



Chapter 2

Concrete Measures for the Future —What's Changing?

The “ODA Review” presents a range of concrete measures. This chapter will lay out a set of concrete measures for implementing the new ODA paradigm.

Section 1 will introduce a multiple spectrum of concrete measures, including “strategic aid implementation”, “effective aid implementation”, “strengthening the functions at the field level”, “improving evaluation”, “cooperation with diverse stakeholders”, and “taking a leadership role in the international community”.

Section 2 will present measures, including “broadening public participation and sympathy”, “increasing the visibility of ODA”, “improving the efficiency of public relations activities”, and “concrete efforts for promoting public understanding and support”.

Section 3 will introduce “reinforcing the policy-making functions of the Ministry of Foreign Affairs” and “reform of JICA”.

Section 4 will discuss efforts to ensure the mobilization of development funds for responding to new international challenges. The section will introduce efforts to ensure ODA funds, private flows, and non-ODA government funds, as well as efforts related to innovative financing.

Section 1 More Strategic and Effective Aid Implementation

Amidst Japan's difficult economic and fiscal conditions, Japan will strive to implement more strategic aid and thereby maximize its effects within a limited budget.

1. Strategic Aid Implementation

First, in order to carry out strategic aid through “selection and concentration,” bilateral and multilateral aid policies will be decided with respect to each recipient country and organization, taking into account a program's relationship to the priority areas of Japan's development assistance, the recipient countries' development goals,

and their bilateral relations with Japan. Based on this analysis, Japan will assess the policy usefulness of providing assistance across countries and regions and extend assistance under the Priority Policy Issues for International Cooperation formulated in the beginning of every fiscal year.

Keyword 2

OECD-DAC Peer Review of Japan

The Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) has a peer review mechanism in place by which member countries examine each others' aid policies and approach. The purpose of the review is to enhance mutual understanding among member countries and improve the aid policies of countries under review and of other donor countries. Each member country is examined once every four to five years by other member countries and the DAC Secretariat.

Between 2009 and 2010, Japanese assistance was examined for the first time in approximately seven years. The team of examiners^{*1} visited Tokyo in October 2009. After interviewing the relevant ministries, JICA, and other organizations to assess the Japanese situation, the team made field visits to Bangladesh and Kenya in October-November to assess how Japan implements assistance. On May 20, 2010, a Peer Review Meeting was held among the DAC members at the OECD headquarters in Paris, and the OECD-DAC issued the Japan DAC Peer Review report on June 16.

The report praised the reform efforts made by Japan in recent years, including the creation of the new JICA, the organizational reform of the International Cooperation Bureau of the Ministry of Foreign Affairs, the strengthening of

the functions at the field level, the increasing public support for ODA, and programs which respond to cross-cutting issues such as gender responsive programs. In addition, the report praised Japan's initiatives to improve aid effectiveness, including the enhancement of partnerships with NGOs, the coordination between ODA-related ministries, the expansion of assistance to Africa, the importance Japan attaches to the sharing of assistance-related information (accountability), the importance it attaches to building the capacities of developing countries, and Japan's support for South-South cooperation (cooperation between developing countries).

At the same time, the report identified issues for future consideration, including: (1) increasing the ODA volume; (2) strengthening efforts to promote policy coherence for development^{*2}; (3) further strengthening the government's relationship with NGOs; (4) establishing a public relations strategy on ODA; (5) establishing a strategy on contributions to international organizations; (6) streamlining project procedures further; and (7) improving the evaluation system^{*3}. Many of the items pointed out are those which were discussed in the “ODA Review” that was implemented under the direction of the Minister for Foreign Affairs from February 2010, and Japan will address these items also taking into account the outcomes of the ODA review.

*1 Comprised of examiners (Denmark and Germany) and members of the DAC Secretariat.

*2 I.e., to increase coherence across Japan's non-aid-related policies in order to promote the development of developing countries.

*3 Including ensuring the independence of evaluations and establishing an evaluation arrangement that includes support provided by relevant ministries.

Second, the function of the Headquarters of International Cooperation Policy Planning (Note 2) will be actively utilized. In particular, the Headquarters meeting will be convened under the political leadership of the Foreign Ministry to discuss and set the aid direction.

Third, Country Assistance Programs (CAPs) (Note 3)

will be redesigned into a concise and more strategic form. Existing CAPs and Rolling Plans (Note 4) will be integrated, and the contents and the formulation process of the CAPs will be streamlined. In principle, CAPs will be drawn up for all of the ODA recipient countries.

