980s and 1990s so did expectations about its role in maintaining the international system. As its trade surpluses soared after the Plaza Accord in 1985 it pledged to recycle part of that surplus as aid. In tandem with the United States it played an important role in providing debt relief to Latin America in the late 1980s and economic restructuring efforts to the former Communist states of Eastern Europe in the 1990s. In the last decade it has also increased its aid, mostly in the form of grants, to sub-Saharan
Africa in response to the DAC consensus on the priority of that region.

At the same time broadening the geographic spread of aid has allowed Japan to pursue its own goals. In the 1990s the Ministry of Foreign Affairs made clear its goal to achieve a permanent seat at the Security Council for Japan. In 1993 the government hosted the first Tokyo International Conference on African Development. The fourth TICAD conference was held in July 2008, and then-prime minister Fukuda Yasuo pledged to double Japan’s ODA to the continent over the next five years. In 2000 Japan announced the establishment of the United Nations Human Security Trust Fund. Until recently this was a completely Japan-financed venture, although with limited parallel bilateral funding for projects from other DAC donors (Miguchi 2011).

Meanwhile, the country’s whaling policy has drawn international criticism, prompting Japan to try to attract support from small island states in the Caribbean and the South Pacific, and from selected states in Africa to reform the International Whaling Commission (Morikawa 2009). Grant aid for fisheries development in micro-states is attractive in an era of budgetary frugality because the expenditures are so small: friendly island states typically get one or two grant projects a year in exchange for their support at the IWC (Potter 2010).

Table 1 shows bilateral aid to Japan’s top 15 donors in the mid-1990s and mid-2000s. Three points are worthy of note. First, the continued emphasis on Asia is clear. Most of the top Asian recipients of the mid-1990s remain so a decade later. The Asian financial crisis of the late 1990s reinforced Japanese priorities in the region (Trinidad 2007), but we can also see realignment of priorities among recipients in the region. South Korea received its last Japanese aid in 1995. China remained among the top recipients through 2007 but the 2003 decision by Japan to phase out loan aid there by 2008 means that priority will not continue. Viet Nam has replaced Thailand as the comer in the Japanese aid program in the first decade of the twenty-first century.

It is also the case, however, that net aid to the region has fallen considerably because repayments of previous loans reduce the value of new loan aid. For example, in 2004 Indonesia retired more loan aid debt than it received in new aid (Kunihiro 2008). In 2008, loan repayments from Asia exceeded new loans by more than one billion dollars (Gaimusho, 2010).

Second, the continued emphasis on Asia means that Japanese aid tends to support middle-income economies. The Human Development Index rankings in Table 1 demonstrate this. This puts Japan somewhat at odds with the DAC consensus to focus aid efforts on the least developed countries.

Third, the new entrants on the 2005–06 list reveal important aspects of Japan’s post-Cold
Table 1  Japan’s Top 15 Aid Recipient Countries

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Source: Japanese ODA data (OECD, International Development Statistics Online DB)
HDI rank (UNDP, 1995; 2006)

* a: % of total ODA (gross disbursements)
* b: Average of Top 15 countries’ HDI rank
* c: % of loan (gross disbursements)
* d: % of grant (gross disbursements)

War aid agenda. While still small in number, African recipients have gained prominence. This can be seen as a result of three factors: Japan’s own initiatives toward Africa through the TICAD process since 1993, the international consensus reached since the establishment of the Millennium Development Goals on the need to increase assistance to Africa, and on the relatively lessening need for aid in East and Southeast Asia. The high place of Iraq on the list in 2005–06 is unprecedented and reflects the commitment of the Koizumi government and its successors to management of the bilateral alliance with the United States and efforts to promote post-conflict reconstruction. Iraq ranked number one on the list in 2004–05. Japanese aid to that country before the Iraq War in 2003 had been negligible.
Development of an Aid Philosophy

Scholars have often questioned whether Japan has an aid philosophy (see for example, Rix 1980; Pharr 1994). Aid was largely seen either as a tool to promote the country’s business interests in Asia or respond to United States and DAC pressures to contribute to the maintenance of the international system. The lack of political party rotation in power in postwar Japan has had two long-term consequences for the aid program. First, policy reform has rarely been driven by shifts in ideology because no new ruling party emerged until 2009. Rather, policy reform has been incremental and managed by the bureaucracy. The puzzle as to why Japan did not seem to have an aid philosophy reflects in part the fact that there did not seem to be a need to articulate one in a prolonged period of one-party dominance of foreign policy making.

