



# 1

## Towards a comprehensive Japanese development effort

*Indicator: The member has a broad, strategic approach to development and financing for development beyond aid. This is reflected in overall policies, co-ordination within its government system, and operations*

### Main Findings

1. Japan is increasingly exerting global development leadership and influence in selected policy areas, such as health and disaster risk reduction, where it believes it can add value. Japan also takes a broad and strategic approach to development and financing for development, for example in its efforts on climate change. Its demonstration of leadership on these critical global development issues is commendable and will help further enhance its standing in the international arena.

2. Japan is strengthening policy co-ordination and the strategic aspects of its ODA, other official flows and private finance through the establishment of a Ministerial Meeting mechanism. It is also advancing its approach to policy coherence for national security in its new whole-of-government National Security Strategy that brings together the “three Ds” (development, diplomacy and defence), steered by the National Security Council.

3. With development given an elevated profile in its global engagement strategy, and with the planned revision of its development policy – the ODA Charter – in 2014, Japan has an opportunity to ensure development concerns are better understood and discussed across government. Japan does not currently have a clear approach to policy coherence for development, including means of monitoring and reporting across government, to ensure its development goals are supported by domestic and foreign policies which could affect the development prospects of developing countries.

4. Since the last peer review, Japan has strengthened its whole-of-government approach at country level. Country Assistance Policies establish whole-of-government priorities in partner countries. As observed during the field visits to Indonesia and Senegal, the in-country ODA Task Force – consisting of embassy staff and the Japan International Co-operation Agency (JICA) field office – is an effective mechanism for ensuring coherent and cohesive implementation of Country Assistance Policies.

5. Japan has expanded the ODA Task Force in 22 partner countries to include governmental and non-governmental actors beyond the

embassy and JICA. It could use the expanded Task Force mechanism in more countries to further promote coherence and to facilitate more shared understanding of the purpose of ODA, including the role of private sector partnerships within it. Japan might benefit from developing guidelines or principles to guide this inclusive approach in the future, drawing on lessons from where it is working well.

6. Japan has for decades emphasised other tools and policies aside from ODA to promote development, closely linking aid with its trade and investment strategies, helping to mitigate and reduce investment risks, and enabling greater private sector flows within and to partner countries. Private flows to developing countries consistently remain the greatest source of financing from Japan.

7. Japan is using its financial instruments to respond to growing demand for private sector engagement in the development process of its partner countries. It brings an internally coherent approach to its engagement with partner countries by targeting sectors where development intersects with business opportunities. It is positive that Japan is beginning to share lessons and experience in using innovative financing tools with the wider development community.

8. At the same time, where ODA is catalysing private sector investments, Japan should ensure and maximise the inclusive and sustainable development impact of those investments. In Indonesia, for example, it was not clear what approaches were being deployed by the embassy and JICA to achieve this objective.

### Recommendation

**1.1.** Japan should establish a prioritised agenda for ensuring domestic and foreign policy choices are informed by an assessment of development goals along with other goals. The planned revision of the ODA Charter could provide an opportunity to set this approach out clearly.



# 2

## Japan's vision and policies for development co-operation

*Indicator: Clear political directives, policies and strategies shape the member's development co-operation and are in line with international commitments and guidance*

### Main Findings

9. Japan draws on 60 years of experience as a valued development partner, with clear guiding principles. The overarching vision of Japanese development co-operation is “to contribute to the peace and development of the international community, and thereby help to ensure Japan's own security and prosperity” (Government of Japan, 2003).

10. Japan sees international development co-operation as being in its own long-term interests, and as an increasingly important component of its wider foreign policy and diplomatic efforts. It considers its development co-operation to be an important tool for building relationships with other countries, pursuing a “non-interference” approach while strongly promoting a philosophy of “self-help”.

11. Japan consistently aligns its policies and support to its thematic priorities of human security, sustainable economic growth, and peace and security. The focus on growth and the private sector is accompanied by a renewed emphasis on ODA as an impetus to expand exports of Japanese technologies and use of Japanese expertise throughout the developing world.

12. Policy is set out in the ODA Charter, revised in 2003, and a series of medium-term and annual policy documents. Japan is updating the ODA Charter in 2014. This presents a good opportunity for Japan to enhance the impact, coherence and support for development co-operation, underpinned by a strengthened emphasis on commitments in relation to effective development co-operation and delivering results.