2. Effective Aid Implementation

Going forward, Japan will need to implement more strategic aid using its limited budget and ensure that the desired results are produced. Specifically, Japan will improve its aid strategy by providing a clear direction

on aid targets, strengthening the program approach, and other ways. Furthermore, Japan intends to improve aid effectiveness by, for example, shifting to a results-based approach and improving existing aid schemes.

(1) Strengthening the program approach

The program approach is a process through which development programs are formulated, identifying issues based on policy consultations with developing countries and developing specific individual aid projects to solve the issues. The program will integrate a variety of aid schemes, such as ODA loans, grant aid, and technical cooperation, and the different aid schemes as a whole will tackle one development issue. It is expected that the program approach will increase the synergy effects between projects compared to the conventional

approach, where the implementation of individual aid projects was studied based on each project request made by developing countries.

Initially, pilot programs will be selected and launched in a few recipient countries. The program approach will be further promoted by strengthening field capacities for more effective policy consultations and aid coordination with recipient countries and strengthening monitoring and analyses of development needs.

(2) Shifting to a results-based approach

Japanese assistance from here on must focus on concrete outcomes. Concrete outcome targets will be defined when a project is adopted, and a completion report will be released upon finishing a project. Furthermore, the status of achievement of the expected outcomes will be examined approximately three years thereafter, and the results will be made public, including to what extent

concrete outcomes were achieved. Japan considers this process of increasing visibility of its aid effectiveness as an essential component of shifting to a result-based approach.

For example, Japan will disclose not only the number of hospitals built and the number of health practitioners trained, but also quantitatively indicate to what extent the infant mortality rate, the maternal mortality rate, and

Note 2 The Headquarters of International Cooperation Policy Planning was established in the Ministry of Foreign Affairs in April 2006 with the Minister for Foreign Affairs serving as its Chair. The Headquarters discusses region-specific aid policies as well as area- and issue-specific measures, taking into account the strategic vision of Japan's foreign policy as a whole, etc.

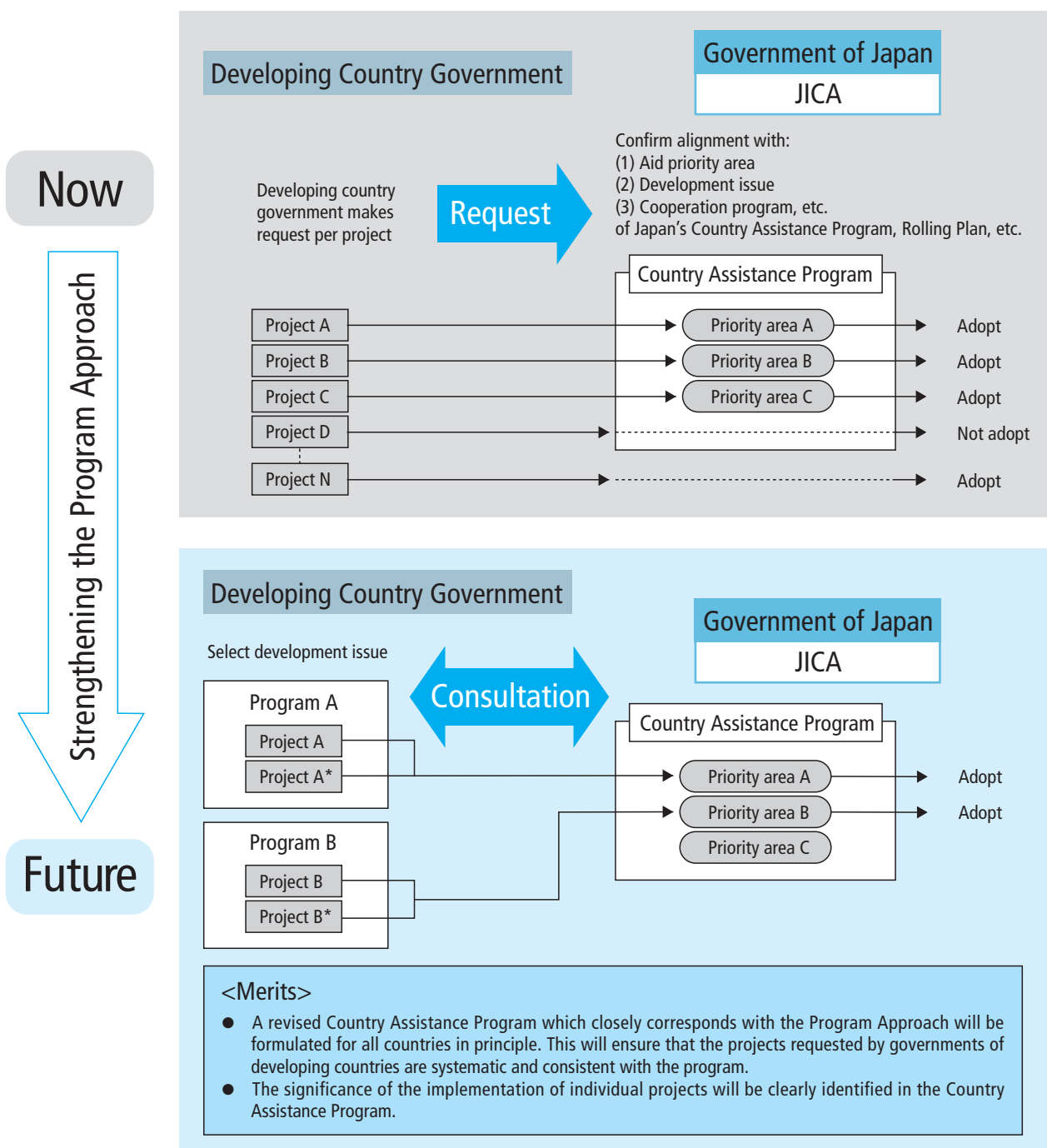
Note 3 As part of efforts to improve ODA's strategic value, efficiency, and transparency, five-year plans are created, bearing in mind the development issues, etc. of aid recipient countries. CAPs are formulated for major aid recipient countries.