As a result, Japan’s aid policy has been remarkably stable. The aid program has not been impervious to aid debates at the DAC and the broader development assistance community, but its participation in these debates has often been defensive. Japan’s participation in changing aid norms is often the result of policy windows opening elsewhere in the international development community (see Potter 1994). The aid program still reflects significant aspects of modernization theory in its adherence to government-led, large-scale infrastructure projects designed to promote industrial growth (Watanabe 2006). Japan has been slowest to adopt the international aid norms that Jean-Philippe Therien (2002) has identified with the policies of the left. Japan’s position on the current consensus on poverty reduction and development is an example. As officialdom and allied scholars have articulated an aid philosophy the core elements they deduced were typically conservative positions on development: self-help, economic infrastructure development, and poverty reduction through economic growth.

As Susan Pharr (1994) notes, official agencies and scholars close to them began deliberately to address the question of an aid philosophy in the 1980s. The question became acute in the 1990s as Japan replaced the United States as the world’s largest bilateral donor and as the OECF in particular engaged the World Bank in a debate over the wisdom of the Washington Consensus and its emphasis on market-led development. The OECF sponsored the famous East Asian miracle study conducted by the World Bank but was disappointed by the study’s lack of a clear endorsement of the developmental state model then in vogue in Asia (Terry 2001). Further scholarly articulation of this position have contested the issues of the role of government in promoting economic development, the wisdom of pursuing democratization concurrent with early stages of industrial development, and the time required to achieve economic development (Ohno and Ohno 1998).
Articulation of a Japanese aid philosophy has followed two tracks. The first is the formulation of the ODA Charter at the behest of the Ministry of Foreign Affairs. The first Charter, adopted by Cabinet Resolution in 1992, laid out key principles and objectives of foreign aid, most notably a commitment to link aid giving to recipients’ adherence to democracy, limitations on military spending and production and sale of weapons of mass destruction, and environmental conservation. The Charter was revisited and revised in 2003, with greater emphasis placed on the link between national interest and aid on the one hand, and inclusion of human security as an aid principle on the other.

To date, the charters stand as the core statements of Japanese aid principles and objectives. In the summer of 2009 the Democratic Party of Japan reviewed Japan’s basic aid policies. The review, initiated at the behest of then-foreign minister OkadaKatsuya, has refined but not largely changed the basic direction of post-Cold War aid policy.

On a second track, that debate has resulted in the identification of purported key lessons about Japanese economic development and its application to aid policy. The clearest is the articulation of the principle of self-help. Its interpretation is peculiarly Japanese. First, it is closely linked to the construction of a purportedly unique aid history that places Japan as first a recipient and subsequently as a donor and therefore privileges it as postwar aid’s first successful graduate. (In 1946 and 1948 Japan received emergency assistance from the United States through the Government and Relief in Occupied Areas (GARIOA) and Economic Rehabilitation in Occupied Areas (EROA) programs. In 1952 it joined the World Bank and borrowed its first loan therefrom the following year). That this narrative ignores the presence of the other three donors included in this volume, and which in fact were actively providing aid even as Japanese scholars were asserting that position, is perhaps an error of oversight. It also ignores the role of the Marshall Plan in Europe’s early postwar reconstruction. Given the intimate connection between the Marshall Plan and the origins of postwar foreign aid the oversight is harder to explain. Similarly, it pays no heed to American emphasis on self-help in development, a philosophical line that goes well back in American political culture and figures prominently in President Truman’s famous Point Four speech.

