

Chapter 2

Progress of 50 Years of ODA



Signing of the loan agreement for the New Tokaido Line (the Shinkansen project). Front row (from left to right): His Excellency Mr. Koichiro Asakai, Ambassador of Japan in the United States; Sir William Iliff, Vice President of the World Bank; and Mr. Shinji Sogo, President of the Japanese National Railways. Back row (left to right): Mr. Gengo Suzuki, Executive Director of the World Bank for Japan; and Mr. Manabu Kanematsu, Managing Director of the Japanese National Railways. (Photo: World Bank Tokyo Office)

Key Points

- Japan started to provide ODA by joining the Colombo Plan in 1954, and has steadily developed its assistance implementation systems ever since.
- In 1977, Japan announced that it would double its ODA. Since the following year, 1978, Japan has decided five medium-term targets, quantitatively expanding and globalizing ODA.
- Japan formulated the ODA Charter in 1992 and worked to clarify the policy and philosophy of Japan's ODA through the 1990s in the new international environment after the Cold War.
- Japan revised the ODA Charter in August 2003. ODA entered a new era.

As mentioned in Chapter 1, Japan's ODA has contributed to the economic and social development of developing countries for half a century, and it is highly evaluated by countries throughout the world. Chapter 2 looks back at the progression

of Japan's ODA, which has yielded such positive accomplishments, over the past 50 years, based on data and reference materials. Japan's ODA has achieved major developments not only in its scale but also in the aspects of quality, content, policy and philosophy. These developments were also closely linked to political and economic situations in Japan, international circumstances, and international trends and debates regarding ODA. In this chapter, the 50 years is broadly divided into the following four periods and the history of Japan's ODA is outlined.

Section 1 System Development Period (1954-1976)

- Period, since Japan started to provide technical assistance by joining the Colombo Plan in 1954, when aid implementation systems were developed through the launch and consolidation of aid implementation agencies, diversification of the framework of assistance and other measures

Section 2 Systematic Expansion Period (1977-1991)

- Period when quantitative expansion of ODA was planned through repeated medium-term targets and Japan's ODA developed globally

Section 3 Substantial Policy and Philosophy Shaping Period (Original ODA Charter Period) (1992-2002)

- Period under the new international environment after the end of the Cold War when Japan kept on making efforts particularly to focus on clarifying the ODA policy and philosophy through the establishment of the original ODA Charter of 1992, the Medium-Term Policy on Official Development Assistance of 1999, and others

Section 4 Meeting the Challenges of a New Era (Revised ODA Charter) (2003 - present)

- Japan's ODA has reached a new turning point with the approval by the Cabinet in August 2003 of the revised ODA Charter

Chart I-8 Progress of 50 Years of Japan's ODA

1954.	10	Japan participates in the Colombo Plan. Technical cooperation starts.
	11	Reparations begin (Burma: Myanmar at present).
1956.	12	Japan is granted membership to the United Nations.
1958.	2	Yen loans begin (India).
1960.	9	International Development Association (IDA, "Second World Bank") is founded.
	12	Japan joins the IDA.
1961.	3	Overseas Economic Cooperation Fund (OECF) is founded.
	10	Development Assistance Committee (DAC) is established (Japan is a founding member country).
1962.	6	Overseas Technical Cooperation Agency (OTCA) is founded.
1964.	3	First United Nations Conference on Trade and Development (UNCTAD) is held.
	4	Japan joins the Organisation for Economic Cooperation and Development (OECD).
1965.	4	Japan Overseas Cooperation Volunteers (JOCV) program is inaugurated.
1966.	8	Asian Development Bank (ADB) is founded.
1969.		General Grant Aid starts.
1972.	10	The Japan Foundation is established.
1974.	8	Japan International Cooperation Agency (JICA) is founded (OTCA and Japan Emigration Service are integrated).
1976.	7	Japan completes reparations to Philippines.
1978.	7	First Medium-Term Target of ODA is announced.
1981.	1	Second Medium-Term Target of ODA is announced.
1982.	9	Ministry of Foreign Affairs starts to compile and publish the "Annual Evaluation Report on Japan's Economic Cooperation."
1984.	3	Ministry of Foreign Affairs issues the first edition of "Japan's Official Development Assistance."
1985.	9	Third Medium-Term Target of ODA is announced.
1987.	9	Japan Disaster Relief (JDR) Team is founded.
	10	International Cooperation Day (October 6 th) is established.
1988.	6	Fourth Medium-Term Target of ODA is announced.
1989.	4	Grant Aid for Grassroots Projects start (Grant Assistance-Grassroots and Human Security Project at present).
	4	NGO Project Subsidies start.
	11	OECF Environmental Guideline is announced.
	12	Japan becomes the top ODA donor (continues until 2000 except 1990)
1991.	4	The four key principles for implementing ODA are formulated.
1992.	6	United Nations Conference on Environment and Development (UNCED) is held.
	6	Japan's Official Development Charter is approved by the cabinet.
1993.	6	Fifth Medium-Term Target of ODA is announced.
	10	Japan co-hosts the first Tokyo International Conference on African Development (TICAD).
1994.	6	Non-Governmental Organization Assistance Division is established in MOFA.
1995.	8	Grant Aid to China is suspended in principle because of China's nuclear testing (until Mar. 1997)
	9	Fourth World Conference on Women is held (Japan's Initiative on Women in Development (WID) is announced).
1996.	5	DAC Development Partnership Strategy is adapted at the DAC High-Level Meeting.
1997.	6	Special Session of the UN General Assembly to Review and Appraise the Implementation of Agenda 21 is held (Initiative for Sustainable Development toward the 21st Century (ISD) is announced).
	12	Third Conference of the Parties to the UN Framework Convention on Climate Change is held (The Kyoto Initiative is announced).
1998.	1	Council on ODA Reform presents its final report.
	2	Emergency Economic Stabilization Measures for Southeast Asia are announced.
	5	Japan imposes economic measures on India and Pakistan's nuclear testing (suspension of new grant aid and Yen loans in principle until Oct. 2001).
	6	Foreign Economic Cooperation Council presents its report entitled "On Promotional Measures for Future Economic Cooperation."
	10	Second Tokyo International Conference on African Development (TICAD II) is held (Japan's comprehensive measures for assistance to Africa is announced.)
1999.	6	The Cologne Debt Initiative (Enhanced HIPC Initiative) is announced.
	8	Medium-Term Policy on Official Development Assistance is announced.
	10	Japan Bank for International Cooperation (JBIC) is established (the Export-Import Bank of Japan (EIB) and OECF are integrated.)
2000.	7	Kyushu-Okinawa G8 Summit is held (Okinawa Infectious Diseases Initiative and other initiatives are announced.)
	9	UN Millennium Summit is held.
2001.	8	ODA Town Meetings start.
2002.	3	Second Consultative Committee on ODA Reform issues its final report.
	7	Fifteen Specific Measures for ODA Reform is announced.
	8	Initiative for Development in East Asia (IDEA) Ministerial Meeting is held.
	8	World Summit on Sustainable Development (Johannesburg Summit) is held (Koizumi Initiative: Concrete Actions of Japanese Government to be taken for Sustainable Development - Towards Global Sharing, Environmental Conservation Initiative for Sustainable Development (Eco ISD) and other initiatives are announced.)
2003.	8	Japan's Official Development Assistance Charter is revised.
	9	Third Tokyo International Conference on African Development (TICADIII) is held (Japan's Initiative for Assistance to Africa is announced.)
	10	JICA becomes an Independent Administrative Institution.
	12	Japan-ASEAN Commemorative Summit is held (Japan's New Initiatives is announced.)

Section 1 System Development Period (1954-1976)

Joining the Colombo Plan

On October 6, 1954, the Cabinet approved a resolution for Japan to join the Colombo Plan. Having secured the mediation



Official logo of the "50th Anniversary of Japan's International Cooperation," created to commemorate the 50th anniversary of starting to provide assistance

of the United States,⁸ Japan participated as an official member at the 6th Session of the Plan. The Colombo Plan is a regional cooperation organization established in 1950 for the purpose of promoting the economic and social development in Asia and the Pacific. From the year after joining, Japan began to provide government-based technical cooperation programs in the form of

accepting trainees and dispatching experts, using a budget of 38.4 million yen in 1955.

October 6 was established as "International Cooperation Day" by the Cabinet in September 1987, and commemorative events are held around that date. Joining the Colombo Plan was truly an important milestone signaling the dawn of Japan's government-based economic cooperation.

Economic cooperation provided in tandem with post-war reparations

As explained in the above paragraphs, joining the Colombo Plan marked the beginning of government-based technical cooperation. However, the launch of government-based financial cooperation can be traced to November 1954 and the signing of the Japan-Burma Peace Treaty and Agreement on Reparations and Economic Cooperation.⁹ In addition to payment of reparations "to compensate the damage and suffering caused by Japan during the war," this treaty also provided for cooperation "to contribute towards the economic rehabilitation and development and the advancement of social

Chart I -9 Japan's Reparations and Quasi-Reparations

Classification	Partner Country	Reparations/Quasi-Reparations (amounts due under treaties underlined)		Reparation provision period or grant aid period
		US dollars	Yen	
Reparations	Union of Burma	\$200,000,000	¥72,000,000,000	1955.4.16-1965.4.15
	The Philippines	\$550,000,000	¥190,203,272,472	1956.7.23-1976.7.22
	Indonesia	\$223,080,000	¥80,308,800,000	1958.4.15-1970.4.14
	Republic of Vietnam (South Vietnam)	\$39,000,000	¥14,040,000,000	1960.1.12-1965.1.11
	Total	\$1,012,080,000	¥356,552,072,472	
(Quasi-Reparations) Grant aid under economic and technological	Laos	\$2,777,777	¥1,000,000,000	1959.1.23-1961.1.22-extended until 1965.1.22
	Cambodia	\$4,166,666	¥1,500,000,000	1959.7.6-1962.7.5-extended until 1966.7.5
	Thailand	\$26,666,666	¥9,600,000,000	1962.5.9-1969.5.30
	Union of Burma	\$140,000,000	¥47,335,584,547	1965.4.16-1977.4.15
	Korea (Note)	\$300,000,000	¥102,093,285,442	1965.12.18-1975.12.17
	Malaysia	\$8,166,675	¥2,940,003,000	1968.5.7-1971.5.6-extended until 1972.5.6
	Singapore	\$8,166,675	¥2,940,003,000	1968.5.7-1971.5.6-extended until 1972.3.31
	Micronesia	\$5,844,155	¥1,800,000,000	1972.5.27-1975.5.26-extended until 1976.10.15
	Total	\$495,788,616.93	¥169,208,875,989	
Overall total		\$1,507,868,616.93	¥525,760,948,461	

Source: Diplomatic Blue Book 1977

Note: 300 million dollars of grant aid and 200 million dollars of loan assistance cooperation were provided to Korea, based on the Agreement on the Settlement of Problems concerning Property and Claims and on Economic Co-operation between Japan and the Republic of Korea.

8. Japan applied to become a member of the Colombo Plan in 1953. However, due to opposition by countries including Australia, it could not become a member at that point. Subsequently, earning the backing of the United States, which wished the reintegration of Japan into the international community, Japan managed to become a member of the Colombo Plan in the following year.
9. The Union of Burma (Myanmar at present) did not attend the San Francisco Peace Conference, and then concluded a separate peace treaty with Japan.

After World War II, receiving support and finance from members of the international community including the United States and the World Bank, Japan made efforts to rebuild the country, which had been devastated during the war. This experience underpins Japan's subsequent experience of providing support in East Asia and forms the base of Japan's ODA philosophy of providing support for self-help efforts, as is often pointed out.

Relief and rehabilitation support from the United States

When the Second World War ended, the United States had the world's top aid-giving capacity. The United States had two funds for occupied areas—the Government Appropriation for Relief in Occupied Area (GARIOA) Fund and the Economic Rehabilitation in Occupied Area (EROA) Fund—and Japan received relief and rehabilitation support from both of them. A total of 1.8 billion dollars (present value equivalent to approximately 12 trillion yen; of which 1.3 billion dollars was charge free) was disbursed through the two funds—from 1946 for the GARIOA Fund and from 1949 for the EROA Fund. These counterpart funds* became the financial resources used for low-interest funds for promoting economic rehabilitation such as infrastructure development including currency stabilization, development of the national railway system, electrical communications, electric power, marine transportation, coal mining and others.

World Bank loans

Before the end of the Second World War in 1945, the desirable form of the world economy after the War and the support for rehabilitation were actively investigated among the Allied nations. In July 1944, the Bretton Woods Agreement was concluded with the participation of 44 Allied nations. Rehabilitation was coordinated based on this Agreement, mainly with the International Monetary Fund (IMF) established in 1945 and the International Bank of Reconstruction and Development (IBRD). Japan started receiving loans from the World Bank in 1953 and had concluded loan agreements for 34 loans amounting to 862.9 million dollars in total by 1966.

At that time, Japan did not have sufficient funds for its rehabilitation. The World Bank contributed greatly to the development of important infrastructure and key industries, particularly the development of the road, electric power and iron and steel sectors. The Fourth Kurobe Hydroelectric Power Plant (Kuroyon Dam), the Aichi Irrigation Project, the New Tokaido Line (the Shinkansen project) and the Tomei and Meishin Expressway, for example, were facilitated by loans from the World Bank.

Japan started providing assistance in 1954, while being provided assistance from other countries. Japan also received loans from the World Bank, and laid the foundations for its own economic development. After the disbursement for the Tokyo-Shizuoka Expressway in 1966, Japan graduated from receiving World Bank loans. Since then, it has grown as a major donor country. Japan completed repayment of these loans from the World Bank relatively recently, in July 1990.

Currently, Japan emphasizes the importance of various forms of assistance. In particular, unlike other countries, Japan effectively uses the form of assistance of concessional loans known as Yen loans. This position is undoubtedly underpinned by the experience of the effectiveness of the support Japan received from the World Bank.

Note: Profit on sale of commodities recipient countries have purchased using commodity aid. In this case, profit on sale of goods purchased by the GARIOA and EROA funds is indicated.

welfare in the Union of Burma." Economic cooperation provided in tandem with reparations was also specified as the way of atoning for the war. After that, successive reparations treaties were signed with the Philippines in 1956, Indonesia in 1958, and the Republic of Vietnam (South Vietnam) in 1959. Moreover, though not reparations in the strict sense, grant aid etc. (known as "quasi-reparations") has been provided to Cambodia and Laos, which renounced claims to Japan for reparations, as well as to Thailand, Malaysia, Singapore, Korea, and Micronesia.

The conclusion of treaties regarding reparations with these Asian countries was the center of Japan's economic diplomacy with Asia until the mid-1960s, while support for payment of reparations was continued until 1976. Providing reparations and economic cooperation in tandem therewith had two objectives: one was to perform Japan's obligations under the various treaties for atoning for the war; the other was to support the promotion of the development and social welfare of those countries. At the same time, it was effective for promoting the securing of markets for Japanese industry, through disbursing to Asian countries the funds, which limited the scope of the

goods and services that could be supplied to Japanese ones. The historical background of Japan's financial assistance-starting as providing reparations and economic cooperation in tandem therewith to Asian countries-combined with the basic policy of placing emphasis on providing cooperation for Asian countries having close links with Japan, became the model for the subsequent Asia focus of Japan's ODA.