Note 4 In principle, Rolling Plans are created for all ODA recipient countries. Individual ODA projects are classified under the priority areas, etc. which have been identified for each country and are compiled into a list.

the proportion of births attended by midwives improved. In doing so, Japan will show not merely the amount of inputs that went into a project, but to what degree they

contributed to improving the socioeconomic conditions of developing countries. Further methods for evaluating concrete outcomes will be explored.

Chart II-2 Strengthening the Program Approach



3. Strengthening the Functions at the Field Level

In order to strengthen the field capacity, Country-based ODA Task Forces (ODA-TFs) —consisting of Japanese embassies and field offices of JICA and other agencies— have been established in various countries since 2003.

ODA-TFs gauge the assistance needs of developing countries, and are involved in formulating CAPs which indicate such items as the direction and priority areas of Japanese assistance, facilitating policy consultations with the counterpart government, and cooperating with other donors and aid agencies and international organizations. They also make recommendations on the coordination and review of aid schemes and candidate projects and have a wide-ranging role. For example, with respect to facilitating coordination with other donors, aid agencies, and international organizations, ODA-TFs actively participate in the discussions on the formulation and revision of Poverty Reduction Strategy Papers (PRSPs) and sectoral programs, which are conducted in cooperation with donors and other stakeholders under the ownership of developing country governments. Although ODA-TFs grasp the development needs and coordinate with the local aid community and other stakeholders, such as local Japanese businesses and NGOs, their activity levels vary amongst them and they do not sufficiently share their expertise, experiences, and good practices with each other.

Implementing effective ODA requires strengthening field capacities to be able to promptly grasp the needs of the partner country and hold dialogues with the partner country government or other donors and aid agencies. Hence, Japan's ODA Charter and Medium-Term Policy on ODA set out a policy to strengthen field capacities.

In order to ensure that ODA-TFs are able to fully fulfill their roles, Japan is strengthening its human resources capacity and assisting with the sharing of

information and expertise. In terms of human resources, Japan has to date dispatched Coordinators for Economic Cooperation to nine Japanese embassies in Africa to handle aid coordination. Through such processes, Japan has taken steps to collect information and research about aid coordination, promote the outward communication of Japan's policies, and make recommendations. In addition, in the area of information and expertise sharing, in order to collect and analyze information on the partner country's macro economy or the overall economic picture and the country's national development plan, Japan commissions a local university or research institute to carry out a study and makes use of the study results in implementing assistance. Furthermore, Japan sets up workshop opportunities to introduce Japan's aid policy and to exchange opinions with counterpart governments and aid practitioners.