Second, corollary to the first, it places Japanese aid philosophy in opposition to “western” aid norms. Nishigaki, Shimomura, and Tsuji (2009), for example, contrast the Japanese notion of self-effort with the European idea of noblesse oblige, which, they argue, underpins Western aid.

For many years the so-called request principle has been a distinctive feature of Japan’s aid program. Officially, the Japanese government will not consider an aid project until the prospective recipient government makes a formal request for assistance, although this stance...
has been relaxed somewhat in recent years. Interpretations differ as to why it has been such a
explained it as a device to place responsibility for development project formulation on recipient
governments and thereby avoid political repercussions from recipients, many of which had been
for reducing the administrative and programming burdens of active project identification. More
recently, Japanese scholars such as Toshio Watanabe have elevated it to a core feature of the
self-help doctrine (Watanabe and Miura 2003, pp. 44–45). In some ways this practice was years
ahead of the DAC curve: the request principle shares many features of current DAC and World
Bank thinking about the importance of ownership in the development process (see Ohno and
Ohno 2008). Yet, as the ownership debate has gathered momentum in development circles,
Japan has rethought the limitations of the request principle. The 2003 aid charter, for example,
argues for more active Japanese interaction with recipients in developing country strategies to
improve the quality of aid projects.

Japan’s understanding of ownership, however, still differs from that of other donors.
Discussions at the World Bank, DAC, and elsewhere, for example, have moved toward Sector-
wide approaches (SWAPs), common pools, and aid co-ordination as ways to alleviate the burden
of project-oriented aid on recipients and to give them greater control over use of aid funds (See
Kanbur and Sandler 1999; Johnston and Manning 2005). Japan continues to emphasize project
aid for a variety of reasons, including the need to explain aid to taxpayers and to ensure control
over aid funds, and has therefore tended to be reluctant to participate in SWAPs and common
pool schemes (Takahashi 2005).

**Aid and Administrative Reform**

Japan’s aid apparatus evolved piecemeal from the technical assistance and reparations programs
of the early postwar period. Agencies were added but the political will to create a centralized
aid administration never appeared (Rix 1980). Grant aid was directed by the Ministry of Foreign
Affairs and implemented by the Japan International Cooperation Agency (JICA), which also
implemented the technical assistance and Japan Overseas Cooperation Volunteers programs.
Loan aid was directed collectively by the ministries of foreign affairs, international trade and
industry, and finance and by the Economic Planning Agency (riddled with secondments from
MITI and MOF) in a system known as the *yon-shouchoukyougitaisei* (four agency consultation
system). The latter is characterized by relatively long decision time and lack of transparency in
decision-taking. The result has been a highly decentralized aid structure that separates loan aid from grant aid and technical assistance to the detriment of aid effectiveness (see Arase 2005).

Decentralization fostered divergent understandings of the nature and purpose of foreign aid. Most scholars agree that the main division in the aid program for many years lay between the MOFA and MITI. Each perceived aid in terms of its broader mission, and until 2000 each issued its own annual foreign aid white paper. MITI understood foreign aid as part of broader economic interactions (trade and DFI) intended to support Japanese industry abroad. Its policy reintroducing tied yen loans in Japan’s aid response to the 1997 Asian financial crisis demonstrates the continuation of a mercantilist bent in that ministry’s orientation to foreign aid. MOFA, in contrast, sees aid as closely related to Japan’s political position internationally. Aid is a tool of foreign policy with which to seek support from recipient countries important to Japan, and with which to demonstrate its leadership in international affairs. The contrast in policy orientations can be seen in two key policy documents issued in the last decade: the 1992 ODA Charter and MITI’s 1997 White Paper on Economic Cooperation. The first, produced under MOFA auspices, includes support for democratization, support for demilitarization, support of the environment as principles fundamental to the aid program. MITI’s 1997 White Paper, on the other hand, calls for greater privatization of economic cooperation with Asia, the clear intent being a reduction of official flows in favor of expanded private sector trade and investment.

