3 Efforts to Ensure Appropriate Development Cooperation

Japan’s ODA has, over many years, not only contributed to the development and growth of developing countries in various ways but also established firm bonds of friendship and trust between Japan and developing countries, as well as enhance Japan’s standing in the international community, and eventually, further ensuring the peace and prosperity of Japan. However, it was not without challenges and struggles. There were cases of frauds committed in implementing ODA projects, failures in delivering expected outcomes, and delays due to unforeseen circumstances. ODA projects have also caused unanticipated impacts on the environment or local communities, or resulted in accumulated debt. Furthermore, the development cooperation by the Government of Japan occasionally receives negative feedback that Japan’s presence is barely visible, or objectives of the assistance have not been achieved.

The Government of Japan has made efforts in order to consider these experiences as worthwhile, and strives to turn them into lessons for the future. To this end, Japan has continued efforts to improve evaluation systems, enhance its transparency, and hold dialogues with a wide range of stakeholders, including civil society. Through these initiatives, Japan implements ODA with consideration for impacts on the environment and climate change, and the socially vulnerable including the poor, women, ethnic minorities, and people with disabilities. It is carried out under the policy of “contributing to peace and prosperity through cooperation for non-military purposes,” which promotes the development cooperation that is suitable for Japan as a peace-loving nation, so as to realize true prosperity among the people in developing countries. Japan has also established the mechanisms to prevent fraudulent practices, held dialogues and coordination with recipient countries, and arranged detailed project management and follow-up processes. The Government of Japan will continue to make ceaseless efforts to implement more effective and appropriate development cooperation.

(1) Anti-Corruption

Since Japan’s ODA is funded by taxpayers’ money, fraudulent practices associated with ODA projects are absolutely unacceptable, as such practices not only disturb the appropriate and effective implementation of development cooperation, but also undermine public trust in ODA projects.

However, fraudulent practices relating to ODA have been recurring even today, and serious actions need to be taken. In order to prevent such practices, it is necessary, for example, to ensure that organizations are aware that those practices will always be found if taken, and severe penalties will be imposed. Therefore, based on its experiences of fraudulent practices in the past, MOFA and JICA have taken measures to enhance its monitoring systems, such as “strengthening the function of the Consultation Desk on Anti-Corruption” and “expanding third-party checks”, as well as measures to reinforce penalties, such as “increasing the maximum period for suspension measures,” “raising the amount of penalty charges for breaching contracts,” and “introduction of a point-deduction system on corporations that repeatedly engage in serious fraudulent practices.” Furthermore, in 2018, MOFA and JICA revised the criteria regarding suspension measures, and took actions such as “expanding the scope of targets for suspension,” which made them possible to take measures against the corporate groups of suspended individuals, and measures against successors of business transfer during the term of imposed measures.

The Government of Japan will make continuous efforts to prevent fraudulent practices in cooperation with JICA, under the strong determination that such practices in association with ODA projects are entirely unacceptable.

(2) Securing the Safety Measures for People Involved in International Cooperation Projects

The security situations are complex in developing countries, where not only the JICA staff, experts, and volunteers, but also a variety of people involved in international cooperation projects such as consultants, contractors and NGOs are working. These situations differ in each country, and are constantly changing.

In response to the terrorist attack in Dhaka in July 2016, MOFA and JICA, together with the relevant ministries and experts, reviewed safety measures for people involved in international cooperation projects, and released the “Final Report” in August the same year. The Report recognizes that “safety is no longer free of cost” and the need to take safety measures led by the leaders of organizations. In order to secure the safety of a wider range of people involved in international cooperation projects and NGOs, the Report put together a list of actions to be taken relating to the following:

(i) Strengthening the collection, analysis, and sharing of threat information
(ii) Code of conduct of project partners and NGOs
(iii) Physical and non-physical protective measures, and strengthening training and drills
(iv) Post-crisis response
(v) Raising crisis management and improving the organizational structure of MOFA and JICA

Since then, MOFA and JICA have been steadily implementing these new safety measures.