Commencement of Yen loans

In 1958, Japan extended the first yen loan, to India,¹⁰ thus commencing full-fledged economic cooperation. This was conducted independently of the issue of atoning for the war through reparations, and had a groundbreaking significance in the sense that it was the start of financial cooperation with concessional conditions. At that time, ensuring a recovery in exports was the primordial issue for the Japanese economy; the provision of tied¹¹ loan assistance was also effective for export promotion, thus Japan actively provided such loan assistance throughout the 1960s.

In a foreign policy speech in February 1957, then acting Prime Minister and Minister for Foreign Affairs Nobusuke

Colombo Port Expansion Project



Colombo Port today

Colombo Port, becoming the hub of Southwest Asia. Japan provided various support for the expansion and development of Colombo Port through Yen loans and other methods.



Blueprint for Colombo Port



Colombo Port before expansion

10. Funds equivalent to 500 thousand dollars in total provided by the Export-Import Bank of Japan (EIB) targeted for the electrical power, shipping, and plant facilities necessary for India's Second Five-Year Plan. The EIB was the implementation agency for the initial Yen loans (JBIC, History of the Overseas Economic Cooperation Fund Japan, p. 7)

11. Generally indicates suppliers of goods and services using aid funds limited to the country providing the aid.

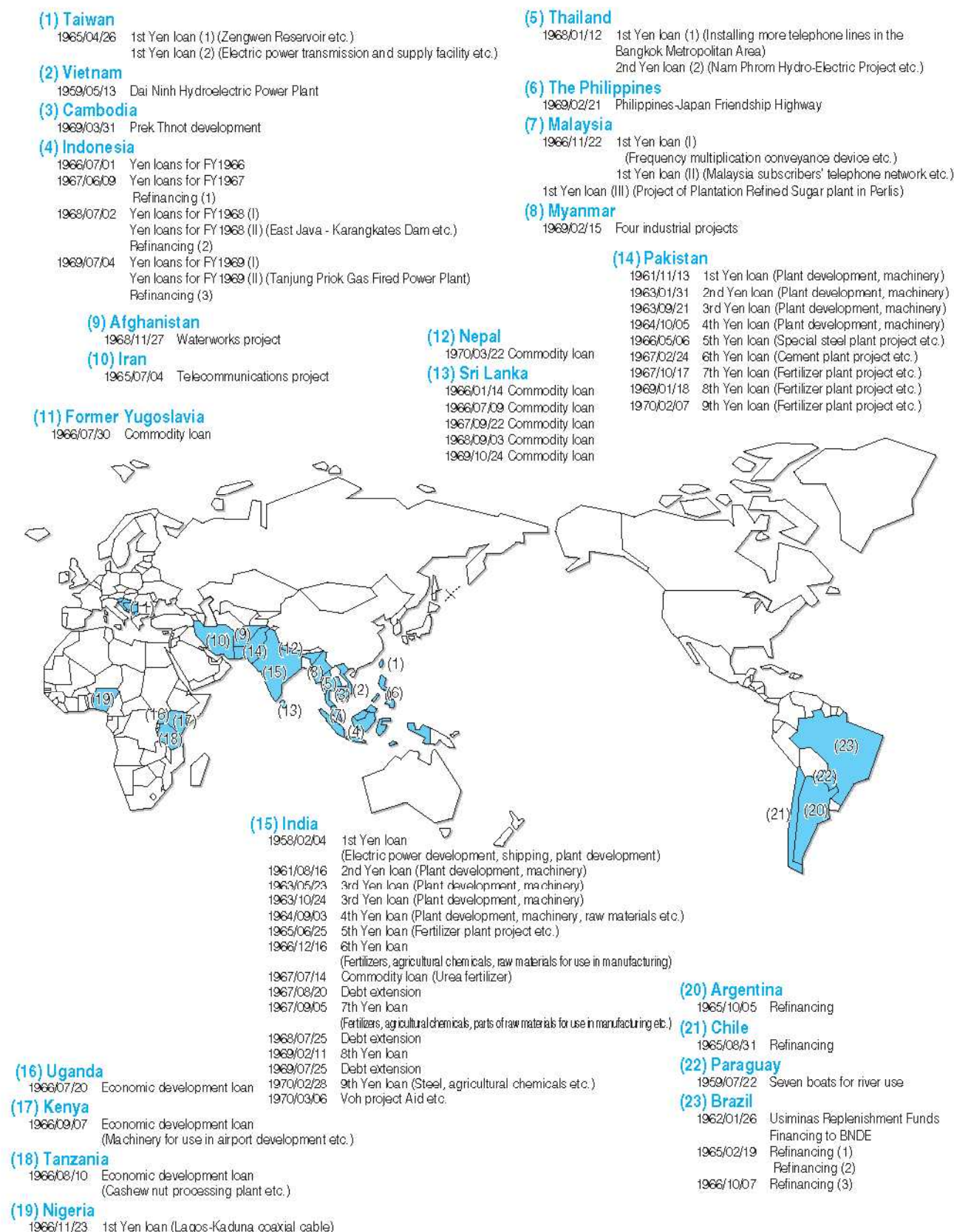
Kishi stated the following regarding the desirable form of relations with Asian countries:

- (1) Improving Japan's position in the United Nations and the international community is based on strengthening Japan's

relations with its neighbors.

- (2) Japan aims to contribute to promoting the welfare of the entire Asian region, by developing economic cooperation plans for Southeast Asia and cooperating in the

Chart I -10 Initial Yen Loans



nation-building of its countries.

- (3) From the standpoint of striving to achieve Japan's economic development and the prosperity of its people, Japan will ensure the country's development while contributing to the prosperity of other countries through measures including the provision of reparations and economic cooperation.

The above comments clearly express the objective of Japan's initial economic cooperation when it started to provide aid. At that time, improving its position in the international community was the top priority for Japan, which had just reintegrated into the community. From this perspective, Japan strived to participate actively in the Colombo Plan and settle rapidly the issue of reparations as part of its atonement for the war. Meanwhile, reparations and the economic cooperation provided in tandem therewith, as clearly indicated in the foreign policy speech mentioned above, were also deeply tied to "Japan's economic development and the prosperity of its people." For Japan at that time, in which income per capita was less than 400 dollars, the burden of payment of reparations was very severe. Japan's reparations and disbursement of Yen loans in the 1950s and 1960s had the objectives of expanding export markets for Japan and securing imports of important raw materials. In addition, there were high expectations of a beneficial effects from these actions for the Japanese economy.¹² This stance was also reflected in the fact that the rate for tied aid was almost 100% until the end of the 1960s.

In the 1960s, the international community attached importance to the existence of a North-South problem. To assist in its resolution, the first Conference of the United Nations Conference on Trade and Development (UNCTAD) was held in 1964. Japan was promoting its assistance at that time in fields such as agriculture and small and medium enterprises, and could not respond actively to requests from developing countries for liberalization of trade and expansion of aid. This attitude of Japan drew criticism from developing countries.

Development of aid implementation systems

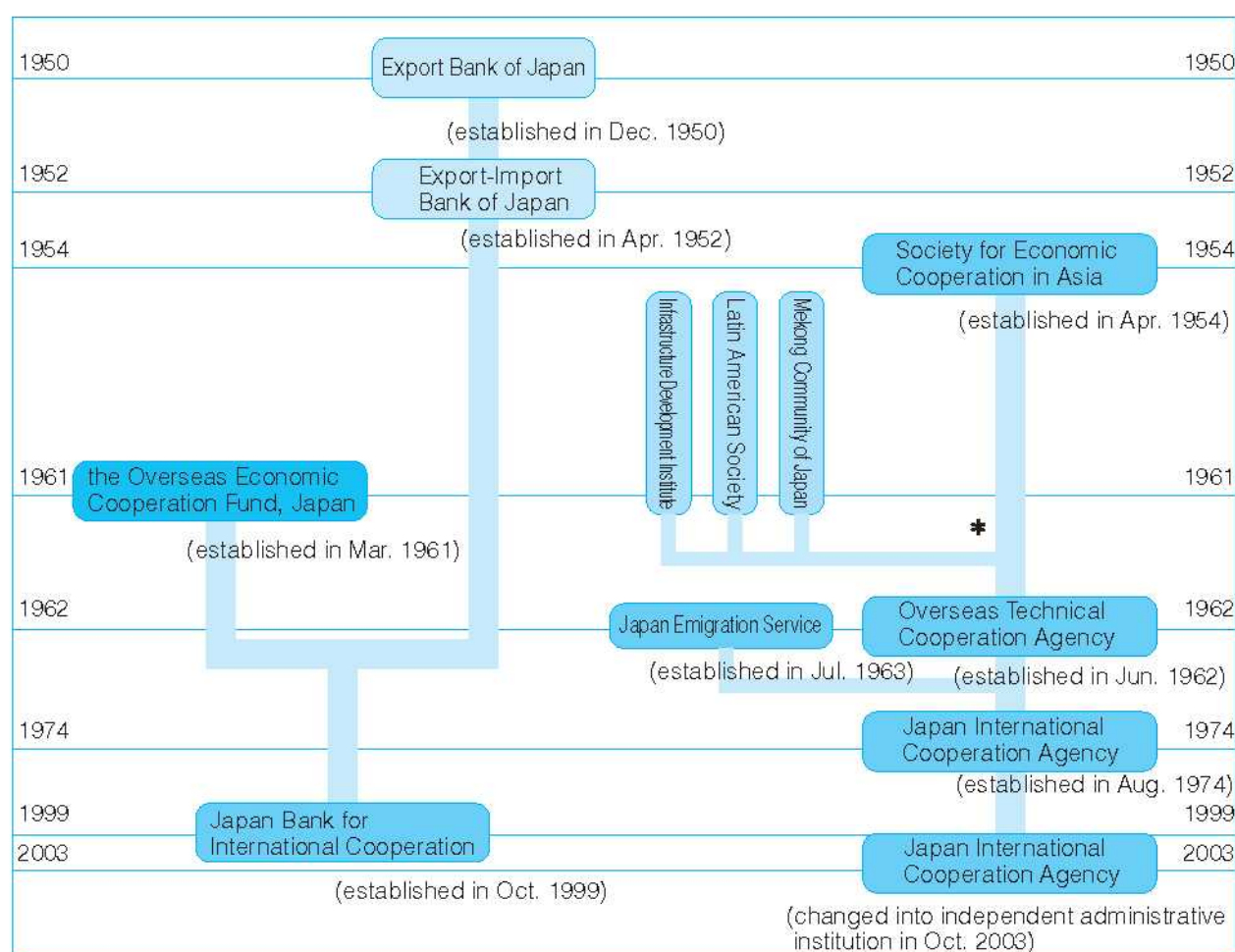
Japan's aid implementation systems were gradually developed in line with the start of such provision of reparations and aid. First, the Society for Economic Cooperation in Asia was established in 1954 as the implementation agency for technical cooperation, in addition, the Reparations Division and the Asian Affairs Bureau were established in the Ministry of Foreign Affairs (MOFA) in 1955. Meanwhile, then Prime Minister Kishi announced the Asian Development Fund Foundation Plan¹³ in 1957. This plan itself never materialized, but it was against such background that the Overseas Economic Cooperation Fund (OECF) Law was enacted in 1960, and the OECF was established in March 1961 as the implementation agency for Yen loans.

In the process of Japan's ODA becoming full-fledged, the Council for Foreign Economic Cooperation (CFEC)¹⁴ was established in 1961 as an advisory body to the prime minister; the Economic Cooperation Bureau was established in MOFA in 1962; and in the same year, the Overseas Technical Cooperation Agency (OTCA) was founded. OTCA was the predecessor to the Japan International Cooperation Agency (JICA).

The development of aid implementation systems also progressed in foreign countries during this period. In the United States, for example, the United States Agency for International Development (USAID) was established in 1961 in line with the enactment of the Foreign Assistance Act, and in West Germany, the Ministry for Economic Cooperation was established. This was also a period when Japan, while developing its domestic implementation systems, actively participated in the activities of international organizations as a donor country. In March 1960, Japan joined the Development Assistance Group (DAG), and in 1961, when DAG was reorganized and became the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD-DAC), Japan joined as one of the founding member countries.

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12. The Present Conditions and Problems of Economic Cooperation by the Ministry of International Trade and Industry (MITI) in 1959 regarding Japan's first yen loan in 1958 also explains that the yen loan to India was a measure to promote export recovery: "India is Japan's biggest capital goods export market in Southeast Asia [...], and Japan has been investigating specific measures for achieving groundbreaking growth in export of capital goods to India since around 1957. Consequently, [...] the provision of yen credit was proposed as a method.
13. Plan to provide low-interest financing for economic development programs of Southeast Asian countries in addition to funds from other countries including the United States, the main donor. However, this plan failed to win the support of the United States and thus never materialized.
14. Later abolished by the Cabinet (Consolidation and Rationalization Plan for Deliberative Councils) in 1999.

Chart 1-11 Institutional Change of Implementing Agencies



* : Society for Economic Cooperation in Asia and Mekong Community of Japan were dissolved and contract works of Latin American Society and Infrastructure Development Institute were transferred to OTCA when OTCA was established.

Improving Japan's international position and strengthening its aid implementation systems

From the second half of the 1960s to the 1970s, the world entered a period of turmoil. The Vietnam War intensified; the United States announced dollar-defense measures including the discontinuation of gold-dollar convertibility (the Nixon Shock); and the First Oil Crisis occurred in 1973 on the occasion of the Fourth Middle East War. While the world economy especially in the United States entered a difficult phase, Japan's international position was rapidly improved. In line with this trend, Japan's assistance had gradually transitioned from assistance centered on atoning for the war. While quanti-

tatively expanding its ODA, Japan strived to diversify its framework of assistance.

Also due to the influence of changes in exchange rates to the amounts of assistance, Japan's ODA disbursement increased ten-fold from 115.8 million dollars in 1964 to 1.149 billion dollars in 1976. In 1972, Japan came to rank fourth among DAC countries, above the United Kingdom (in 1973, Japan's Gross National Product (GNP) was 412.5 billion dollars, second highest among DAC countries).

As for the framework of assistance, Japan strived for diversification, starting to provide food aid in 1968¹⁵ and general grant aid in 1969, while expanding the conventional

15. Also called KR aid. In the Kennedy Round of negotiations on the General Agreement on Tariffs and Trade (GATT) of 1967, it was agreed to establish a plan for food aid using grains within the framework of the Grain Agreement and to implement, under international coordination, aid that would not have a negative influence on the agricultural production or trade of developing countries themselves.