13. Along with its clear thematic focus, Japan has an impressive concentration of bilateral ODA amongst its top recipients. It is also an important contributor to multilateral organisations that it assesses as good performers in its priority areas. However, aid allocations are not guided by a set of criteria that systematically support how aid is distributed across policy priorities, countries, aid modalities and channels. The rationale for different allocation decisions is not clear. A more systematic approach would enable Japan to target and track resources against the results

it wishes to achieve from its various forms of assistance. It would allow Japan to provide both its partners and its domestic constituencies with assurances and rationale for how aid is being used.

14. Poverty reduction is a priority objective for Japan. In the absence of criteria, it is not clear how poverty features in allocation decisions. Japan also appears to lack guidance on the relevance and application of poverty reduction objectives to all interventions, not just to its basic human needs activities.

15. Japan has taken steps to better integrate cross-cutting issues into its aid programme. There have been improvements in mainstreaming the environment. Japan remains focused on supporting “self-help” through well designed capacity development activities. It also recently set out an ambitious agenda focusing on gender equality and women's empowerment. Field visits provided evidence that Japan needs to review its staffing capacity in these areas, and to update guidance on integrating cross-cutting issues across the programme cycle for different funding modalities.

### Recommendations

**2.1.** Japan should use the updating of its ODA Charter to emphasise its focus on meeting international development effectiveness commitments.

**2.2.** Japan should make clearer the rationale for allocating aid across countries, channels and instruments.

**2.3.** Japan should further develop guidance on how to meet poverty reduction objectives across its entire portfolio, including for its co-operation in middle income countries.

**2.4.** Japan should ensure it has updated guidance and increased capacity to deliver on its policy objectives for gender equality and women's empowerment.



# 3

## Allocating Japan's official development assistance

*Indicator: The member's international and national commitments drive aid volume and allocations*

### Main Findings

16. For the past five years, Japan's ODA has fluctuated around USD 10 billion (net). Fiscal and economic difficulties, together with reconstruction spending following the earthquake and tsunami in 2011, have made it increasingly difficult to secure a sustainable increase in the government's aid budget.

17. Japan is nevertheless committed to keeping its ODA level stable in dollar terms, despite a large depreciation of the yen. This commitment is impacting positively. In 2013, Japan's net ODA amounted to USD 11.8 billion, an impressive increase of 36.6% in real terms from 2012, due to debt forgiveness for Myanmar and increases in ODA loans. As a result, Japan moved up one place to become the fourth largest DAC donor, greatly improving its ODA to GNI ratio to 0.23% from 0.17% in the previous year. Japan is commended for this effort. To support its desire to be a global leader on development, Japan should sustain the increase from 2013 and commit to increasing its ODA volume further, towards the 0.7% target.

18. In order to deliver short-term increases and to respond to political priorities, Japan has effectively used its annual supplementary budget to avoid cuts in its ODA volume. However, given its ad hoc nature, growing reliance on the supplementary budget may not be a sustainable strategy and could lead to volatility. A commitment to increase ODA from the general budget would be more predictable for Japan's partners.

19. Japan has made good progress in increasing its ability, and that of its partners, to forward plan through five-year rolling plans for selected partner countries. Its approach to medium-term predictability is sensible, and provides clear and detailed forward implementation plans for most partner countries. It can continue improving its predictability, including through the adoption of the Busan common standards on aid information.

20. While Japan provides aid to over 140 countries in any given year, its aid is highly concentrated. 66% of its bilateral ODA goes to its top 20 recipients annually, mostly composed of middle-income Asian countries.

Economic infrastructure support, funded predominantly by concessional loans, remains the mainstay of the Japanese programme in these countries. Japan was the largest bilateral donor in 16 countries and the second largest in another 28. It is also an important donor for a number of under-aided countries.

21. Although Japan continues to focus its aid in developing Asia, it has made a series of commitments to increase the share and volume of its aid to Africa, including through the Fifth Tokyo International Conference on African Development (TICAD V). About a quarter of Japan's gross bilateral ODA is allocated to Least Developed Countries (LDCs) as compared to the DAC average of 41%. In net terms, the share rises to approximately 50%. Japan is encouraged to continue scaling up its support to countries where assistance is most needed including Africa and LDCs, whilst retaining its strong presence in Asia.