The "ODA Review" presented a number of ways for making the most use of the field information and for taking stock of this information to improve the implementation of projects, including: (1) strengthening the aid coordination mechanism by expanding the number of Coordinators for Economic Cooperation; (2) enhancing dialogue and information gathering by holding workshops more frequently between ODA-TFs and field offices of Japanese companies and NGOs; and (3) promoting information and expertise sharing among ODA-TFs by region and issue through the establishment of an information sharing forum among the ODA-TFs in the region or neighboring countries (through the strengthening of such horizontal coordination, good practices and expertise will be shared and used in a timely manner). Going forward, Japan will advance efforts to make sure that the above measures are implemented.

4. Improving Evaluation

The “ODA Review” makes note of the need to improve the evaluation of ODA. By appropriately applying the “Plan, Do, Check, Act (PDCA) cycle” to ODA evaluations, Japan has improved the efficiency of ODA implementation and management and has ensured accountability to the public. Japan will make efforts to further strengthen the ODA evaluation arrangement and

ensure that past lessons learned can be steadily reflected in future assistance. In addition, in order to promote the use of evaluation results, Japan is exploring the idea of doing research on evaluation schemes and implementing clearer evaluations which are easy to understand. Specifically, Japan is promoting or considering the following items.

(1) Strengthening the ODA evaluation arrangement: Increasing the independence of the evaluation division and recruitment of an external expert

In response to the recommendation made in the Japan DAC Peer Review report of June 2010, among other considerations, the Ministry of Foreign Affairs decided to enhance the arrangement and independence of its ODA evaluation division and increase the objectivity and the value of evaluations. In concrete terms, the Ministry is considering inviting an external person (e.g., expert)

who has expertise and experience to head the Ministry’s ODA evaluation division, as well as separating the division from the ODA policy division. In addition, an ODA Opinion Box (tentative name) will be put in place so that opinions and recommendations from external and field staff, such as NGOs and consultants, will reach the Ministry and JICA more easily.

(2) Mechanisms for ensuring that lessons are learned from past good practices and failures

To further build on the lessons learned and recommendations from evaluations, the Ministry will conduct thorough evaluations that will contribute to improving the quality of ODA and maximizing its efficiency. Specifically, for the policy-level evaluations, the cases to be evaluated will be selected in accordance with the priorities of Japan’s foreign policy and development cooperation. At the project level, a detailed evaluation will be conducted for the selected projects

from which useful lessons are expected to be drawn, in addition to ex-post evaluation. The evaluation results will then be fed back to the project formulation and selection stages through an improved mechanism. Additionally, the Ministry will further develop the procedure to make sure that lessons from past projects in a country or similar projects are fully reflected at the time of formulation and selection of individual projects.

(3) Improving information accessibility by raising the visibility of evaluation

It is important that the results of ODA evaluation are shared with relevant government ministries and agencies as well as the public, including NGOs, relevant companies, and researchers, and that accountability is

ensured. At the same time, it is vital that the Ministry provides various materials for discussion on ODA. To this purpose, evaluation reports will be made more easily readable by using simple language, avoiding

technical terms as much as possible, and using photos and charts. The Ministry is also considering the merits of introducing a ratings system for its policy level evaluations (i.e., rating a project according to a scale,

rather than describing the evaluation results in long sentences). As before, the evaluation reports will be available on the websites of the Ministry and JICA.

5. Cooperation with Diverse Stakeholders

(1) Strengthening partnership with NGOs

Forming partnerships with NGOs —implementers of grassroots assistance in developing countries with a wealth of expertise about the field— is gaining in importance for carrying out more effective development cooperation.

With a view to hearing the opinions and recommendations of NGOs and in order to draw on them to plan and implement the ODA policies of the Ministry, the NGO Advisory Group (Note 5) was established under the leadership of the Minister for Foreign Affairs and exchanges of opinions took place. Furthermore, to be

able to flexibly support NGO activities financially, the funding schemes, such as the Grant Assistance for Japanese NGO Projects and JICA Partnership Program, were reviewed and they have expanded budgets and support programs.

In addition, in order to draw on the expertise of people with NGO experience for policy-making, the Ministry will explore the possibility of promoting personnel exchanges between NGOs and the Ministry and JICA and strive to further strengthen its partnership with these stakeholders.