Next year, 2005, heralds the 40th anniversary of the foundation of the JOCV. The JOCV is an organization founded based on recommendations by youth groups and young Diet members. Under the JOCV system, young Japanese men and women aged 20-39 stay in a developing country generally for two years. They cooperate toward achieving the social and economic development of the country in fields such as agriculture, fisheries, health care, and education and culture, while living and working with its people. Since the first group of five JOCV members was dispatched to Laos in 1965, more than 25,000 have been active to date in 78 countries. This program has as its departure point the will of young people to provide cooperation to assist development of developing countries. As its high visibility indicates, it has won high praise both domestically and overseas as a true model of public participation-type aid.

JOCV members, working hard with the inhabitants of developing countries, are able to respond in detail to

the needs in the field. In addition, they can play a role as bridge to further cooperation, by directly grasping the issues of the countries' inhabitants. The members also contribute to promote mutual understanding between Japan and developing countries. Teaching volunteers convey the situation of JOCV activities to Japanese school-children, and the members returned to Japan provide continuing cooperation to recipient countries through NGO activities and so forth. From these perspectives, it is fair to say that JOCVs really contribute to the citizens of Japan and developing countries becoming "true friends."

Moreover, JOCVs returned to Japan also return both domestically and overseas the experience they have gained through the activities. This is a major feature of this program. Former members naturally have the potential to become valuable human resources in the field of international cooperation. And the stage of their activities after returning to Japan has come to widen more and more.

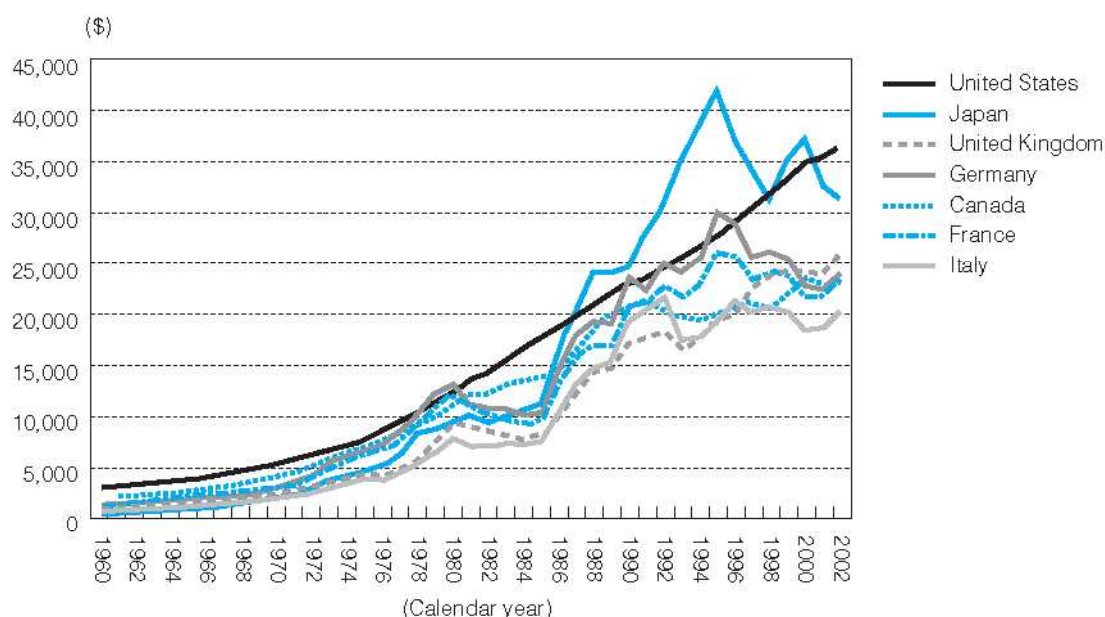
The JOCV program with this kind of deep significance has received support from various people in Japan. The circle of support for this program is widening, through measures such as companies and local governments developing systems enabling people to participate in the JOCV while keeping their present jobs, provision of help for activities of JOCVs going out into the field for a short term, contribution of materials necessary for activities in the field, citizens providing donations and so forth. Meanwhile, more than 20,000 former members themselves form the core group having deep understanding of and demonstrate strong support for the program.



First-term JOCVs about to depart from Haneda Airport

(Photo: JICA)

Chart I -12 Trends in GDP Per Capita in Major DAC Countries



Source: Cabinet Office, World Economic Trends (Autumn Report in 2003)

framework of project-type loans and starting two-step loans¹⁶ in 1966 and commodity loans¹⁷ in 1968. Meanwhile, in 1965, the Japan Overseas Cooperation Volunteers (JOCV) were founded, incorporating in aid the perspective of public participation and Japan's assistance came to be widely expanded and improved.

In 1974, OTCA and the Japan Emigration Service integrated and became JICA,¹⁸ having become an independent administrative institution at present. In 1975, development of aid implementation systems progressed through measures such as clarifying the allocation of roles and duties between the OECF and the Export-Import Bank of Japan (EIB).¹⁹ In

these ways, Japan made efforts to improve the quality of its aid.

Departing from trade promotion

From the 1970s, expansion of Japan's export gradually receded as the objective of its assistance.

In the 1960s, Japan had come to the period of rapid growth, and by the end of that decade, there were less needs for linking ODA to export promotion. Furthermore, the DAC Peer Review Japan in 1969 recommended that Japan should abolish tied aid. In response, it was decided in 1972 on approval by the Cabinet of the Law for Special Measures for

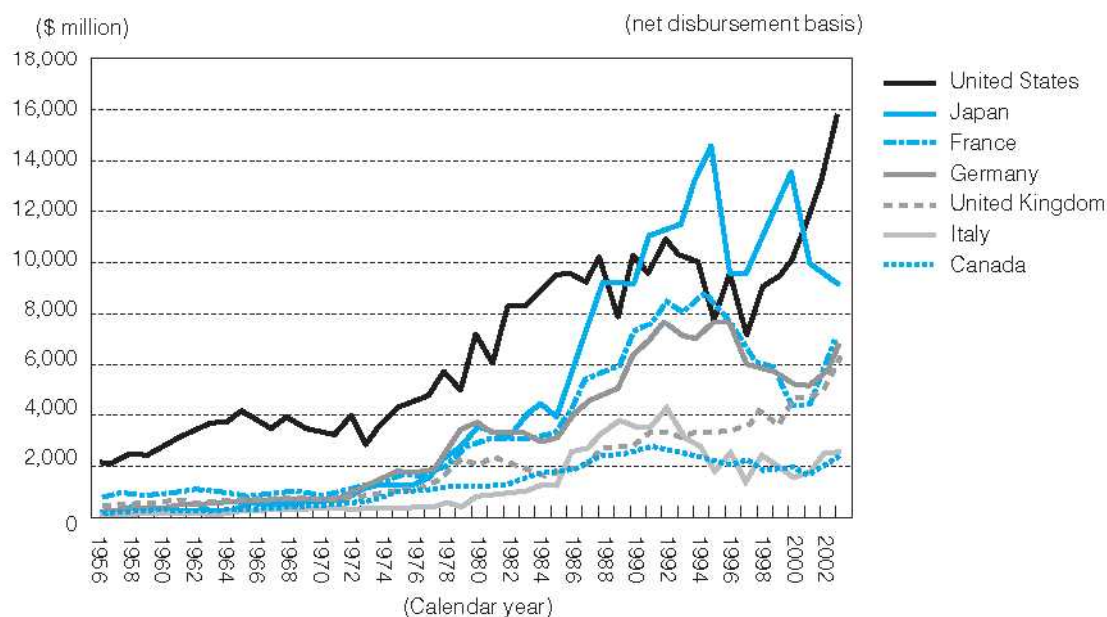
16. Development finance loan. Loan provided through a development finance organization established in the borrowing country for providing financial support to SMEs, farmers, associations etc. in developing countries.

17. Using to purchase commodities having been agreed in advance, for the purpose of supporting the borrowing country's balance of payments and stabilizing the domestic economy. Because of this purpose, the lending period is shorter than in project-type loans (usually two years).

18. JICA was established as an aid implementation agency for providing technical cooperation, managing the JOCV, extending necessary financing to related facilities accompanying each kind of development program of private companies, ensuring lending security, operating overseas emigration services and securing human resources.

19. Coordination of the fields of duties of the OECF and the EIB was achieved in the form of setting a grant element of 25% as the boundary and allocating those with concessional nature of more than that to the OECF as ODA, while allocating those with less than that to the EIB (JBIC, History of the Overseas Economic Cooperation Fund Japan, p.31).

Chart I -13 Transition of ODA Disbursement of Major DAC Countries (1956-2003)



Source: DAC press release, 2004, DAC Journal: Development Cooperation 2003 Report

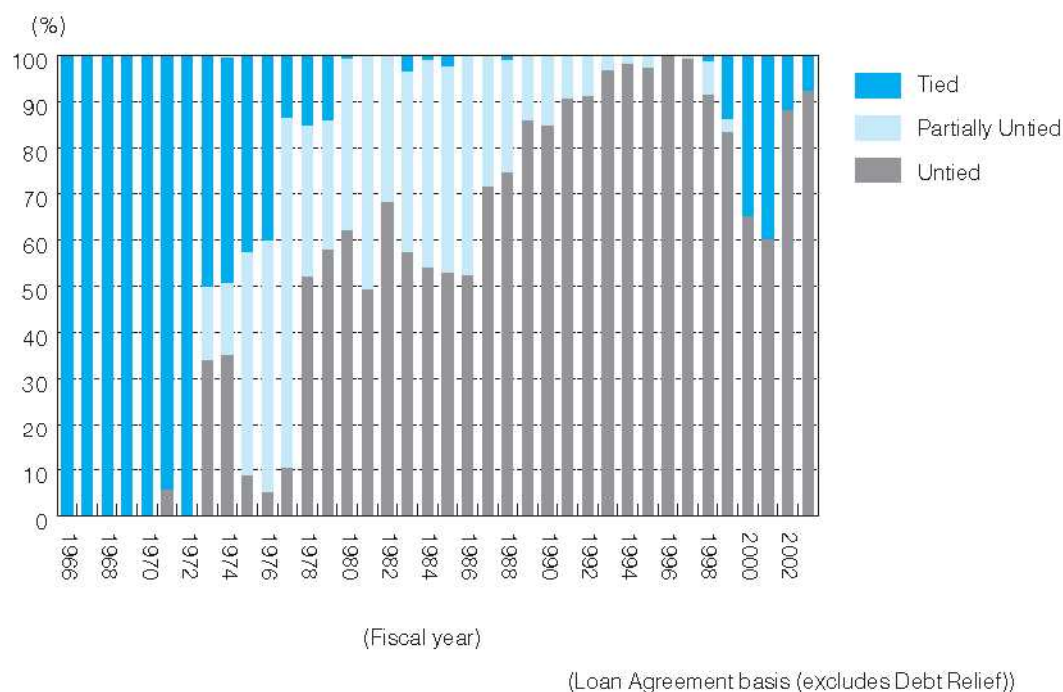
Notes: (1) Excludes assistance to Eastern Europe and graduated countries.

(2) US figures for 1991-92 exclude military debt relief.

(3) Figures for 2003 for the major donors except Japan are estimates.

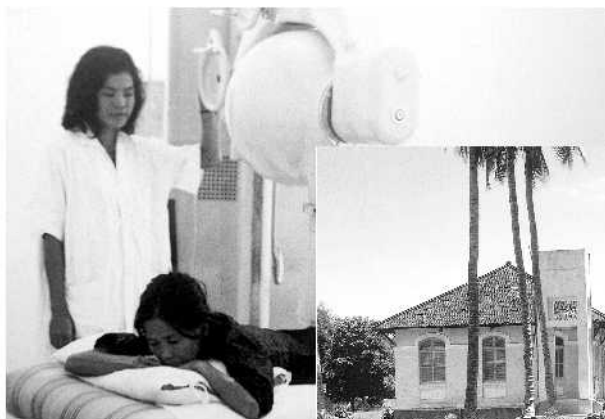
(4) Due to subsequent revision, the above data do not necessarily correspond to the figures at the time of publication.

Chart I -14 Transition of Qualification for Procurement of Yen Loan



Note: Partially Untying (LDC Untying): To supply the goods or services by aid fund from donor countries ("Japan" in case of Yen Loan) or all developing countries. In this case, the goods or services cannot be supplied from other advanced countries (developed countries excluding "Japan" in case of Yen Loan).

Hospital in Batdambang Province in Cambodia. Cooperation began in 1964 based on the Japan-Cambodia Agreement on Economic and Technical Cooperation of 1959. This medical center is also called the Japan Hospital.



A medical examination



Mongkol Borei medical center
(before restoration)



The experts dispatched at that time

Coordinating the Overseas Economic Relations that Yen loans would be untied. Subsequently, progress was made in untying Yen loans, and since 1980s, almost 100% of them have been untied. Due to the influence of the special yen loans²⁰ introduced in line with the Asian Economic Crisis in the second half of the 1990s, the untied rate fell temporarily. However, Japan's untied aid rate is higher than average even among DAC countries.

The focus of Japan's assistance in this period was placed on Asia. And bilateral assistance formed its core, but as already mentioned, this was linked to the background of Japan's assistance starting from the provision of reparations and economic cooperation in tandem therewith. Since the second half of the 1960s, Japan's assistance has also come to be promoted in the form of international collaboration. For instance, the Ministerial Conference for the Development of Southeast Asia, advocated by Japan, was held in 1966.

Furthermore, Japan played a key role in the establishment of the Asian Development Bank (ADB). In the second Annual Meeting of the ADB in 1969, then Minister of Finance Takeo Fukuda announced that Japan would double its assistance to Asia within five years. Thus Japan strengthened its stance of placing emphasis on Asia. Such economic cooperation to Asia contributed greatly to building the infrastructure for Southeast Asia's economic development as part of a three-pronged approach at that time that also included develop-and-import schemes and investment activities.

Section 2 Systematic Expansion Period (1977-1991)

End of reparations payment and systematic expansion of assistance

In July 1976, Japan's payment of reparations ended upon

20. Loans in which the main contract is tied in principle, under a system introduced for realizing economic structure reforms for Asian countries that had experienced the impact of the economic crisis, also aiming to expand the business opportunities of Japanese companies.

Chart I -15 Outline of Medium-Term Targets (1st to 5th)

	Period (Western calendar)	Main contents
1st Medium-term Target (formulated in July 1978)	1978-1980	Doubling the ODA disbursement of \$1.42 billion of 1977 by 1980
2nd Medium-term Target (formulated in Jan. 1981)	1981-1985	Making the overall ODA disbursement for 1981-1985 double that of 1976-1980 (approx. \$10.68 billion) or more
3rd Medium-term Target (formulated in Sept. 1985)	1986-1992*	Making the overall ODA disbursement for 1986-1992 \$40 billion or more (to this end, making the ODA disbursement for 1992 double that of 1985 (\$3.80 billion) or more)
4th Medium-term Target (formulated in June 1988)	1988-1992	Making the overall ODA disbursement for 1988-1992 double or more than that of 1983-1987, \$50 billion or more
5th Medium-term Target (formulated in June 1993)	1993-1997	Making the overall ODA disbursement for 1993-1997 \$70-75 billion

* Since it was decided in 1987 to bring forward the target term by two years and the target of doubling ODA was almost achieved in 1987 (disbursement of 7.45 billion dollars) due to factors such as the exchange rate, the 4th Medium-term Target was newly established in 1988.

finally completing payment to the Philippines, and then Japan's ODA entered a new era.