This organization of aid programs worked tolerably well through the 1990s. It accommodated rival ministries with divergent views of aid while preventing any ministry from completely dominating that particular policy domain. The burden of anticipating an opaque decision making process was externalized to recipient government development planners, who were given the task of making formal requests for finance before the Japanese government would formally consider whether to aid their projects (That the actual interplay between donor and recipient never worked that way is beside the point.)

The issue of administrative reform became acute in the 1990s for three reasons. First, in 1991 Japan became the largest bilateral aid donor in the DAC, which turned aid discussions from a concentration on “how much?” in the 1980s to “what for?” in the 1990s. Second, discussions of aid policy increasingly had to take into account the long-term effects of fiscal constraints and the Heisei recession. Both provoked a reassessment of the overall aims and priorities of aid policy in light of what is now recognized to be a structural fiscal debt problem.

Third, a long-standing struggle for policy influence between the bureaucracy and career politicians in the Diet shifted in favor of an increasingly activist generation of younger legislators. This shift culminated in the limited administrative reform achieved under the
Hashimoto cabinet (1995–1998) and enacted in early 2001. Cabinet-level ministries and agencies were consolidated from eighteen to thirteen and policy roles and jurisdictions were reassigned or modified in key agencies. This process affected foreign aid largely at the margins, however. METI’s stake in ODA was reduced, which has helped streamline loan aid policy making. On paper, at least, the Ministry of Foreign Affairs’ coordinating role in aid policy making was enhanced, and the 2001 reorganization was reflected in a new internal structure designed to better attuned to development and civil society issues. The new Cabinet Agency was formally given a role in aid policy making, although its role to date has been muted and largely confined to budget reductions.

The 2001 bureaucratic reorganization was followed by the attempt to curb the size and budgetary impact of public corporations during PM Koizumi’s first term. Reform in this area has had a more visible impact on aid policy. Japan’s loan aid window, the OECF, had already been consolidated with the Export-Import Bank into the Japan Bank for International Cooperation (JBIC) in 1998. JICA has undergone a number of changes since 2001. In October 2003 it was designated as an independent administrative agency (dokuritsu gyouseihoujin). Some of its functions were streamlined, for example emigration services were hived off assigned to a new non-profit organization, but the main result of the new designation was to remove it from direct supervision by MOFA. The appointment of Sadako Ogata, former High Commissioner at UNHCR, enhanced its image as an independent development agency.

There had been talk during the 2001 bureaucratic reorganization of folding JICA into JBIC, which would result in something like an aid ministry. The proposal had been debated off and on since the early years of the aid program, but was not effected until 2008 when JBIC was consolidated with JICA to make what was called the world’s largest bilateral aid agency.

Long-term recession, however, refocused political attention on economic growth. Government fiscal policy in the 1990s relied on Keynesian stimulus packages, mostly domestic public works. The inauguration of the Koizumi government (2001–2006) marked a significant turn toward market liberalization and economic restructuring, including downsizing of government. The 2009 House of Representatives election that swept the Democratic Party of Japan to power led to a series of reviews of government programs in the name of cutting wasteful spending: foreign aid proved a convenient target. Political leadership in aid policy since the late 1990s has largely consisted of aid budget cutbacks in the name of fiscal retrenchment.

Consolidation and budget reduction are of course interrelated. While foreign aid was the fastest growing portion of the national budget during the 1980s, the extreme decentralization of the program could be accommodated. The 1990s recession and spiraling fiscal deficits have
forced hard questions about mission, which in turns leads to competition for allocations of a stagnant, now shrinking, pie. Significantly, the first formal council to coordinate relations among seventeen agencies regarding the aid program was formed in March 1999, at the end of the year in which the aid budget was cut ten percent.