(3) Conducting evaluation

In order to enhance the transparency of ODA projects and to improve its accountability, Japan has been working...
on the thorough implementation of the following measures: (i) enhancing the PDCA cycle (project formation (Plan), implementation (Do), evaluation (Check), follow-up activities (Act)), (ii) strengthening the Program Approach, and (iii) reinforcing “visualization.”

With regard to enhancing the PDCA cycle, the ongoing efforts include: (i) formulating Country Development Cooperation Policies for all recipient countries of Japan’s ODA, (ii) convening the Development Project Accountability Committee, (iii) setting indicators for individual projects, and (iv) strengthening the evaluation mechanism.

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In order to implement ODA projects more effectively and efficiently, strengthening of the PDCA cycle not only at the project level but also at the policy level is required. To this end, MOFA conducts policy evaluations of economic cooperation policies based on the “Government Policy Evaluations Act (GPEA)” 10, as well as ODA evaluations by third parties who approach the evaluation from a neutral position.

Third-party evaluations are mainly carried out at the policy-level (e.g., country assistance evaluations and Thematic/Aid-Modality evaluations). They evaluate from development viewpoints based on three evaluation criteria, namely, whether the policies and programs are consistent with Japan’s high-level ODA policies and the needs of the aid recipient countries (relevance of the policies), whether the initial goals have been achieved (effectiveness of the results), and whether an appropriate process was taken until the implementation of the policies (appropriateness of the process). In addition to evaluations from development viewpoints, evaluation is also conducted based on diplomatic viewpoints, considering the importance of verifying the diplomatic impact of implemented policies and programs. Since FY2015, basically all of MOFA’s third-party evaluations have been conducted using the diplomatic viewpoints, and efforts are now underway to improve evaluations from those viewpoints in order to clarify the diplomatic importance and diplomatic impact of ODA (how Japan’s ODA has contributed to realizing its national interests). As an example of how Japan’s ODA is perceived overseas, in the Opinion Poll on Japan in Ten ASEAN Countries 31, close to 90% of the respondents indicated that Japan’s ODA has been helpful in the development of their countries.

Furthermore, the widespread publication of the evaluation results through the MOFA website and other means plays a role in fulfilling accountability to the public, in the aspects of how ODA is being used and what effects it has had. 32

JICA also conducts evaluations on respective projects of grant aid, ODA loan and technical cooperation, as well as thematic evaluations on each project. JICA conducts consistent monitoring and evaluation from the pre-implementation stage to the implementation, and post-implementation stages for each project, and has established a coherent evaluation mechanism for these three schemes of assistance. These evaluations are conducted in accordance with the DAC Criteria for Evaluating Development Assistance, and for projects that exceed a certain cost, post-project evaluations by third party evaluators (external evaluations) are carried out. JICA also strives to impact evaluations 13, recognizing the importance of quantitatively assessing the effects of their projects.

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**PDCA Cycle**

**Follow-up**
- Feedback (reflecting results to improve projects and to design select future projects)

**Check (Ex-post evaluation)**
- Verifying mainly the project’s progress and prospects for goal achievement through the interim report
- Checking and confirming results through Ex-post evaluation and final reports

**Plan**
- Examining and evaluating plans before implementation

**Act**
- Plan selection
- Feedback (reflecting results to improve projects and to design select future projects)

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10 Ex-ante evaluations are conducted on loan aid projects, in which the maximum amount of loan offered through an Exchange of Notes (E/N) is 15 billion yen or more, and on grant aid projects, in which the maximum amount of aid offered through an E/N is 1 billion yen or more. Ex-post evaluations are conducted on “pending projects” and “incomplete projects.” (“Pending projects” are projects for which the loan agreement has not been signed or loan disbursement has not begun after five years have elapsed following the decision to implement the project. “Incomplete projects” are projects for which loan disbursements have not been completed after ten years have elapsed following the decision to implement the project.)