In the mid-1970s, Japan's ODA plateaued due to a worsening of financial conditions and other factors as a result of the oil crisis. However, in accordance with expansions in Japan's economic power and its balance of payments surplus, international expectations regarding Japan's ODA had risen. Meanwhile, on the end of reparations of the war etc., calls were growing also in Japan for the expansion of ODA and the promotion of economic cooperation truly from the standpoint of developing countries.²¹ In order to respond to such domestic and overseas expectations, Japan announced in 1977 Fukuda Doctrine for doubling ODA in five years. However, based on factors such as subsequent appreciation of the yen, Japan formulated the First Medium-Term Target of ODA-aimed at doubling ODA in three years-in July 1978, which Prime Minister Takeo Fukuda announced at the Bonn Summit. Five

medium-term targets such as this were subsequently formulated, becoming the driving force of the steady quantitative expansion of ODA. These were government-level declarations of intention toward international community about ODA quantity containing specific figures, which were not formulated by other advanced countries at that time. They had a systematic significance in the field of international cooperation, indicating the positive stance of Japan, which positioned ODA as an important pillar of international contribution.

In addition, to address the problem of accumulated debt of developing countries, which was one of the major issues for the world economy at that time, expansion of the circulation of funds to developing countries including financial cooperation other than ODA was also conducted. And in 1987, the Japanese government announced the Financial Recycling Scheme.²² Through these measures, Japan's ODA achieved significant expansions from the end of the 1970s through the

21. In this period, Japan's economic advance into Southeast Asia was remarkable, but expansion in the imbalance of trade and the explosive private-sector advances became over-presence and then brought out distrust in Japan, intensifying anti-Japan sentiment and movements. As a contribution to respond to such distrust, the necessity for ODA-based financial cooperation started to be recognized. In addition to the necessity for expansion of ODA as a strategy for Asia, particularly ASEAN, Japan came under pressure to strive for a systematic expansion of ODA from a more comprehensive perspective, as the international community requested Japan to expand its assistance so that it became commensurate with its economic scale, due to the dramatic expansion in the trade surplus.

22. Plan in which, in 1987, then Prime Minister Yasuhiro Nakasone pledged and announced "Financial recycling scheme of \$30 billion," which combined \$20 billion for developing countries, included in the emergency economic measures published in May of that year and \$10 billion, carried out through international organizations since 1986. Subsequently, \$35 billion was added at the Arche Summit of 1989, and expansion to more than \$65 billion over five years was declared (of which, more than \$10 billion was provided through the OECF and the Export-Import Bank of Japan to countries to which the New Debt Strategy was applicable such as the Philippines and Mexico). In the end, \$67.2 billion was disbursed by 1992, achieving the declared numerical target (JBIC, History of the Overseas Economic Cooperation Fund Japan, p. 51).

1980s. Among DAC countries, Japan moved ahead of West Germany to third position in 1983 and ahead of France to second in 1986.

In addition to the Japanese assistance's quantitative expansion mentioned already, its quality had also improved in this period. Disaster Emergency Assistance, Cultural Grant Aid, and Grant Aid for Increase of Food Production started in 1973, 1975, and 1977, respectively, while in 1986, Structural Adjustment Loans (SAL) with the World Bank were started by the OECF. Evaluation of ODA was started in 1975, focusing on ex-post evaluation of individual projects, while publication of the Annual Evaluation Report on Japan's Economic Cooperation began from 1982.

In providing information to the public regarding ODA, the first issue of Japan's Official Development Assistance, the predecessor of the present ODA White Paper, was published in 1984, and it has been published annually since that year.

Regarding improvement in the quality of assistance, the distortions of cultivation of an overemphasis on economic development became evident in many developing countries aiming to break away from underdevelopment and poverty, while the challenges regarding both

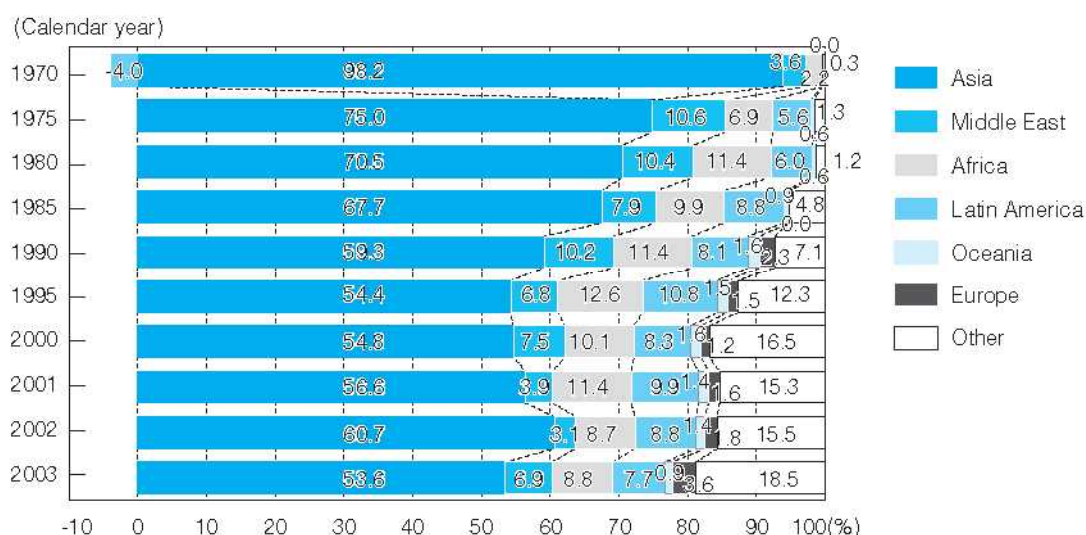
environmental conservation and human rights protection came to be recognized. Particularly in the beginning of the 1980s, criticism increased that due consideration about problems was lacking in development programs advanced with the support of international organizations and developed countries, while various guidelines were formulated in the OECD-DAC regarding consideration for the environment in implementation of assistance. Subsequently, while promoting to consider adequately the environment on the developing country side, the OECF formulated the Guidelines for the Consideration of the Environment in October 1989 with the objective of inves-



Project in the Middle East region in the 1980s

(Second Bosphorus Bridge: Turkey)

Chart I-16 Trends in Japan's Bilateral ODA by Region



Notes: (1) ODA to Europe since 1990 includes that to Eastern Europe.
 (2) Figures are negative when amount to be disbursed in loans exceeds amount of repayment.

tigating and checking this issue more effectively and efficiently.

Meanwhile, due to the expansion of ODA and the changes in the international economic situation, the contents and priority areas of Japan's assistance diversified more in this period. In line with the increase in the number of countries receiving assistance, Japan's ODA shifted from its complete focus on Asia until then and increased its share for the Middle East, Africa, Central and South America, and the Pacific region. The first oil shock of 1973, in particular, triggered awareness of the importance of the Middle East region for Japan. Consequently, since then, economic cooperation for the Middle East region has been expanded significantly. The share of the Middle East region in bilateral ODA moved from 0.8% in 1972 until it reached 24.5% in 1977. Subsequently, because of factors such as the stabilization of oil supply and changes in the Japanese structure of energy consumption, the share of the Middle East region hovered at about 10% through the 1980s.

Expansion of assistance for field of basic human needs

In the context of the trends in international assistance at that time, the objective of meeting basic human needs (BHN) was emphasized.

Since the mid-1960s, because the development of developing countries could not make the desired progress, and dissatisfaction with the situation came to be expressed on the side of developing countries, moves increased to review the assistance provided until then, in which economic growth was prioritized. The Pearson Report,^{*1} published in the Annual Meetings of the International Monetary Fund (IMF) and World Bank Group in 1969, and the Tinbergen Report^{*2} of 1970 launched the philosophy of placing emphasis on support for the BHN field, which advocates sustainable improvement of the welfare of individual as the ultimate goal of development. Meanwhile, then President of the World Bank Robert McNamara set forth the definition of "absolute poverty" in 1973, while proposing a development strategy aimed at reduction of poverty. The trend in international assistance shifted

from assistance placing emphasis on the economic growth to assistance oriented toward measures for poverty reduction in developing countries.

Drawing upon this shift in the international trend of assistance, Japan, too, expanded assistance for BHN and assistance for human resources development.

In 1979, then Prime Minister Masayoshi Ohira made a speech on Japanese assistance's strategy of placing emphasis on human resources development at the Fifth General Assembly of the United Nations Conference on Trade and Development (UNCTAD), announcing that assistance for the BHN field would be actively conducted. In addition, the rate of support for the BHN field, comprised of agriculture, forestry and fishery, education, social infrastructure, welfare, health care, food assistance, and emergency assistance, was about 10% until 1977, but rose to 23% in 1978, and had been hovering in the 20-39% range since then.

Meanwhile, the first oil shock reminded people of the aspect of securing natural resources including oil as an objective for assistance. This lesson gradually led to the strong recognition of the interdependent relationship with developing countries.

Movement to systematize the philosophy

In the 1980s, a movement to systematically compile the philosophy of Japan's ODA had emerged. This was because, in line with the completion of payment of reparations in 1976 and the quantitative expansions of Japan's ODA, it was indispensable to require the understanding of the public regarding why the assistance for developing countries was necessary.

In such circumstances, MOFA compiled under the editorship of the Director General of the Economic Cooperation Bureau a report entitled "Economic Cooperation: Present and Future--North-South Problems and Development Assistance." This report calls for the establishment of a philosophy of assistance based on economic security in the broad sense and considers Japan's economic cooperation not only as an international responsibility but also for a special significance because of the international environment in which Japan is placed. The report mentions the following two points.

*1 Pearson Report

Based on a request by then President of the World Bank Robert McNamara, former Prime Minister of Canada Lester Pearson created and chaired a seven-member commission, which produced this report relating to the development strategy in the 1970s. Published at the annual meeting of the World Bank and the IMF in 1969, it recommended the target of making ODA 0.7% of GNP and the target regarding conditions for the provision of loans.

*2 Tinbergen Report

Report in which the UN Committee for Development Planning, by Dutch economist Jan Tinbergen, set out the desirable form of development in the 1970s. Recommended and proposed the "Second UN Development Decade."

- (1) Only in the context of world peace and stability can Japan secure its survival and prosperity. Furthermore, for Japan, a peaceful country, the policy of providing economic support is the only positive means.
- (2) Japan, with few natural resources, must place emphasis on trade for securing imports of natural resources, and the interdependent relationship between Japan and developing countries is extremely deep. Maintaining friendly relations with these countries is extremely important for Japan's economic development.

In 1980, "the Philosophy of Economic Cooperation :Why Official Development Assistance is Necessary," a paper compiled by the Economic Cooperation Research Association which was organized by a working-level official of MOFA, raised two points as the basic philosophy of the Japanese economic cooperation-humanitarian and moral considerations, and awareness of interdependence. Furthermore, it stresses that Japan faces more needs than other developed countries for actively promoting assistance for developing countries because of the unique Japanese position particularly as (1) a peaceful nation; (2) a major economic power continuing to develop in the future; (3) having an extremely high level of economic dependence on foreign countries; and (4) having a position of drawing special expectations from developing countries as a modern non-western state.

Meanwhile, in the same period, the Policy Research Association²³ of then Prime Minister Ohira took up economic cooperation for developing countries from the perspective of comprehensive security. A report submitted in 1980 took the position that the stable development of North-South relations was particularly important for Japan, and stated that Japan had to play a major role in the development of developing

countries as part of efforts for comprehensive security and establishment of order between North and South, making the following points regarding economic cooperation.

- (1) For advanced industrial nations including Japan, contributing to the domestic development of Southern countries by promoting economic cooperation and assistance, and maintaining and strengthening friendly and mutually beneficial relations with these countries through this contribution is an extremely important issue. Since Japan is a peaceful country, expected to have more economic growth in the future, and has an extremely high level of foreign dependence for natural resources and energy, it must-more than other advanced countries-be active in providing economic and technical cooperation.
- (2) Economic cooperation is a central policy for Japan in developing long-term friendships with countries that are politically and economically important, and it is the only positive means Japan can take in international relations.
- (3) Developing countries expect highly to learn from the experiences of Japan, achieved modernization in a little less than 100 years with a background completely different from the West both culturally and racially. For this reason, playing a major role in establishing an order between North and South is Japan's historical mission.

Movement for structural adjustment

In development theory in the 1980s, structural adjustment loans (SALs) of the World Bank became the mainstream. The oil shocks that occurred twice in the 1970s led to the start of SALs. The second oil shock, in particular, worsened the economic situations of many developing countries noticeably. After Mexico announced firstly that it was stopping the payment of debt in 1982, Nigeria and the Philippines in 1983, and Brazil in 1987, announced that they were stopping the payment of medium and long term debt to private banks. By doing so, developing countries-mainly in the countries of Central and South America-had fallen into a debt crisis.

For rescuing these developing countries, project-type assistance or assistance for securing liquidity over the short-term to respond to the temporary worsening of the finances of developing countries alone was insufficient. And international organizations came to recognize the necessity for support for



Site of construction of Educational and Cultural Center Egypt, 1987
(Photo: JICA)

23. As the Policy Research Association of Prime Minister Ohira, more than 200 experts conducted research regarding nine themes, and compiled their results into a report.

In November 1991, the Overseas Economic Cooperation Fund (OECF; at present JIBC) presented at regular policy consultations with the World Bank a paper entitled "Issues Related to the World Bank's Approach to Structural Adjustment: A Proposal from a Major Partner" ("the Shimomura Paper"), raising important problems regarding the desirable form of the SALs that the World Bank had introduced in 1979.

When the cumulative debt problems of developing countries worsened by the second oil crisis of 1979, the World Bank provided support for international balance of payments (structural adjustment loans) conditioned on policy changes in these countries. In this context, Japan also recognized the necessity for such support, and started to provide through the OECF co-financing for World Bank SALs from 1986, extending in the subsequent period until fiscal year 1991 approximately 450 billion yen in support in total.

On their execution, SALs were given borrowing conditions called "conditionality." These conditions were based on the neoclassical school of economic theory, placing emphasis on market principles. To be specific, implementation of policies of trade liberalization and privatization are set as the conditions for loans, while aiming to improve the economic structure of loan recipient countries and stabilization of their economic conditions through implementation of these policies are set as the objective. However, some recipient countries cannot yet prepare the ground for adopting policies of trade liberalization and privatization. Among them, there are also some countries in which execution of policies based on conditionality led rather to confusion, increases in domestic poverty and the disruption of rising inflation.

Japan, based on the consistent stance of placing emphasis on the self-help efforts of developing countries themselves, had provided developing assistance while giving full consideration to the domestic conditions of individual developing countries in the implementation of individual projects. Furthermore, from the experience of Japan itself and the development experiences of Asia, Japan had come to recognize that the concept of conditionality associated with the SALs of the World Bank was not suited to the actual economic and social conditions of developing countries.