Administrative reform has partially corrected the extreme decentralization of aid implementation. Overall reduction of participants in ODA implementation was accomplished simply by the fact of overall agency reduction. In other words, the merger of the Ministries of Health and Labor; the merger of Construction, Transportation, and the National Land Agency into the Ministry of National Land and Transport; and the merger of the Science and Technology Agency into the Ministry of Education (now the Ministry of Education and Science) simplified the ODA participant list as a by-product of more general administrative reform. More than a dozen agencies still implement some portion of the ODA budget each year.

Administrative reform has had some impact on aid administration capacity, although it is too early to tell how much. Despite continual official statements about the need to improve aid effectiveness and administrative capacity, the entire thrust of bureaucratic change in the 1990s has been to reduce the size of the national civil service, both in terms of number of agencies and personnel. This can hardly benefit an aid bureaucracy that is already small by international donor standards. There is a general consensus among scholars of Japan’s foreign aid that more staff, particularly those with technical expertise, would go a long way toward the government’s stated objective of increasing aid effectiveness. Technical transfer and project monitoring are important elements of the new environmental aid, and both require staff competencies not usually attributed to Japan’s aid bureaucracy.

**Japan’s ODA and the Millennium Development Goals**

Since their adoption by the United Nations in September 2000, the Millennium Development Goals (MDGs) have served not only as benchmarks for national development efforts but for development assistance from the international community as well. The Monterrey Summit of 2002 and the Gleneagles Summit of 2005 called upon foreign aid donors to step up their budgets for poverty alleviation. How well Japan’s ODA supports the MDGs, therefore, can be seen as a measure of its willingness to conform to international development norms.

The foreign ministry states that Japan is “fully committed to the achievement of the Millennium Development Goals” (Ministry of Foreign Affairs, 2005: 1). Quantitative studies have suggested differently. Research on the relationship between donor performance and
MDGs shows that Japan’s aid is not highly selective either in terms of recipient country or sector (Baulch 2004; Sawada et al. 2006; Thiele, Nunnenkamp, and Dreher 2007; Kasuga 2007).

In the 2003 ODA Charter, the document which lays out the most significant policy objectives of Japan’s ODA, there is no direct discussion concerning the MDGs, although it states that poverty reduction is the first of four priority issues. As both the MDGs and the Charter are statements of medium-term policy that cover the same period, the Charter’s failure to mention the MDGs at all is puzzling. The Medium-Term Policy of 2005 refers to the MDGs in the section on poverty reduction. However, Japan’s official position is that “poverty reduction should be pursued comprehensively through actions that address both the economic and social dimensions” while the “MDGs consist to a large extent of targets relating to the social sector”. Moreover, neither the Medium-Term Policy nor the annual reports of Japan’s aid implementing agencies since 2000 contain specific criteria that can be used to measure contribution to achieving MDG targets. In 2009 the newly-elected Democratic Party carried out a review of aid and the ODA Charter. The review specifically addressed the MDGs and upgraded the importance of achieving them, a policy reflected in the 2010 White Paper on ODA (Gaimusho, 2010; Gaimusho 2011). Specific targets for Japan’s aid, however, were not set. Poverty reduction remains a general principle to be achieved somehow through the application of aid (Kim and Potter 2010).

Japan’s approach to achieving the MDGs is “poverty reduction through economic growth” based on the experience of development in East Asia (MOFA, 2003; MOFA, 2005). Japan’s bilateral financial assistance is divided into grants and yen loans. Provision of yen loans to promote economic growth of recipient countries through the development of economic infrastructure has been a pillar of its ODA system, although grants have been implemented partly to social sectors directly related to the MDGs. However, it is difficult to implement yen loans to LDCs because they require repayment. The character of the Japanese aid system in which the grant and yen loan programs have different development priorities and purposes makes Japan’s direct contribution to the MDGs difficult (Kim, 2009).