22. Japan is a major player at the multilateral level, allocating sizable contributions to an average of 57 multilateral organisations and funds each year. Core funding, as a share of total multilateral spend, is higher than the DAC average. Japan recognises the comparative advantage of multilateral organisations, such as their expertise and neutrality. It tends to align with the strategic priorities of the organisations it supports, and actively engages with them in high level and strategic dialogue. Its multilateral partners perceive Japan's support as largely effective. Given the size and extent of its multilateral aid, however, Japan would gain greater influence and impact by outlining clearly the objectives of its engagement with multilateral organisations over the medium term. This should include a transparent approach to assessing the performance of those organisations.

### Recommendations

- 3.1.** Japan should develop a roadmap to increase ODA to make progress towards meeting the 0.7% ODA/GNI target.
- 3.2.** Japan should continue to increase the share of ODA allocated to countries where assistance is most needed, including LDCs, bearing in mind international commitments.



# 4

## Managing Japan's development co-operation

*Indicator: The member's approach to how it organises and manages its development co-operation is fit for purpose*

### Main Findings

23. Organisational reforms in both the Ministry of Foreign Affairs (MOFA) (2009) and JICA (2008) have been firmly established and are delivering improvements in Japanese development co-operation, although there has not yet been a review of these reforms. MOFA's policy making and JICA's implementation roles and responsibilities are now clearly delineated. JICA is now enabled to manage single country envelopes, bringing together the three funding instruments (grants, technical co-operation and loans).

24. Japan has strengthened the field orientation of its development co-operation. ODA Task Forces are delivering positive co-ordination and coherence. ODA Task Forces are responsible for delivering Country Assistance Policies, underpinned by JICA country analysis papers. Japan issues five-year rolling plans for its country programmes.

25. However, Japan's processes and procedures remain centralised. Further delegation of decision making and financial authority, in both MOFA and JICA, would support Japan's efforts to become a more flexible, responsive and aligned partner. Japan also lacks a differentiated approach to fragile states, limiting its flexibility and continuity in how it responds to changes in context and to crises.

26. Japan is able to maintain a strong workforce to deliver its ODA. However, numbers of staff in field offices are fluctuating from year to year since the organisational reforms. This is at odds with the country focused approach. There are also specific technical skills, relevant to Japan's priorities (e.g. skills related to evaluation and cross cutting issues), which seem to be under-resourced at country level. Finally, the job profiles for staff working in fragile states are the same as those in non-fragile states. The lack of medium-term workforce planning constrains Japan's ability to address these challenges strategically, over time.

27. Regular training seminars and online materials are provided for both MOFA and JICA staff, including staff in country offices. For MOFA, these do not appear to offer opportunities to build in-depth technical and managerial competencies. Given that it is not

a requirement for all MOFA diplomats in economic co-operation positions to be development professionals, these staff would benefit from sustained development awareness training. MOFA and JICA might consider pooling their resources to design and roll out training resources, beyond one-off seminars.

28. Some locally engaged staff have risen through the ranks into senior positions in JICA country offices. There is potential for these staff to serve as positive examples for the organisation, encouraging promotion of the contributions and skills of locally engaged staff. To this end, Japan should ensure locally engaged staff have timely access to corporate documents, guidance and training, in local languages.

29. Japan's business model for development co-operation is well suited to encouraging innovation. There are several examples of this working in practice, particularly through Tokyo-based organisational changes, schemes, funds and partnerships. Innovation might be further extended to country operations through creating incentives for innovation in programme design and implementation and introducing an approach to managing portfolio-wide risk.

### Recommendations

- 4.1. Japan should conduct a review of its organisational reforms, with a view to making further improvements to the overall organisation and management of its development co-operation, including reviewing levels of decentralisation and delegated authority.
- 4.2. Japan should introduce medium-term workforce planning, for both MOFA and JICA.
- 4.3. Japan should develop further its programme of learning and development for staff, including a focus on policy and operational priorities.



# 5

## Japan's development co-operation delivery and partnerships

*Indicator: The member's approach to how it delivers its programme leads to quality assistance in partner countries, maximising the impact of its support, as defined in Busan*

### Main Findings

30. Japan has made efforts towards improving the predictability and effectiveness of development co-operation, accommodating different modalities while working within the constitutional constraints of a single-year budgeting system. As witnessed in Indonesia and Senegal, it deploys its different funding instruments appropriately and flexibly, according to the country context. Partners attest that it is reliable in disbursing as agreed and when agreed. Japan has also taken positive steps to harmonise and align at the country level and to move towards more programme-based approaches.