The Shimomura Paper acknowledged the point that promotion of efficiency in distribution of resources through market principles—which forms the background to the concept of conditionality—is important in economic policy. However, it also pointed out that policy emphasizing only that point lacks balance, and—contrary to its intended effect—loses the significance of introduction of market principles. It gave consideration to not only promoting deregulation and liberalization and privatization of trade, but also the possibility of exerting a disadvantageous effect on the socially weak by pursuing economic efficiency, while raising the problem of the necessity to conduct policy assessment from a balanced, long-term perspective that maximizes the welfare of society as a whole.

After its publication, the Shimomura Paper was read not only by the World Bank but also by many people involved in development, casting the first stone in the debate regarding review of SALs. It led to a movement within the World Bank to seek improvement of SALs, as well as one to reconsider the desirable form of development, questioning what should be done to achieve the sustainable development of developing countries.

Subsequently, the arguments of Japan, which placed emphasis on aspects such as the validity of the role of governments of developing countries, aroused further interest through the publication of "The East Asian Miracle" (1983), a report compiled by the World Bank in response to the initiative of Japan, disseminating a tolerant position on economic policy that differed from neoclassical economics.

the stabilization of macro-economies over the long term and to make this sustainable. Acknowledging such a situation, the World Bank, which had originally been a financing institution for development projects, decided in 1979 to start non project-type SALs as a new form of medium to long term development assistance including improvement of the economic structure of developing countries. Based on the recognition that economic efficiency should be promoted through small government and the power of free markets, SALs provide capital to developing countries fallen into a debt crisis, on condition that they tackle the economic structural problems that form the background to the debt problems, fiscal deficits, difficulties in international balance of payment etc. facing them (conditionality).

World Bank SALs, for which the provision of credit by the IMF was positioned as a condition, advanced structural adjustment in an integrated manner between the IMF and the World Bank. The World Bank established a special fund in 1985 targeting the countries of Sub-Saharan Africa, for which the burden of debt repayment is particularly heavy and the

economic structure particularly weak, appealing to advanced countries for concerted lending. In response to this appeal, Japan first provided SALs from the OECF as concerting lending with the World Bank in 1986. Furthermore, since then, Japan has also collaborated with the ADB, the Inter-American Development Bank (IDB), and the African Development Bank (AfDB). By doing so, at the end of 2003, Japan had provided 78 cases of Yen loans in total amounting to 967.6 billion yen.

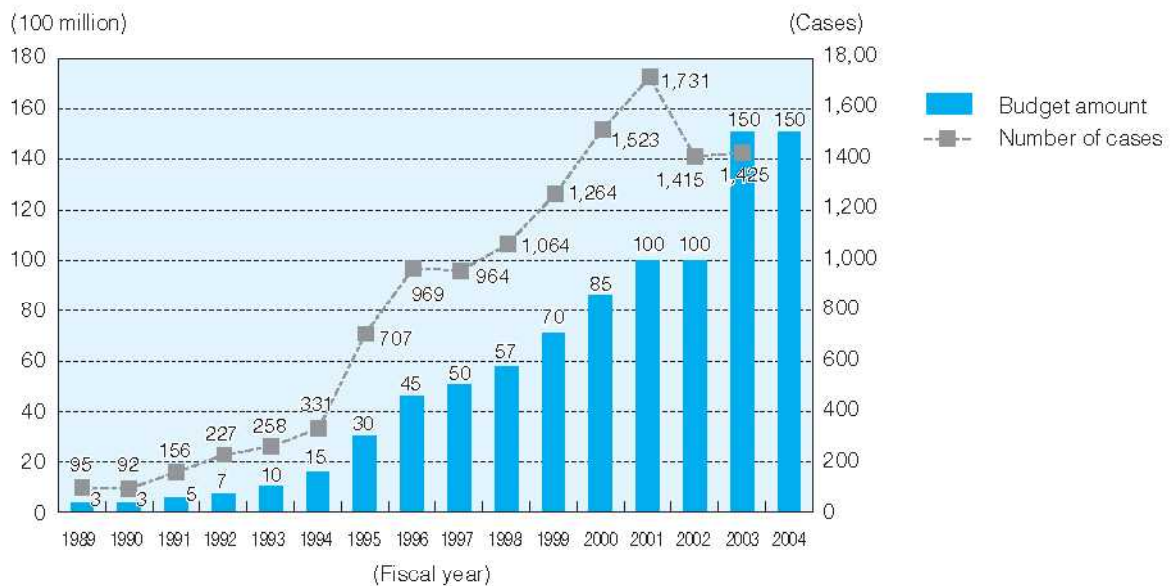
However, compared to international development theory of that time, which favored small governments, Japan's development philosophy was different in that it placed more importance on the role of the government in development. Through an OECF paper²⁴ of 1990, Japan declared to the international community its unique policy, based on the experience of the economic development of East Asia. Subsequently, as it became clear that World Bank SALs could not yield the desired effect, the philosophy of the international community including the World Bank, shifted its focus to institutions such as governments (governance etc.). Amid such changes, the philosophy of Japan, consistently placing emphasis on the role



The first GGP, Constructing Project for Shanxi-Sheng Jingbian-Xian Donghang-Chuzhong Junior High School FY1996: China. Top: Old school building
Bottom: New school building

24. "Issues Related to the World Bank's Approach to Structural Adjustment: A Proposal from a Major Partner," presented at a regular meeting with the World Bank in 1991.

Chart 1-17 Budget and Cases of Grassroots/Human Security Grant Aid



Note: Grassroots/Human Security Grant Aid started from 1989 as SSGA, and became GGP in FY1995. In FY2003, it became Grassroots/Human Security Grant Aid.

of governments, had a steady influence in the international community.

Becoming top donor by total amount among DAC members

Based on repeated medium-term targets, Japan strived to expand its ODA. Consequently, in 1989, the amount of expenditure on ODA came to 8.97 billion dollars, as Japan moved ahead of the United States for the first time to become the world's top provider of assistance. In the 1990s, Western countries also had "aid fatigue" after the end of the Cold War, and the ODA amount of the entire world showed a trend of reduction.²⁵ However, Japan steadily increased its ODA budget even from 1989, while in the 10 years from 1991 to 2000, it provided approximately 20% of the total amount of ODA supplied by DAC members, becoming literally the world's top donor.

The Japanese amount of ODA reached an historical high level in 1995-14.489 billion dollars on a net disbursement basis. ODA budget in the general account also increased every fiscal year compared to the previous year until 1997.

Start of grassroots assistance

Along with the diversification of demand for aid in developing countries, it was required to extend assistance that is small in scale and mobile. As a result, grassroots assistance started in the second half of the 1980s. The Small Scale Grant Assistance (SSGA) scheme, targeting non-governmental bodies (Non-Governmental Organizations (NGO), local public authorities, schools, hospitals etc.) that carry out grassroots-level development projects, and the NGO Project Subsidy scheme, for development cooperation activities conducted in developing countries mainly by Japanese NGOs that assisted with part of project costs, were established in 1989. SSGA made it possible to implement small-scale tasks that had been difficult to address in the past. It earned high praise from various directions as fine-tuned assistance that gives direct benefit at grassroots level. Meanwhile, the time required for the approval of items is reduced to the minimum by prompt and accurate responses by Japan's foreign diplomatic missions, which have a thorough knowledge of various local circumstances. Every year, SSGA has expanded in scale. In fiscal year 1995, it was renamed Grant Assistance for Grassroots Projects (GGP). In fiscal year 2003, it was expanded to Grassroots/Human Security Grant Aid, in order to reflect more strongly the philosophy of human security.

25. The overall ODA disbursement of DAC members as a whole fell from \$53.8 billion in 1992 to \$47.7 billion in 1997.

Section 3

Substantial Policy and Philosophy Shaping Period (1992-2002)

Formulation of the ODA Charter

Japan had made efforts to systematize its philosophy of assistance in response to ODA's quantitative expansion and its heightening position and increasing responsibility in the international community. Entering the 1990s, Japan was so much more required to clearly express the policy and view of assistance domestically and abroad.

During the Gulf War of 1990, Japan contributed a total of 13 billion dollars, consisting of 2 billion dollars in 1990 and additional contributions until 1991. Consequently, discussions within the country arose on the desirable form of Japan's international contribution after the Cold War. Particularly, in relation to ODA, the issue of assistance and democratization of recipient countries, as well as relationships between such aspects as policies of assistance and for human rights, that of military expenditures or arms export and import attracted attention both in Japan and abroad. Regarding these issues, the government adopted the Four Key Principles for implementing ODA²⁶ in 1991 and clarified Japan's aid policy.

Moreover, in order to accurately meet the diversification of assistance needs, it is essential to establish clear philosophies and principles, to increase understanding both in Japan and abroad and to gain broad support. In this regard, Japan adopted the ODA Charter, which summarizes medium and long-term aid policy comprehensively, at the Cabinet in June 1992, in line with the Four Key Principles. As well as international trends in assistance, the ODA Charter spelled out the following four points as basic philosophies of assistance, determined based on Japan's uniqueness and positive attitude in light of the history, record, experience, lessons, etc. of Japan's ODA: (1) humanitarian viewpoint, (2) recognition of interdependence, (3) environmental conservation, and (4) support for the self-help efforts of developing countries towards their take-off. In addition, the ODA Charter specified Asia as the priority region while it listed such areas as the approach to the global problems, assistance to the BHN sector, human resources development, infrastructure improvement and structural adjustment, as priority issues. It also specially noted the intensification of policy dialogues, consideration to

the socially weak including women and children and to redressing the gap between the rich and the poor, injustice and corruption and so on, as well as clarifying the idea of promoting information disclosure.

In this way, it had great significance for the history of Japan's assistance that Japan actively presented its own aid policy, including relationships between assistance and military expenditure, democratization, etc., to the international community in the form of the ODA Charter. This presentation was on the basis of its own achievements and experience in its nearly 40-year history of assistance to developing countries, while recognizing the changing times heralded by the end of the Cold War. Since then, Japan has strengthened political responses in ODA and enriched its aid policy in line with the philosophies indicated in the ODA Charter.

Strengthening Policy Formulation of Japan's Regional and Country Assistance

Entering the 1990s, Japan had strengthened political responses in region/country-specific assistance policies.

Representative examples of the region-specific ones are promotion of development cooperation for Africa through the TICAD process and active efforts for the development of the Mekong region mainly targeting new ASEAN members. In Africa, the rate of the population living in poverty is highest in the world, and conflicts, famine, infectious diseases, accumulating debts and other serious problems are concentrated there. Japan recognized the seriousness of African issues, and has provided support focusing on Grant Aid since the early 1990s for the poverty and social development sectors while taking active initiative in development cooperation for Africa in the international community. Concretely, when international interest in Africa waned along with the end of the Cold War, Japan held three TICAD meetings starting in 1993 (1993, 1998 and 2003) to rekindle the interest of the international community. Through these meetings, Japan advocated the importance of the self-help efforts (ownership) of African countries and partnership with the international community. And since Japan invited the leaders of African countries (South Africa, Nigeria and Algeria) to the Kyushu-Okinawa G8 Summit in 2000, chaired by Japan, and held the talks between African and G8 leaders, African issues has come to be one of the key agenda items of G8 summits. As a result of

26. The Four Key Principles stipulated that when implementing ODA, full attention should be paid to (1) recipient countries' military expenditures, (2) their development and production of mass destruction weapons and missiles, (3) their export and import of arms, etc., and (4) efforts to promote democratization and introduce market-oriented economy, and (5) the situation regarding the securing of basic human rights and freedoms in the recipient country.

such efforts, interest in African issues has risen significantly in the international community.

Regarding the development of the Mekong region, international interests increased after the stabilization of conditions in the Indochina region in the early 1990s. And from the very beginning of this trend, Japan provided active support to the region. Concretely, Japan promotes the construction of the "East-West Economic Corridor," a road crossing this area, and the "Second East-West Corridor," a road linking Bangkok, Phnom Penh and Ho Chi Minh City, through economic cooperation. Japan has also led international efforts, for example, by proposing the establishment of the "Forum for Comprehensive Development of Indochina" in 1993, while actively promoting collaboration with the ADB and other international organizations that implement a program for the development of the entire Mekong region (Greater Mekong Subregion (GMS) program). Even now, Japan continues to strengthen its cooperation. For example, Japan announced a new initiative for development of the Mekong region at the



The Mekong Bridge at present



Construction currently underway on the Second Mekong Bridge (scheduled to be completed in 2006)

ASEAN-Japan Commemorative Summit Meeting in December 2003.

Japan also enhanced country-specific assistance policies. In addition to conventional scheme-specific annual consultation, Japan started dispatching the comprehensive Study Mission for Economic Cooperation to major recipient countries²⁷ and had policy dialogues with them. And Japan has come to reveal medium and long-term country assistance policies for the various countries in the Annual Report²⁸ since fiscal year 1993. Subsequently, Japan has come to formulate country-specific assistance programs, which are more specific than country-specific assistance policies, in response to the agreement at the Board Meeting of the Council of Overseas Economic Cooperation-Related Ministers in 1998, which will be mentioned later.

When implementing assistance to each country, Japan has made political responses according to the principles of the ODA Charter, which correspond to the Four Key Principles for implementing ODA. Concretely, while actively promoting

favorable movements in relation to the Principles through assistance, if there are any such movements, and, conversely, if there are unfavorable movements in relation to the principles, Japan has firstly made diplomatic efforts, for example, requesting the recipient country to redress the situation, and then taken action as reviewing assistance to the relevant country through comprehensive judgment of the situation (more specifically, taking appropriate measures on a timely basis, including suspension of assistance). Let us cite some specific examples. Japan has urged Cambodia, which has been working on the democratization and the restoration and reconstruction of its devastated country since achievement of peace in 1991, to make diligent efforts for

27. Since fiscal year 1987, Japan has dispatched the mission to major recipient countries, such as the Philippines, India, Thailand, Indonesia, Bangladesh, Pakistan, Sri Lanka, Egypt and China.

28. Japan's Annual Report on Official Development Assistance: The report had been formulated annually from fiscal year 1992 to fiscal year 1999 and was developmentally integrated into Japan's Official Development Assistance White Paper in 2001.

various reforms of the government, as well as provided active support for democratization and reconstruction. And when China carried out nuclear tests in 1995, Japan froze all types of Grant Aid, except emergency/humanitarian assistance and Grant Aid for Grassroots Projects, from August of the same year.²⁹ After India and Pakistan carried out nuclear tests in May 1998, Japan took economic measures consisting of suspension of new Yen loans and new Grant Aid, except emergency/humanitarian assistance and Grant Aid for Grassroots Projects.³⁰

Strengthening Sector-Specific Assistance Policy

In addition to region/country-specific assistance policies, Japan also strengthened responses in sector-specific assistance policies through announcement and promotion of various sector-specific initiatives. In the 1990s, such global issues as the environment, population growth and infectious diseases attracted attention through the international conferences led mainly by the United Nations. Japan made clear its intention to work actively on such new issues by making use of ODA.