Table 1 demonstrates the limitations of the Japanese approach when viewed from the perspective of the MDGs. The table shows that in terms of Human Development Index rankings Japan’s aid now focuses somewhat more on poorer countries than it did in the mid-1990s. This is due largely to aid graduation by some high income countries like South Korea, Mexico, and Malaysia and the inclusion of selected African countries in Japan’s list of top aid recipients. The basic bifurcation of the aid program into loan aid and grant aid tends to restrict a more active poverty agenda in Japan’s aid because yen loans are not provided to the poorest
Continual cuts in aid budgets since the mid-1990s have made the situation more difficult. The commitment to increase ODA volume for the achievement of the MDGs is included in Indicator 32 (reconfirmation of the UN goal that DAC donors will provide 0.7 percent of their GNP as ODA) and in various UN reports. At the International Conference on Financing for Development, held in Monterrey, Mexico in March 2002, heads of state and their governments adopted the so-called Monterrey Consensus of making efforts to achieve the 0.7 percent goal. As the representative of the Japanese government, Vice Minister for Foreign Affairs Shigeo Uetake (neither the prime minister nor foreign minister attended) stated that Japan continue to play a leading role in addressing the world’s development problems (MOFA, 2002) but failed to make the commitment to aid increases that the heads of other developed countries announced.

At the Gleneagles Summit, held in 2005, Prime Minister Junichiro Koizumi announced that Japan would increase ODA by 10 billion dollars in the coming five years and double ODA to Africa in the next three years (MOFA, 2005b). This was a more positive attitude compared to that shown in Monterrey. But the contents of that increase were mainly debt relief to Iraq rather than an increase of grants for social sector development.

Budgetary restrictions in the last decade have strengthened the role of loan aid because yen loans are drawn from off-budget resources and are repaid by the recipient. Through increases in government bonds and the fiscal loan and investment program, yen loans in FY2006 increased by 11.4 percent compared to the previous year. In FY2006, on the other hand, grant aid and technical cooperation decreased by 2.6 percent and 2.9 percent respectively compared with the previous year. (Gaimusho, 2007, p. 217) These trends continued through FY2009 even as the aid budget rebounded somewhat in 2009 (Gaimusho 2010, p. 117). Therefore, aid budget cuts not only makes Japan’s contribution to the MDGs difficult but also encourage increases in the ratio of yen loans that are difficult to allocate to the LDCs and which undermine international commitments to comprehensively solving LDC public debt and promoting development of the highly indebted poor countries (HIPC).

**Japanese ODA and MDGs Indicators**

MDG Goal 8 (global partnership) includes six indicators (32–36) to measure ODA contribution: net ODA as a proportion of GNI, net ODA to the least developed countries as a proportion of GNI, proportion of total bilateral ODA to basic social services, proportion of untied bilateral ODA, aid to landlocked developing countries as a proportion of net bilateral ODA, and aid
to small island developing states as a proportion of net bilateral ODA. As mentioned above, Japan’s ODA volume continued to decrease after the mid-1990s, falling from first place in 2000 to fifth behind the United States, France, Germany and the United Kingdom in 2007. Japan is the only DAC country in which net ODA in 2007 was lower than 2000. Net ODA as a proportion of GNI also continued to decrease, falling below 0.2 percent in 2007, a ratio that was lower only in Greece and United States. On the other hand, the target of 0.7 percent was achieved in five countries (Denmark, Luxembourg, Netherland, Norway and Sweden).

Indicator 32 also measures whether donors expand ODA for LDCs to 0.15 percent of GNP. Japan’s ODA for LDCs has ranged between 0.04 percent and 0.08 percent since 2000: in 2007 aid to LDCs was 0.06 percent of GNI, the lowest in the DAC save for Greece and the United States. In 2007, nine DAC donors achieved the target. Of Japan’s top fifteen aid recipients in 2006–2007, only two countries (Nigeria and Tanzania) were in the low human development category and only Tanzania is a highly indebted poor country. Japan is unlikely to achieve the target of 0.15 percent by 2015.

The proportion of ODA to basic social services, indicator 33, is also extremely low and declining. After reaching its highest level in 2000, the proportion has moved between three and six percent. In 2007, the proportion of ODA to basic social services was 4.29 percent, the lowest level after Portugal, although 16 DAC countries in 2007 allocate over ten percent of their ODA to these sectors and five allocated over 30 percent (Canada, Ireland, Luxembourg, New Zealand and United States).