31. Japan has therefore shown how it can evolve its implementation in line with international development effectiveness commitments. However, it lacks a clear strategy for prioritising areas where progress against Busan commitments is insufficient.

32. Stronger efforts are needed to increase the use of country systems, for example. 63% of Japan's aid flows to governments were reported on partner countries' budgets, according to the 2014 Global Partnership monitoring survey. Where country systems are not robust, as in Senegal, Japan could identify the weaknesses of, and build capacity in, country systems jointly with other development partners. This would be consistent with its support to self-help in developing countries.

33. Japan reports that its ODA covered by the DAC Recommendation on Untying ODA is fully untied. However, in terms of its total bilateral ODA (excluding administrative and in-donor refugee costs), the share of untied aid in 2012 was 71%, below the DAC average of 79%. This reflects a steady fall in Japan's untying ratio since the highest level of 84% in 2008. Given its clear emphasis on deepening private sector engagement in its aid programme, Japan should find effective ways of promoting private sector engagement that are not linked to tying more of its ODA.

34. Japan could make risk management a more integral part of Japan's strategy, policy and operations (especially important for Japan's work in fragile states). This could allow Japan to bring more proportionality to its programme, differentiating procedures and delegated authority, according to different categories of risk. Japan's commitment to

improve its efforts in fighting corruption would form part of such an approach.

35. Japan increasingly works jointly with other development partners to ensure aid effectiveness and to scale up development outcomes. The development partners in both Indonesia and Senegal, for example, widely appreciated Japan's active engagement with them. They also called for Japan to exert more leadership in convening, and be more open to collaborating with, development partners.

36. Japan has improved its engagement with Japanese NGOs since the last peer review, but its engagement with civil society in partner countries does not appear to be guided by clear policy or strategic objectives. Japan could strengthen the involvement of partner country NGOs in its development co-operation and support their capacity building.

37. Japan is a long-standing leader in supporting South-South co-operation, and its efforts in this area have been innovative and pioneering. It uses triangular co-operation strategically and effectively to leverage the knowledge and experience of its partner countries to achieve development results, in line with the Busan Partnership Agreement.

38. Japan's significant and welcome increase in budget for fragile states, and its commitment to the New Deal for Engagement in Fragile States, has not yet been matched by a flexible approach to working in these difficult environments. There is scope for Japan to adapt its plans and tools to situations of fragility and recovery from complex crises.

### Recommendations

- 5.1. Japan should reverse the decline in the share of its aid that is untied.
- 5.2. Japan should introduce more comprehensive risk management procedures as part of its corporate governance and management, including for anti-corruption and fraud.
- 5.3. Japan should further engage with civil society in the countries where it works, based on a strategy and clear guidelines.
- 5.4. Japan should introduce a more flexible approach to strategy and programming in fragile states.



# 6

## Results and accountability of Japan's development co-operation

*Indicator: The member plans and manages for results, learning, transparency and accountability*

### Main Findings

39. Japan has tools and guidance in place to manage for development results at the level of individual activities. There is a gradual shift towards establishing indicators across the results chain in programming, including at outcome level.

40. However, most country assistance and sectoral policies currently lack measurable indicators. The introduction of such indicators would give Japan a stronger sense of what constitutes success and how to measure performance, drawing on data and systems from partner countries. This is also an essential prerequisite for creating a results-based management system and culture for Japanese development co-operation, which is currently lacking. Japan does not routinely use results to strategise, plan, budget and communicate.

41. Japan has a very well internalized approach to programme management, known as the P (Plan) – D (Do) – C (Check) – A (Act) framework. The role of evaluation across this cycle is clearly set out. Japan could enhance its results measurement approaches if it provided clearer guidance on the function and form of monitoring and review, as part of the programme management cycle, as it does for evaluation. There was a lack of clarity at field level on how the practical applications of monitoring, review and evaluation are distinct from each other, although the conceptual distinctions are well defined in MOFA's guidelines.

42. Japan has comprehensive evaluation policies and guidelines, incorporating the DAC Principles. MOFA's evaluation system is now strongly independent. JICA would benefit from being more selective in its evaluation coverage, based on an assessment of risk or a need to learn. The current approach of evaluating all interventions over USD 2 million is spreading JICA's limited resources too thinly, which could start to impact on the quality and usefulness of evaluations.