As for environmental issues, Japan has regarded them as problems for all mankind. The ODA Charter adopted by the Cabinet in 1992 listed the "approach to the global problems

Chart I -18 List of Sector-Specific Initiatives

	Sector-specific initiative	Related international conference
Basic education	<ul style="list-style-type: none"> ●Basic Education for Growth Initiative (BEGIN) (2002) ●Support in Education Sector to Low-Income Countries (2002) 	<ul style="list-style-type: none"> ●Kananaskis G8 Summit ●Kananaskis G8 Summit
Health care/ infectious diseases	<ul style="list-style-type: none"> ●Global Issues Initiative on Population (GII) and AIDS (1994) ●Global Parasite Control Initiative (Hashimoto Initiative) (1998) ●Okinawa Infectious Diseases Initiative (IDI) (2000) 	<ul style="list-style-type: none"> ●International Conference on Population and Development ●Birmingham G8 Summit ●Kyushu-Okinawa G8 Summit
Environmental conservation	<ul style="list-style-type: none"> ●Initiatives for Sustainable Development toward the 21st Century (ISD) (1997) ●Assistance to Developing Countries for Combating Global Warming (Kyoto Initiative) (1997) ●Environmental Conservation Initiative for Sustainable Development (EcolSD) (2002) 	<ul style="list-style-type: none"> ●United Nations General Assembly Special Session on Environment and Development ●Third Conference of the Parties to the UN Framework Convention on Climate Change (Kyoto Conference) ●World Summit on Sustainable Development (WSSD)
Water	<ul style="list-style-type: none"> ●United States-Japan partnership to Provide Safe Water and Sanitation to the World's Poor "Clean Water for People" Initiative (2002) ●Initiative for Japan's ODA on Water (2003) ●Japan-France Water Sector Cooperation (2003) 	<ul style="list-style-type: none"> ●World Summit on Sustainable Development (WSSD) ●Third World Water Forum ●Third World Water Forum
Support for democratization	<ul style="list-style-type: none"> ●Partnership for Democratic Development (PDD) (1996) 	<ul style="list-style-type: none"> ●Lyon G8 Summit
Conflict and development	<ul style="list-style-type: none"> ●Action from Japan on Conflict and Development (2000) 	<ul style="list-style-type: none"> ●G8 Foreign Ministers' Meeting in Miyazaki
IT	<ul style="list-style-type: none"> ●Comprehensive Co-operation Package to Address the International Digital Divide (2000) 	<ul style="list-style-type: none"> ●Kyushu-Okinawa G8 Summit
WID/gender	<ul style="list-style-type: none"> ●Women in Development (WID) Initiative (1995) 	<ul style="list-style-type: none"> ●Fourth World Conference on Women (Beijing Conference)
Sustainable development	<ul style="list-style-type: none"> ●Koizumi Initiative: Concrete Actions of the Japanese Government to be taken for sustainable development - Toward Global Sharing (2002) 	<ul style="list-style-type: none"> ●World Summit on Sustainable Development (WSSD)

29. Japan restarted Grant Aid in March 1997 after the implementation by China of a moratorium on nuclear tests since the last one in July 1996, and signed the Comprehensive Nuclear-Test-Ban Treaty (CTBT) in September of the same year.

30. These measures were suspended in October 2001 in consideration of the subsequent progress of the situation and the efforts of both countries.

such as environmental one" as the priority issues under the principle of "making environment and development compatible." Japan announced the Initiatives for Sustainable Development toward the 21st Century (ISD) at the United Nations General Assembly Special Session on Environment and Development in 1997 and strengthened its policy response to ODA in the environmental sector. Then this initiative developed into the "Environmental Conservation Initiative for Sustainable Development (EcoISD)," formulated for the Johannesburg Summit in 2002 to indicate the philosophy, policy and action plan of environmental ODA. In line with this initiative, Japan started providing cooperation in the priority areas (global warming, pollution control, fresh "water" issues and conservation of natural environment), based on three philosophies; human security, ownership and partnership, and simultaneous pursuit of environment conservation and development.

In particular, regarding efforts to address global warming, Japan announced the "Kyoto Initiative" as measures to support developing countries in addressing global warming, at the Third Conference of the Parties to the UN Framework Convention on Climate Change (COP3) held in Kyoto in 1997. In the context of implementation, Japan also made efforts to strengthen actions by introducing and expanding "Grant Aid for Global Environment"³¹ (fiscal year 2001) aimed at addressing environmental issues and Special Yen Loan Interest Rates for Environment Projects (fiscal year 1997).³² Moreover, in terms of procedure, Japan formulated and released the "Japan Bank for International Cooperation (JBIC) Guidelines for Confirmation of Environmental and Social Considerations" (fully enforced in October 2003) in April 2002, for the purpose of environmental and social considerations. These guidelines were equipped with procedure for opposition from local residents. They spearheaded the enhancement of environmental and social considerations by the revision of the JICA Guidelines for Environmental and Social Considerations (March 2004) and the formulation of the Guideline of Project Assessment for Japan's Grant Aid (April 2004) thereafter (for the details of the JICA Guidelines

for Environmental and Social Considerations and the Guideline of Project Assessment for Japan's Grant Aid, see Part II, Chapter 2, Section 1).

With respect to the issues of population and AIDS, Japan announced the "Global Issues Initiative on Population and AIDS (GII)"³³ in 1994, ahead of the International Conference on Population and Development, and strengthened its policy response in this sector. In the GII, Japan decided to conduct support through comprehensive approach of direct cooperation for population and family planning and indirect one, such as primary health care, primary education, literacy education and vocational training of women. Moreover, Japan also provided cooperation in the HIV/AIDS sector, including education and information on the preventive measures and transfer of the testing technology.

Based on activities under the GII, which achieved results far exceeding the goals over a seven-year period, Japan took up the issues of infectious disease as one of the major agenda items as the Chair at the Kyushu-Okinawa G8 Summit in 2000, and announced the "Okinawa Infectious Diseases Initiative (IDI)," which commits to implementing support for measures to fight against HIV/AIDS, tuberculosis, malaria, parasites, polio and other infectious diseases with the target of allocating three billion dollars in total over the subsequent five years. Japan expressed the intention of strengthening support for measures to fight against infectious diseases from the experience in suppressing tuberculosis and parasites through dissemination of public health activities after World War II. Moreover, Japan introduced "Grant Aid for Child Health"³⁴ (fiscal year 1997) in order to procure vaccines and micro-nutrients and "Grant Aid for Infectious Diseases Prevention and Treatment" (fiscal year 2001) focusing on measures to fight against infectious diseases, thereby striving to strengthen implementation.

Incidentally, Japan's appeal for the importance of coping with issues of infectious disease ahead of other countries triggered a large international trend toward unified efforts to fight against infectious diseases. This trend resulted in the

31. This grant aid was integrated with Water Resource Grant Aid and has become "Grant Aid for Water Security and Global Environment."

32. Since June 1995, a lower interest rate (special environmental interest rate) than a general lending one has been applied to Yen loans in the environmental sector with the aim of enhancing the incentives of developing countries to carry out environmental conservation/improvement projects. In 1997, a further favorable conditionality (special interest rates for environmental projects) was introduced and expanded for projects to address global environmental issues and pollution control projects.

33. Japan announced that it would provide assistance in the population/AIDS sector with the target of allocating approximately three billion dollars in the seven years up to fiscal year 2000.

34. In 2000, "Grant Aid for Child Health" was expanded and "Grant Aid for Child Welfare" was newly established.

establishment of the Global Fund to Fight AIDS, Tuberculosis and Malaria in January 2002 after going through discussion at the UN General Assembly Special Session on HIV/AIDS and the G8 Summit in 2001.

As for gender, Japan included in the ODA Charter that full consideration would be given to ensuring the active participation of women in development and their obtaining benefit from development. Japan announced the "Women in Development (WID) Initiative" at the Fourth World Conference on Women (Beijing Conference) in 1995. By this initiative, Japan clarified its policy of making efforts to expand ODA in the WID sector in cooperation with other aid bodies, while giving priority to improving the status of women and narrowing the gender gap and especially focusing on three priority areas—education, health, and economic and social participation—and thereby strengthened policy responses. Since then, in line with this initiative, Japan has steadily implemented activities in the WID/gender sector.

Such formulation of sector-specific initiatives has not been limited to the sectors of environment, population, infectious diseases. Japan also announced initiatives relating to other sectors and issues, such as democratization, information and communication technology (ICT), conflict and development, education, and water and sanitation. Through them, Japan has enhanced effective implementation of ODA.

Japan's Contribution to the International Development Goals

The strengthening policy formulation of regional/country assistance and of sectional assistance mentioned above enabled Japan to demonstrate its own development philosophy more effectively than ever in the international fora.

Looking at the international trend in assistance, in the 1990s, emphasis was continuously given to the environmental aspect, and development policy for poverty reduction shifted again from structural adjustment to social sectors. In 1990, the World Bank published a feature on the issue of poverty in the "World Development Report." In the United Nations, the UNDP issued the first edition of the "Human Development Report" in the same year and introduced the concept of the human development index as a comprehensive economic and social index that indicates the degree of human development in each country. Moreover, the goal of reducing absolute poverty in the world to a half was clearly expressed at the "World Social Development Summit" held in Copenhagen in 1995.

In response to such trends, the OECD/DAC formulated "Shaping the 21st Century: The Contribution of Development

Co-operation (Development Partnership Strategy)" in 1996. This provided a basis for international aid policy from the late 1990s to the 2000s. In formulating this DAC Development Partnership Strategy, Japan contributed greatly to formulating basic principles, such as emphasis on ownership and partnership, institution-building and capacity-building, and the importance of the comprehensive approach.

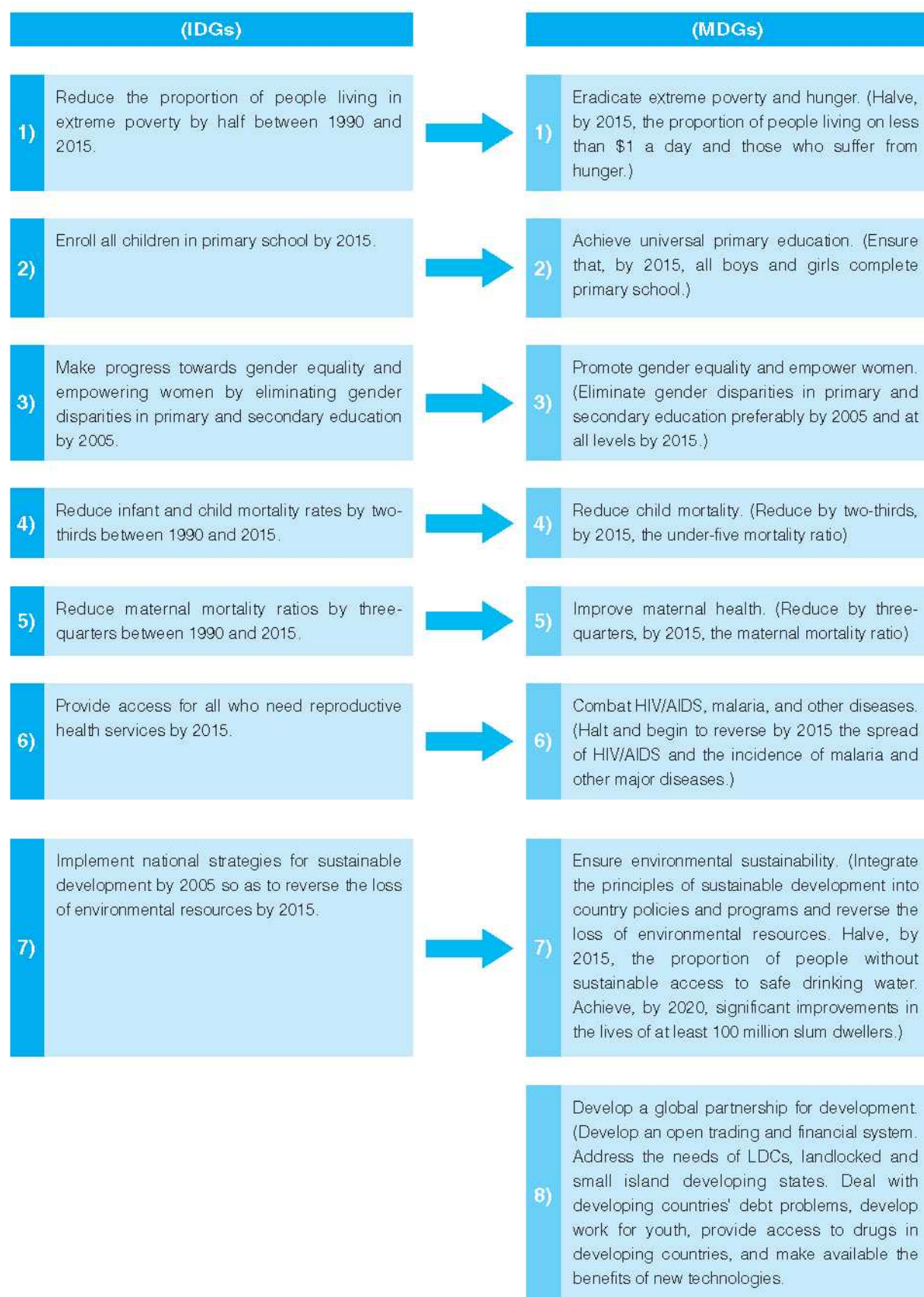
In particular, when drafting the DAC Development Partnership Strategy, Japan actively lobbied other countries by, for example, proposing the setting of specific numerical targets (International Development Goals (IDGs)), which subsequently led to the numerical targets under the Millennium Developing Goals (MDGs). In this DAC Development Partnership Strategy, OECD/DAC dealt largely with poverty and the related issue of BHN and advocated a new desirable aid form by the international community.

The DAC Development Partnership Strategy contained two principles: (1) ownership, which means that developing countries themselves tackle development issues; and (2) partnership, which means that developed countries think and act together with developing countries, for achievement of economic development. These principles, which have come to be widely accepted in the international community, are in line with the idea of supporting the self-help efforts, which Japan has conventionally emphasized and indicated in the ODA Charter. Japan has claimed this philosophy ahead of other countries. Japan has believed from the outset that recipient countries could achieve economic independence through making efforts for their own development based on self-help efforts and that ODA could merely help for such efforts. On the basis of experience in receiving support immediately after World War II and in remarkable development in East Asia, Japan has consistently implemented assistance in the spirit of actively supporting the individual efforts of developing countries. Such longtime efforts and development philosophy of Japan have an important impact on the international trends in development.

In September 2000, the "Millennium Declaration" was adopted at the UN Millennium Summit, and then compiled into one common framework, the MDGs, in which the development-related part of the Declaration and the DAC Development Partnership Strategy were integrated. The MDGs are common and primordial development goals for the entire international community in order to create the basic conditions for the future prosperity of humankind.