Untied aid is the only progressive indicator in Japan, although it has moved up and down since 2000. In 2007, just over 95 percent of Japan’s ODA was untied, about 10 percent higher than 2000, and in ninth place among the DAC countries.

Aid to landlocked developing countries and small island states by Japan has been low but generally in line with other DAC donors. Aid to landlocked developed countries ranged between 11 and 16 percent from 2001 to 2007, not very different from the DAC average of 13.2 percent of total bilateral aid in 2007. Aid to small island states accounted for 3.5 percent of Japan’s bilateral aid in 2000, after which it has tended to decrease. DAC aid to small islands has also ranged between two and three percent of total bilateral aid, however, so it can be said that Japan’s aid to small islands is not especially low compared to its DAC counterparts.

In sum, the government of Japan has publicly stated its support for the MDGs but its aid in practice has responded only partially to the commitments made about achieving them. Its continued emphasis on middle income countries tends to blunt its direct contribution to the MDGs. Moreover, its preference for the hardware aspects of development tends to reduce its
social development contributions. As Roger Riddell pithily states, poverty reduction for Japan is “way down the list of priorities” (Riddell 2007, p. 96).

Conclusion

Japan is in many ways a typical DAC donor. Its aid program took shape as the postwar aid regime was being institutionalized. Like many of its counterparts it developed its aid policies and institutions in response to practical issues of foreign policy and international development on the one hand and available domestic resources on the other. The seeming lack of an overarching aid philosophy for so many years reflects this practical bent as does the emphasis on self-help development efforts that parts of Japan’s aid community now champion.

Considering Japan’s foreign aid policies today one can discern the long-standing institutional division between loan aid and grant aid. For many years each had separate implementing agencies and competing ministerial coalitions. The debate on an aid philosophy is fluid and reflects those long-term divisions despite the recent amalgamation of the Japan Bank for International Cooperation into JICA in 2008. Significantly, the champions of a Japanese model of aid and development based on self-help and an Asian development experience distinct from Western models articulated especially by the United States and the World Bank, tend to come out of the loan aid administration. On the other hand, the foreign ministry and JICA tend to champion the human security approach and the MDGs, in line with current mainstream development approaches.

A major assumption of the Millennium Development Goals is that international commitment will translate into national action. Japan’s foreign aid over the past decade suggests that this connection tenuous at best. Japan’s ODA allocations reveal little selectivity for the MDGs per se. Japan’s foreign aid commitment to achieving the MDGs has been partial at best, simultaneously beset by continual budget contraction and competing development paradigms and political priorities. The continued emphasis on supporting East Asia’s economic development detracts from Japan’s contribution simply because that region is not the center of the MDGs’ attention. Africa has begun to attract more attention in the aid program, but it is as yet unclear whether Japan will maintain its commitment to augmented funding.

Notes

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「日本の政府開発援助」

David M. POTTER

要　旨
近年、アジアの開発援助の状態が変わりつつある。かつて地域内メードナーであった日本は、国内政治経済的動向に応じて、1998年以降ODAの大幅な縮小を行ってきた。それに対して中国による経済協力の復活等によって、アジア地域の援助供与国の複数化が目立つのである。この状況の中で、本稿はアジア諸国の援助政策の比較研究の第一歩の事例研究として日本の開発援助政策を取り上げる。本稿は、第一に、1950年代以降の日本の開発援助の経緯を考察し、第二に、その援助の地域的配分を分析する。第三に、冷戦後の国際開発規範の変化に対する日本政府によるODA理念の策定及び援助行政改革を評価し、第四に、冷戦後の日本のODAが現在国際開発規範であるミレニアム開発目標に貢献しているかを分析する。最後に、本稿はDACドナー国としての日本を評価する。

キーワード：政府開発援助、日本、ミレニアム開発目標、援助理念、行政改革