43. Japan has developed its evaluation feedback systems, which are positively impacting on the accountability for and transparency of evaluations. It publicly responds to evaluation recommendations

through annual evaluation reports. Japan also proactively shares approaches and findings at partner country level. These advances are underpinned by MOFA and JICA leadership supporting, and stronger systems for, knowledge management.

44. Japan places a strong emphasis on building domestic support for ODA. As it marks the 60th anniversary of its Official Development Assistance, and in order to build on the public goodwill created by the international response to the Great East Japan Earthquake and tsunami, a more systematic, better resourced and better targeted approach to communications, based on the achievements of Japan's development co-operation, could enhance domestic development awareness and engagement.

45. Since 2011, Japan has made efforts to enhance transparency through the publication of more country-level project information. However, both MOFA and JICA have been overtaken by other organisations internationally that are publishing more comprehensive, accessible and timely information. Japan will need to keep pace with changes in the global transparency landscape if it is to comply with the Busan standard on transparency by 2015.

### Recommendations

- 6.1. Japan should continue efforts to introduce performance indicators and measures in its country and thematic policies and programmes.
- 6.2. JICA should be more strategic in its evaluation coverage, based on criteria related to risk and knowledge management.
- 6.3. Japan should develop and adequately fund a strategy for improving communications to enhance domestic development awareness and engagement.
- 6.4. Japan should increase its efforts to implement the common transparency standard by publishing more timely, comprehensive and forward-looking information.



# 7

## Japan's humanitarian assistance

*Indicator: The member contributes to minimising the impact of shocks and crises; and saves lives, alleviates suffering and maintains human dignity in crisis and disaster settings*

### Main Findings

46. Japan remains a strong advocate of disaster risk reduction, with respect to advancing the international agenda and within its own programmes; other donors could learn from Japan's approach.

47. Japan has a highly respected disaster response system and is clearly a world leader in this area. There is close co-ordination with other donors for disaster response in Asia. The link between early warning and early response is clear and systematic. Japan is also working to increase the participation of affected women in disaster response programming. Whole-of-government disaster response systems appear to work well, and civil-military co-ordination mechanisms conform to international good practice despite a lack of active safeguards.

48. The overall humanitarian budget remains substantial, although it is declining. In 2012 Japan was the third largest DAC humanitarian donor, reporting commitments of USD 740 million. Its humanitarian budget comes from two sources – the regular budget, including unearmarked funding for UN agencies and the emergency response reserve, and the supplementary budget, voted each February and earmarked for specific “unforeseen needs”, including responses to complex crises although these crises are mostly long-term events.

49. Japan is becoming a better partner to Japanese NGOs and international organisations, although there are still a number of areas for improvement, especially with respect to transaction costs and the predictability and flexibility of funding. Partners consider that Japan's humanitarian staff have an appropriate grasp of humanitarian issues, but they would prefer lower staff turnover rates to avoid the need to rebuild relationships regularly. Monitoring partner results and its own performance as a good humanitarian donor are not high priorities for Japan. Instead, monitoring focuses heavily on bilateral responses and on partner disbursement rates, driven in turn by the conditions of the supplementary budget.

50. There are clear commitments to transparency of the programme, but Japan

could share more results information with the public and other key stakeholders.

51. Japan's new policy framework for humanitarian assistance covers complex crises and disasters, and complies with good practice, although this has not yet led to a fundamental change in how it approaches humanitarian aid. Policy commitments to complex crises in Africa add an extra dimension – and new challenges – to the programme.

52. It is clear that the increased focus on responses in Africa will require different tools and greater budget predictability. Sourcing the majority of the funds for complex crises from the supplementary budget results in tight earmarking, a lack of predictability and short-term timeframes – creating significant obstacles to effective funding in these difficult, long-term crisis situations. The decision-making process for allocating funds – especially on what and who to fund – is not clear for partners, and this reduces the predictability of Japan's humanitarian assistance. Limited earmarking helps some partners incorporate recovery aspects into their programmes. Japan would benefit from more special tools to support recovery in complex crises.

### Recommendations

**7.1.** Japan should actively share its approach to disaster risk reduction and disaster response with other donors.

**7.2.** Japan should increase the predictability of its budget for humanitarian assistance to complex emergencies, and ensure that it has sufficiently flexible funding mechanisms for these rapidly evolving situations.