Subsequently, when the role of economic growth in poverty reduction and achievement of the MDGs was emphasized again, Japan's development philosophy had a great

Chart I -19 From IDGs to MDGs



impact in the international fora. The World Bank argued that attention should be paid once more to the role of infrastructure in development, which was incorporated, as a measure to promote growth, in the Communiqué of the IMF/World Bank Development Committee in April 2003. Moreover, the World Bank announced that it would start joint research with JBIC and the ADB on infrastructure development in East Asia. After holding a seminar in Tokyo in January 2004 and doing a workshop with the participation of local government officials in Indonesia, etc., the World Bank will present the results thereof at a seminar in Tokyo at the beginning of 2005 and will compile a report thereon.

Support in Response to the Asian Currency Crisis

Japan also provided active support in response to the Asian Currency Crisis in 1997. On the occasion of the crisis, Japan coordinated ODA and Other Official Flows (OOF) and provided active support. In addition to support through the IMF, Japan provided support based on the New Miyazawa Initiative and other support such as special Yen loans. Japan announced that it would provide the amount of approximately 80 billion dollars, which was the largest assistance among related countries, and disbursed approximately 70 billion dollars thereof by 1999. Such support for coping with the Asian Currency Crisis was highly appreciated not only by the Asian countries that received assistance but also by the international community on the ground that Japanese support greatly contributed to maintaining stability in Asia and steering the region from crisis to recovery.

Shift of ODA Budget to a Downward Trend

While Japan's financial situation became increasingly severe in the late 1990s, it came to be inevitable to review the quantitative expansion of ODA. According to a Cabinet decision made in response to a report of the Fiscal Structural Reform Conference in 1997, the government planned to reduce the level of ODA budget each fiscal year during the period of intensive reform by promoting a shift from quantity to quality in consideration of the critical financial conditions and not to formulate a new medium-term target accompanying the quantitative goals. As a result, general account ODA budget decreased by 10.4% from the previous fiscal year, and ODA budget thereafter turned to a downward trend.

On the other hand, in the United States, although assis-

tance had plateaued through the 1990s, the aid policy changed significantly because development issues have been given a higher priority since the terrorist attacks on September 11, 2001.³⁵ As specific initiatives, in March 2002, U.S. President George W. Bush announced that the United States would increase the ODA by five billion dollars annually by fiscal year 2006 and established the Millennium Challenge Account (MCA). Furthermore, European Union (EU) countries expressed, at the International Conference on Financing for Development in March 2002, that the entire EU would increase ODA to achieve the ODA to Gross National Income (GNI) ratio of 0.39% by 2006 after positioning the conference as a historic opportunity for advancing toward achievement of the MDGs.

Looking at Japan's ODA budget thereafter, it decreased by 30%³⁶ in seven years after peaking in fiscal year 1997, and has continued on a downward trend. According to DAC statistics, Japan's ODA disbursement amounted to approximately 9.85 billion dollars (approximately 1,196.4 billion yen) in 2001, and Japan ceded its position as the top donor in the world since 1991, to the United States, and became the world's second largest donor. In DAC statistics, disbursement on a net disbursement basis is used, which is calculated by deducting the amount repaid by developing countries from Yen loans, etc. provided by Japan in the past. Since the repayment of loan aid has largely accumulated in recent years, the level of net disbursement of Japan's ODA has been further pushed down.

Formulation of the Medium-Term Policy on ODA

Against the backdrop of the severe economic/financial situation and changes of the domestic and international environment surrounding ODA, there were wide-ranging discussions on the desirable form of ODA in the late 1990s. In such circumstances, the Japanese government introduced various measures to enhance the transparency and efficiency of ODA at the Board Meeting of the Council of Overseas Economic Cooperation-Related Ministers in 1998. Japan made efforts to clarify its basic philosophy of ODA and the specific way of proceeding with assistance. For example, Japan formulated in 1999 the "Medium-Term Policy on Official Development Assistance (hereinafter referred to as "Medium-Term Policy on ODA")" as a policy paper discussing how to proceed with ODA over a period of about five years with a focus on the quality of assistance. The Medium-Term Policy on ODA set

35. In the U.S. National Security Strategy published in September 2002, one section was devoted to covering the promotion of development, and poverty reduction was raised as the priority of foreign policy.

36. On an initial budget basis.

A series of currency/economic crises in Asia started with the sudden decline of the Thai baht in July 1997, and then transmitted to country after country in the region, including Indonesia and the Republic of Korea (ROK), causing an unprecedented economic crisis involving the entire regional economy. The real economy of these countries, which had been praised as the "East Asian miracle" and had achieved continued high growth, drastically deteriorated. In 1998, all the countries experienced major negative growth (Thailand: -10.5%; Indonesia: -13.1%; Republic of Korea (ROK): -6.7%).

The series of crises had a serious impact on the social and economic aspects of those countries, but beyond that, its serious influence on the entire global economy, including Japan, was causing concern. To start with, Japan hosted a meeting of supporting countries for Thailand in Tokyo (August 1997) and then played a leading role in bilateral assistance in the initial response to the crises in cooperation with international organizations and other G7 countries. In addition, it provided not only support for liquidity to compensate temporary lack of funds but also long-term stable funds by using all of its policy financing vehicles, including Yen loans. Thereby, Japan did its utmost to bring about the recovery and stabilization of the real economies of Asian countries.

The series of measures taken by the Japanese Government was as follows (in chronological order):

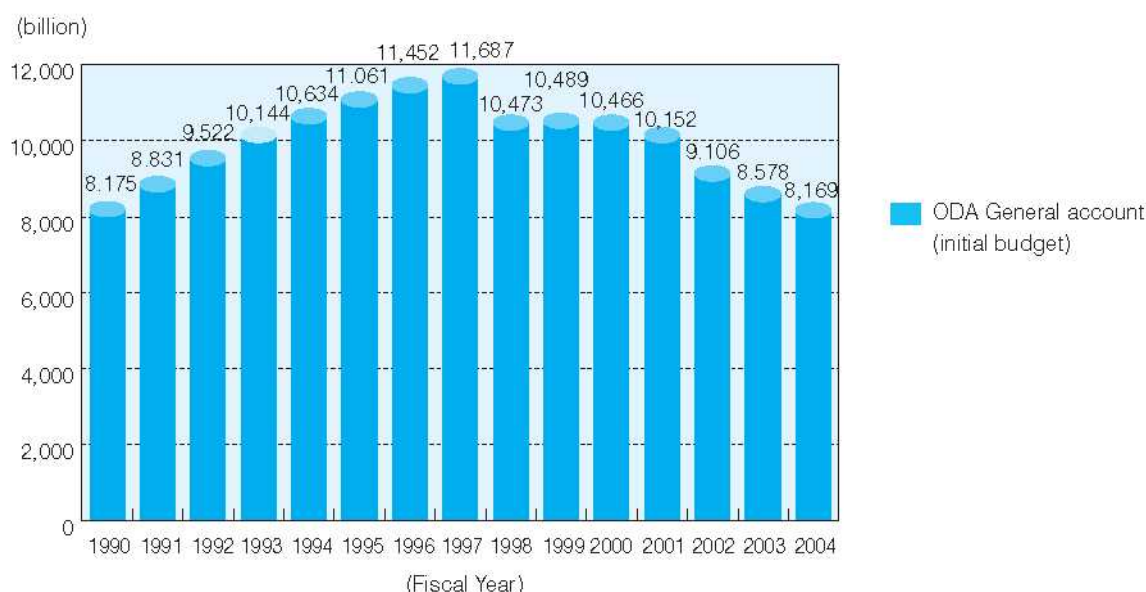
- [1] Bilateral assistance within the international framework centered on the IMF (from August to December 1997)
- [2] Emergency Measures for such as the Economic Stabilization of Southeast Asia (February 1998)
- [3] Comprehensive Economic Measures (April 1998)
- [4] New Miyazawa Initiative (October 1998)
- [5] Emergency Economic Measures (November 1998)
- [6] Second Stage of the New Miyazawa Initiative (May 1999)

Among these measures, the New Miyazawa Initiative, which was announced at the IMF/World Bank Annual Meeting in October 1998, declared preparation of a financial support scheme totaling 30 billion dollars in scale, including medium and long-term financial assistance by Yen loans, loans from the Export-Import Bank of Japan, etc., to bring about the recovery of the real economies of Asian countries. It was the largest support package in the series of support measures. The provision of such a large credit line made clear Japan's solid attitude toward providing support to countries in crises and served as a major backing for the restoration of the international confidence of these countries. In addition, specific support under this initiative also included social safety net Yen loans (approximately 0.38 billion dollars in March 1999) which contained job-creation, health care, nutrition programs, etc. for Indonesia. When implementing the support, the Japanese Government gave full consideration to those who fell into poverty due to the impact of the crisis. In addition to these activities, Japan took such action as the provision of special Yen loans (loans with concessive terms to affected countries in order to support economic structural reforms) and the introduction of a preferential interest rate system to support structural adjustment.

Other than these measures, Japan dispatched experts for improving the environment for human resources development, etc., implemented technical cooperation such as acceptance of trainees, emergency assistance for food and medical products, and provided grand aid for humanitarian/medical care/health measures.

Due to such measures, these Asian countries were able to overcome the crisis in a short period.

Chart I -20 Trends in ODA Budget



out such ideas as emphasis on ownership of developing countries and partnership, assistance that matches the actual conditions of each country, emphasis on cooperation and division of roles among the organizations and the private sector, human-centered development and active endeavor to increase the "visibility of Japanese aid." It also indicated that Japan would place greater emphasis on poverty alleviation programs and social development, and "soft" types of aid including human resources development, policy-related assistance. The Medium-Term Policy on ODA did not set any quantitative goals in consideration of severe financial circumstances.

Promotion of ODA Reforms

Japan has made efforts to improve the efficiency and quality of assistance by promoting ODA reforms following the formulation of the Medium-Term Policy on ODA. To implement assistance effectively, it is indispensable to provide assistance after grasping sufficiently the economic/social conditions and development issues of each developing country. From this viewpoint, Japan started in 1998 formulating Country Assistance Policies, more specific than country assistance plans in the past, describing the objectives and the priority sectors of assistance over a period of about five years,

for major recipient countries. Japan's ODA is now implemented under the ODA Charter, in line with the Medium-Term Policy on ODA and Country Assistance Policies.

Around the same time, administrative reforms at the central government ministry and agency level were also promoted. In June 1998, the Basic Law on the Administrative Reform of the Central Government was enacted, and the Ministry of Foreign Affairs came to serve as the core of integrated coordination of the entire government regarding the overall plan for ODA. Collaboration among ministries and agencies was also promoted. In addition, efforts for reforms were also made at the implementing agency level. The Export-Import Bank of Japan and the Overseas Economic Cooperation Fund (OECF) were integrated in October 1999, becoming the Japan Bank for International Cooperation (JBIC), an agency that implements both types of foreign financial aid-Japan's Yen loans and Other Official Flows (OOF)-in an integrated way.

The Final Report of the Second Council on ODA Reform at the end of March 2002 presented proposals consolidated into three key terms-"public participation," "ensuring transparency" and "enhancing efficiency." In response to this report, the "Board on Comprehensive ODA Strategy"*1 was launched in June of the same year. Then in

Chart 1 -21 Flow of ODA Reforms

	Overall movements	Movements centering on the Ministry of Foreign Affairs
Apr. 1997	Council on External Economic Cooperation discusses the basic understanding of ODA.	Council on ODA Reforms for the 21st Century (First Council on ODA Reform) is launched.
May		First Council on ODA Reform publishes an "Urgent Statement on Fiscal Structural Reform"
June		First Council on ODA Reform publishes the "Interim Report."
Jan. 1998		First Council on ODA Reform publishes the "Final Report."
June	Basic Law on the Administrative Reform of the Central Government is enacted. Foreign Economic Cooperation Council submits "On Promotional Measures for Future Economic Cooperation."	
July	Prime Minister Keizo Obuchi instructs of the need for steps to improve transparency and efficiency of ODA.	
Nov.	At the Bureau meeting for Council of Overseas Economic Cooperation-Related ministries and agencies agree on the "Promotion of Transparency and Efficiency of ODA."	
Apr. 1999	Japan Bank for International Cooperation Law is enacted.	
July	Liberal Democratic Party Special Committee on External Economic Cooperation announces the proposal for "Strategic Implementation of Economic Cooperation toward the 21st Century." Law for the Establishment of the Ministry of Foreign Affairs is enacted.	
Aug.	Council of Overseas Economic Cooperation-Related Ministers is held.: "Medium-Term Policy on Official Development Assistance" House of Councillors Committee on Oversight of Administration adopts the "Resolution on ODA."	"Medium-Term Policy on Official Development Assistance" is published.
Oct.	Japan Bank for International Cooperation is established.	
Mar. 2000	"Inter-Ministerial Meeting on ODA" starts to be held.	
May 2001		Second Council on ODA Reform is launched.
Aug.		Second Council on ODA Reform publishes the "Interim Report."
Feb. 2002		"Ten Reform Principles to Ensure an Open Foreign Ministry" (Large-boned Policy) is published. Advisory Board for the Reform of the Ministry of Foreign Affairs is launched.
Mar.		Second Council on ODA Reform submits the "Final Report."
June		Board on Comprehensive ODA Strategy is launched.
July	Task Force on Foreign Relations for the Prime Minister submits the "Japan's ODA Strategy." Ten Recommendations for the Reform of MOFA: Revitalizing Diplomacy that Serves the National Interest presented by the Liberal Democratic Party is published. "Fifteen Specific Measures for ODA Reform" is published.	"Fifteen Specific Measures for ODA Reform" is published. Advisory Board for the Reform of the Ministry of Foreign Affairs publishes the "Final Report."
Aug.		"Action Program" for the Reform of the Ministry of Foreign Affairs is formulated.
Nov.	Experts' Meeting on Financial Cooperation starts to be held.	
Dec.	LDP's ODA Reform Working Team makes a report, "Specific Measures for ODA Reform: toward ODA that could be understood by the public."	"ODA Reform: Implementation of Three Measures" is published. The Interim Report on "Organizational Reform" of the Ministry of Foreign Affairs is published.
Feb. 2003	"Committee for Grant Aid" starts to be held.	
Mar.	Country-based ODA Task Force is launched. Council of Overseas Economic Cooperation-Related Ministers is held.: "Basic Policy on Revision of ODA Charter"	"Final Report" on Structural Reform of the Ministry of Foreign Affairs is submitted.
Apr.		"Country Assistance Planning Division" is established within the Economic Cooperation Bureau, Ministry of Foreign Affairs.
Aug.	Council of Overseas Economic Cooperation-Related Ministers is held.: Revision of the ODA Charter	The "ODA Charter" is revised.
Oct.	Japan International Cooperation Agency (JICA) becomes an independent administrative institution.	
Apr. 2004	JICA restructures its organization. Council of Overseas Economic Cooperation-Related Ministers is held.: "Peace Building by Utilizing ODA including Assistance of Iraqi Reconstruction," etc.	
Aug.		Ministry of Foreign Affairs implements institutional reform: "Aid Planning Division," "First Country Assistance Planning Division" and "Second Country Assistance Planning Division" are established within the Economic Cooperation Bureau.