11 Results of an opinion poll on Japan commissioned by MOFA and conducted by a public opinion research agency, on 10 ASEAN countries (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam) in March 2017. The poll targeted 300 respondents aged 18 to 59 in each country, and was conducted through a combination of online surveys and partially through face-to-face interviews. URL: [https://www.mofa.go.jp/press/release/press4e_001780.html](https://www.mofa.go.jp/press/release/press4e_001780.html)


13 Impact evaluation refers to a method for verifying the effects of development projects by using methods from statistics and econometrics.
Issues regarding Budget Execution Management at JICA

Each year, the Japan International Cooperation Agency (JICA) Operation Expenses Grant is disbursed from the Ministry of Foreign Affairs (MOFA) budget to JICA as funds for the project expenses for technical cooperation and its administrative expenses. During FY2017, it was confirmed that out of this JICA Operation Expenses Grant, the estimated amount of necessary payments within the fiscal year for technical cooperation will greatly exceed the budgeted amount. In light of this situation, JICA urgently reduced expenditures within FY2017 by such means as slowing down the budget executions by rescheduling planned projects to subsequent fiscal years and suspending preparations for the implementation of new projects, in order to keep the expenditures within the budget of FY2017. This process perplexed the parties concerned, including the government officials in the countries where the projects had been scheduled, consultants and technical cooperation experts.

In response to the occurrence of this issue regarding budget execution management, MOFA and JICA immediately implemented steps to strengthen budget execution management for the projects implemented under the JICA Operation Expenses Grant in June 2018. They established the Budget Execution Management Office in JICA as the department with the clear authority and responsibility for the cross-sectoral management and control of the JICA budget in July 2018, and took measures such as strengthening governance through the board of directors and improving systems to bolster budget execution management. Moreover, they convened the “Advisory Committee to Strengthen Budget Execution Management” under the President of JICA to clarify the causes that created the situation, and provide recommendations for further measures to prevent recurrence. The Committee, comprised of external experts in the areas of organization and management, accounting management and incorporated administrative agency auditing, and IT systems, held deliberations over a total of eight sessions and compiled its final report in December.

As the background of the issue, the report lists the fact that new projects were formulated enthusiastically and swiftly during the last Medium-term Objectives Period in response to the rising demands for funds, to cover the strong development needs in developing countries, accompanied by the intention to execute the entire budget for the period which ends in FY2016. It also mentions that the expected amount of expenditures in future fiscal years was not managed appropriately, and that JICA executed the budget assuming a down side in execution and additional budget allocations. Based on these considerations, the report provides specific recommendations such as the correction of the relaxation of prior control on the JICA budget, timely and appropriate budget execution management at the individual project level, appropriate estimation and management of future-fiscal-year expenditures, visualization of the state of budget execution, and clarification of the role of the board of directors and its members.

MOFA and JICA accept the fact that this budget execution management issue undermined the trust and expectations of the Japanese public, recipient countries and other related parties, and are going forward with the rectification of internal control through such means as the appropriate implementation of the recommendations of this report. MOFA and JICA will strive to recover trust, so that such an issue will never arise again.

(4) “Advisory Board for ODA”

From the perspective of utilizing ODA even more efficiently and effectively within the limited budget, the Advisory Board for ODA was held under Minister for Foreign Affairs Taro Kono over four sessions since July 2018. In this Advisory Board, experts held discussions on how to strengthen implementing organizations (international cooperation NGOs, private-sector organizations, etc.) and have them play roles according to their respective strengths. Their recommendations were submitted in November, at the fourth session, which indicated the following five points:

1. Consider the division of roles within the overall picture of development cooperation, as well as strengthen competition and collaboration
2. Enhance the understanding and recognition of ODA among the Japanese public and citizens
3. Expand general administrative expenses to strengthen the financial foundations of NGOs.
4. Establish a public-private matching fund to bolster funding for international cooperation.
5. Nurture human resources to conduct development cooperation.

MOFA will firmly accept the content of these recommendations, hold intensive discussions with a wide range of people concerned and implement ODA more efficiently and effectively.