Note: Black text indicates movements relating to ODA reforms, while blue text signifies movements related to the reform of the Ministry of Foreign Affairs.

July, the "Fifteen Specific Measures for ODA Reform" was issued for five areas; "auditing," "evaluation," "partnership with NGOs," "exploring, fostering and utilizing human resources" and "information disclosure and publicity," under the principle of immediately implementing whatever reforms were possible, and consequently, reforms were promoted.

Consideration on ODA reforms was also advanced in the course of the overall reform of the Ministry of Foreign Affairs, which was promoted to restore public trust in response to its series of scandals revealed from the beginning of 2001 onward. Consequently, the "Action Program" for the Reform of the Ministry of Foreign Affairs was formulated in the summer of 2002, in which ODA reforms were also incorporated as one of the key points of the reform, together with various measures for its realization.

In the series of ODA reforms, Former Foreign Minister Yoriko Kawaguchi announced the revision of the ODA Charter in December 2002, and the ODA Charter was revised by the Cabinet decision in August 2003, as the grand sum of these reforms. Before the revision, the government paid attention to ensure the public participation, which was the main point of ODA reforms, through wide-ranging discussions, such as active exchanges of opinions with intellectuals, implementing agencies, NGOs, the business world, etc. as well as public comments and public hearings, in addition to considerations within the government.

Strengthening Collaboration with NGOs and Other Aid Bodies

Increasing public participation is essential to ODA reforms. To increase the participation of all levels, collaboration with various aid bodies including NGOs, local governments, universities and labor unions, has been strengthened.

International cooperation activities by NGOs play an important role for the reason that NGOs could provide

meticulous assistance at the grassroots level based on local communities and residents in developing countries as well as prompt and flexible responses in emergency humanitarian assistance. Japanese NGOs engaged in international cooperation intensified their activities in the wake of the Indochina refugee crisis in 1979 and the famine in Africa in 1984, and the number of the NGOs also increased greatly. However, compared with European and U.S. NGOs, which are supported by a long history and an established organizational basis with abundant experience, international activities by Japanese NGOs leave quite a lot to be enhanced and strengthened.

While NGOs intensify their activities, the collaborative relationship between NGOs and the government and the support activities of government have been consistently strengthened since the end of the 1980s. For example, the NGO Project Subsidies and Grant Aid for Grassroots Projects were introduced in fiscal year 1989, and the Non-Governmental Organizations Assistance Division was established within the Economic Cooperation Bureau of the Ministry of Foreign Affairs in 1994. In succession, the NGO-MOFA Regular Meeting aimed at promoting dialogues with NGOs started in fiscal year 1996. In fiscal year 2000, the "Japan Platform"^{*1}



Grassroots Technical Cooperation Project in the Philippines ("Build-up of a Sustainable Ecosystem through Reforestation and Agroforestry: Philippines")
(Photo: IKGS Reforestation Campaign)

*1: Board on Comprehensive ODA Strategy

The board was launched with the aim of promoting public participation, ensuring transparency, and strengthening the functioning of the Ministry of Foreign Affairs as a coordinating authority for ODA. It consists of the Minister of Foreign Affairs as the chair, and Mr. Toshio Watanabe, Dean of the Faculty of International Development, Takushoku University, as the acting chair, as well as development experts, people with experience in international organizations, those involved in NGOs, people from the business world, and journalists. The board discusses basic policies for ODA, such as the formulation and review of the Country Assistance Programs, as well as major issues regarding ODA.

Chart I -22 Progress of Collaboration with NGOs

Fiscal Year	Collaboration between MOFA and NGOs		Collaboration between JBIV, JICA, etc. and NGOs	
	1970. 4	Subsidy for Private Sector of ODA Overseas Technical Cooperative Promotion starts.		
	1971. 4	MOFA launches Subsidy Program for Local government and Communities.		
	1989. 4	Grant Aid for Grassroots Projects and NGO Project Subsidies start.	1989. 4	Supporting Programme for NGOs' Cooperation in Agriculture and Forestry starts (Ministry of Agriculture, Forestry and Fisheries).
			1991. 1	Postal Savings for International Volunteer Aid Program starts. (Ministry of Internal Affairs and Communications).
			1992. 4	NGO Support Program for International Infrastructure Cooperation (Ministry of Land, Infrastructure and Transport).
			1993. 5	Japan Fund for Global Environment (Ministry of the Environment, Ministry of Agriculture, Forestry and Fisheries, Ministry of Economy, Trade and Industry, and Ministry of Land, Infrastructure and Transport)
	1994. 4	Subsidy System for NGO Projects (International Volunteer Compensation Assistance Scheme) starts.		
	6	Non-Governmental Organizations Assistance Division is established within the Economic Cooperation Bureau, Ministry of Foreign Affairs.		
	12	MOFA-NGO Discussions on Global Issues Initiatives on Population and AIDS (GII) and the Okinawa Infectious Diseases Initiative (IDI) start.		
	1996. 4	MOFA-NGO Regular Meetings start.	1997. 4	Ministry of Finance (MoF)-NGO Regular Meetings start.
	1997. 4	MOFA-NGO Joint Evaluation starts.	1997. 4	JICA starts Community Empowerment Program.
1998			4	JICA starts JICA Partnership Program with NGOs, Local Governments and Institutes.
			4	JICA-NGO Consultation Meeting starts.
			4	NGO-JICA Partnership Training starts.
			12	NPO Law is established.
1999	4	Capacity Building Support for NGOs is introduced.		
	4	NGO Advisor Program starts.		
	4	NGO Researchers Program starts.		
	4	Overseas Training Support Program is launched as part of the NGO Project Subsidy System.		
2000	4	Grant Assistance for Cultural Grassroots Projects is established.	4	JICA starts another JICA Partnership Program with NGOs, Local Governments and Institutes.
	4	Grant Assistance for NGO's Emergency Relief Projects starts.		
	8	Japan Platform is established.		
2001	4	Sector-Specific NGO Study Groups start.	4	JICA starts NGO Staff Training.
	4	NGO Capacity Building Short Oversea Trainings starts.	4	JICA starts Dispatch of Technical Personnel to NGO.
	4	Project Development Support is introduced in NGO Project Subsidies.	4	JICA starts NGO Internship Program.
			4	JBIC-NGO Conference starts.
			8	JBIC provides public offering for Pilot Studies for Knowledge Assistance and Pilot Studies for Project Formation.
			10	Certified NPO System starts.
	12	Informal Meeting with Japan NGO Network for Education starts.	2002. 2	JBIC starts NGO-JBIC One-day Seminar. (JICA stops inviting Community Empowerment Program, JICA Partnership Program with NGOs, Local Governments and Institutes.)
2002			4	JICA-NGO Japan Desk is established.
	6	Grant Assistance for Japanese NGO Projects starts.	4	JICA starts the PROTECO (Proposal-type Technical Cooperation).
	11	International Cooperation NGO Internship Program starts.	9	JICA starts JICA Partnership Program.
	11	MOFA-NGO Regular Meeting "Partnership Promotion Committee" starts.		
	11	NGO Embassy Meeting called ODA Embassy is established.		
	12	MOFA-NGO Regular Meeting "ODA Policy Council" starts.	12	Tax Reform Charter (improvement of the Certified NPO System)
			2003. 1	JBIC starts Participatory Aid Promotion Seminar.
2003	4	Country-Specific NGO Study groups start.		
	4	"Grant Assistance for Grass-roots Projects" is renamed "Grassroots Human Security Grant Aid."		
	7	Meeting for Exchanging Opinions with NGOs, etc. about Aid for Increased food Production (2KR) starts.		
	9	NGO Advisor Liaison Meeting starts.	10	JICA becomes an independent administrative institution.
	2004. 3	"Workshops and Symposium on Evaluation of Humanitarian Emergency Assistance" is held.		
2004	5	NGO-MOFA Regular Meeting "General Meeting" starts.	4	JICA reforms its organization.

was established as a system for providing more efficient and prompt emergency assistance through collaboration and cooperation among NGOs, the business world and the government. In fiscal year 2002, Grant Assistance for Japanese NGO Projects and JICA's Grassroots Technical Cooperation were introduced. In this way, collaboration between the civil society, especially NGOs, and the government has steadily developed.

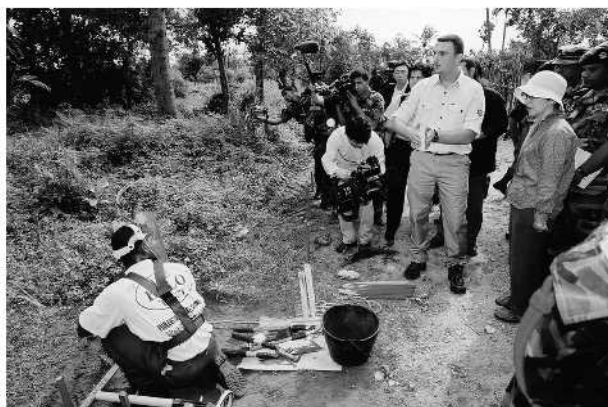
Emergence of New Development Challenges

During the period from the late 1990s to the early 2000s, new issues and perspectives such as peace-building and human security have emerged in the international community. Together with the international trend emphasizing the importance of poverty reduction as mentioned previously, these issues and perspectives have had a large impact on the revision of the ODA Charter in 2003.

In the international community after the Cold War, conflicts rooted in the problems of ethnicity, religion, history, etc. have become evident all over the world, and regional/domestic conflicts have come to break out frequently. In order to prevent and resolve these conflicts, the international community including Japan started to recognize the necessity of a comprehensive approach, which includes not only political means, such as Peacekeeping Operations (PKO), dispatch of coalition forces, preventive diplomacy and mediation, but also post-conflict nation-building. Based on experiences in assistance for reconstruction in Cambodia, East Timor, Afghanistan, etc., Prime Minister Junichiro Koizumi announced in a policy speech delivered in Sydney in May 2002 Japan's intention to make more active efforts in the sector of peace-building including ODA, that Japan would "strengthen cooperation for the consolidation of peace and nation-building in countries suffering from conflicts. This policy will be a new pillar of Japan's international cooperation."

Those who live in a country or region where the basic framework of the country/region is destroyed or the ruling power of the government weakened due to destabilization or

conflicts are likely to be exposed to serious threats to their existences, livelihoods and dignity. Faced with this problem, it is necessary to provide support to complement the traditional framework of the "national security," a state protection of its people and border. Thus, from the perspective of individual people, the concept of "human security" aims to integrate and strengthen the efforts emphasizing a human-centered perspective in order to protect people from broad and serious threats to human existences, livelihoods and dignity and to bring out the abundant potential of the people. Japan introduced this concept as a pillar of Japanese diplomacy in the late 1990s and in the speech of then Prime Minister Mori emphasized its importance at the UN Millennium Summit in September 2000. Japan has been striving to disseminate the concept and put it into practice. In March 1999, Japan established the "Trust Fund for Human Security" within the United Nations and contributed the accumulating total of 25.9 billion yen by fiscal year 2003, having supported thereby many projects implemented by international organizations in order to promote human security. Moreover, Japan allocated 15 billion yen to Grassroots Human Security Grant Aid, in order to reflect the perspective of human security more strongly in conventional



Former Foreign Minister Kawaguchi inspecting a mine-clearing operation ("Support Program for Mine Clearance Operation"; Sri Lanka)

*I: Japan Platform

This is a framework established cooperatively by the business world and the government for the Japanese NGOs' prompt and effective emergency humanitarian assistance activities. The participating NGOs are as follows: ADRA Japan; Shanti Volunteer Association; JEN; Save the Children Japan; Medical Relief Unit, Japan; Nippon International Cooperation for Community Development; Japanese Red Cross Society; Japan Center for Conflict Prevention; Japan Rescue Association; Association for Aid and Relief, Japan; BHN Association; Peace Winds Japan; World Vision Japan; Humanitarian Medical Assistance; Japan Mine Action Service; and Japan Alliance for Humanitarian Demining Support.

Grant Assistance for Grassroots Projects.

The emergence of the new development issues led to the revision of the ODA Charter in 2003 along with the promotion of ODA reforms in Japan.

Section 4

Meeting the Challenges of a New Era (Revised ODA Charter) (2003-present)

Coming of a New Era

On August 29, 2003, the Japanese Government revised the ODA Charter, basic document of ODA policy, for the first time in 11 years. In revising the ODA Charter, discussion was held in a more transparent way than ever before taking into consideration current international and domestic conditions surrounding ODA. The revised innovative ODA Charter comprehensively indicates the desirable form and future direction of ODA so that it can meet the challenges of the new era.

The revised ODA Charter stipulates that the objectives of ODA are "to contribute to the international peace and development, and thereby to help ensure Japan's own security and prosperity." It also positions the efforts through ODA as the most suitable policy for Japan, a nation aspiring for peace, to gain approval from the international community.

Moreover, in the revised ODA Charter, the "Basic Policies" section showing the desirable form of Japan's ODA, is newly formulated. In this section, the Charter takes over the philosophy that Japan's ODA would support the self-help efforts of developing countries based on "good governance," and newly describes the perspective of "human security" focused on individuals. Furthermore, the Charter clearly specifies as basic policies the assurance of fairness in assistance, including the perspective of gender equality, the utilization of Japan's experience and expertise, and partnership and collaboration with the international community.

Regarding issues to be addressed by ODA, the revised Charter places emphasis on "poverty reduction," "sustainable growth," "addressing global issues" and "peace-building," while considering current international development issues in which a multiplicity of problems, such as gap between the rich and the poor, ethnic and religious conflicts, armed conflicts, terrorism, suppression of human rights and democracy, environmental issues and infectious diseases, are intertwining with each other. Particularly, "peace-building" is newly advocated as a sector on which Japan has focused in recent years.

In the Charter, Asia remains as the priority region. This is because the region has a close relationship with Japan and can

have a major impact on Japan's security and prosperity. Nonetheless, Japan will strategically prioritize assistance to Asian countries including fields and aid targets, fully taking into account the diversity of the countries' socioeconomic conditions and the changes in their respective needs for assistance. The "Formulation and Implementation of ODA Policy" makes clear how the government, etc. should formulate and implement the policy, on the basis of the discussions on ODA reforms and various proposals in the past. It lists unified and coherent formulation of ODA policy by the government in its entirety, strengthening of the policy consultation with recipient countries and of the functions of field missions, collaboration with wide-ranging aid-related entities, including NGOs, and increasing public participation.

In line with the philosophies and priorities as well as the formulation and implementation of ODA policy as indicated in the ODA Charter, Japan continues the efforts to implement ODA more efficiently and effectively while taking advantage of the features of Japan's ODA, in order to improve more the quality of assistance. Japan also makes a significant contribution to the formation of international trends on assistance by conveying its own view to the world on the basis of its past experience.

In the future, it is necessary for Japan to exert its leadership more in the international community as a leading donor, as well as seeking to achieve effective assistance with a high level of strategy, flexibility, efficiency and transparency, in line with the revised ODA Charter and the changes of the times.



Public hearing about revision of the ODA Charter