(2) Partnership with the private sector

Japan announced the Public-Private Cooperation for Accelerated Growth in 2008 and has taken a variety of steps to promote public-private partnerships in the context of ODA programs. In particular, in order to further integrate the needs of the private sector during the ODA project proposal and formulation stages, Japan is working to enhance the scheme of private sector-proposed projects. Since 2010, Japan has conducted preparatory studies on Public Private Partnership (PPP)

infrastructure projects based on proposals submitted by private companies, bearing in mind future ODA support such as ODA loans. Japan is also developing new methods of ODA support for Base Of the economic Pyramid (BOP) businesses, receiving proposals from the private sector related to BOP business-ODA partnership, conducting preparatory studies, establishing the BOP business center (Note 6), and so on.

Note 5 As a forum for hearing the opinions and recommendations on Japan's international cooperation from those actually in the field, the NGO Advisory Group was established under the leadership of Minister for Foreign Affairs Okada. Six representatives of Japanese NGOs were individually selected by the Minister for their wealth of knowledge and experience in international cooperation to participate in the Group as regular members. At the first meeting on May 25, 2010, opinions and recommendations on the ODA review were heard. Meetings were held about once every two months, and exchanges of opinions took place on a variety of themes regarding international cooperation.

Note 6 The BOP business center, established in October 2010, is an inclusive business support system for BOP businesses which provides comprehensive support for such businesses. Its members include private enterprises, NGOs/NPOs, international organizations, aid agencies, and academic institutions, and its main functions are as follows: providing information through a portal site as a centralized source of information; matching support (promotion of information exchange and collaboration among related parties); and consultation services.

(3) Partnership with international organizations: Strengthening multilateral-bilateral partnership

Through strengthening partnership between bilateral aid and multilateral aid (multilateral-bilateral partnership), Japan aims to reflect international aid trends in bilateral aid policy as well as mainstream bilateral aid

approaches that Japan has comparative advantage in on an international scale. In addition, Japan aims to effectively integrate bilateral and multilateral assistance and improve aid effectiveness.

(4) Partnership with emerging donors

In recent years, emerging donors have had a growing influence on development. To improve aid effectiveness as a whole, it will be imperative that emerging donors provide assistance in line with international efforts. At various opportunities for dialogue, Japan has been urging emerging donors to carry out transparent and responsible assistance. In 2010, Japan introduced its aid

schemes and experience to aid practitioners in China and Eastern Europe and exchanged opinions with them. In dialogues with other donors and aid organizations, opinions are exchanged and information is shared on the issue of emerging donors, and at the same time, the possibility of cooperation is explored for urging emerging donors to support the aid effectiveness agenda.

6. Taking a Leadership Role in the International Community

In order to take a leadership role to realize the common interests of Japan and the international community, Japan will actively contribute to the resolution of global issues as well as lead international discussions and propose initiatives.

To tackle global issues, Japan pioneered and has actively promoted and implemented the concept of human security since the 1990s. In 2010, in particular, major strides were made in the discussion of this concept, including the release of a UN Secretary-General report, followed by the holding of the first formal debate at the UN General Assembly, the adoption of a UN General Assembly resolution, and the reference made in the outcome document of the UN summit meeting. Japan will continue to deepen and promote international discussions on human security in cooperation with NGOs, academia, international fora, and others.

Furthermore, Japan is committed to resolving global issues, such as environmental issues including

climate change, infectious diseases, and terrorism. On the climate change issue, for example, Japan will support the promotion of climate change measures of developing countries. In addition, Japan will actively and flexibly provide fast start financing to advance Japanese negotiations aimed at establishing a fair and effective international framework in which all major economies participate and reaching agreement on ambitious targets.

With a view to achieving the internationally shared goals of the Millennium Development Goals (MDGs), Japan is providing robust assistance. At the UN Summit on the MDGs held in September 2010, Prime Minister Kan proposed effective assistance models in both the areas of health and education and pledged assistance of US\$5.0 billion and US\$3.5 billion for both areas, respectively, over five years beginning in 2011. Starting with these two areas, Japan is strongly resolved to make efforts for the achievement of the MDGs by 2015.

Section 2 Promoting Public Understanding and Support

Public understanding and support for ODA, which is funded in part by taxpayer money, is crucial. The Ministry of Foreign Affairs promotes efforts to deepen public understanding of ODA, and furthermore, is developing ways by which people themselves will be able to address each of the issues.

In order to obtain public understanding and support which are essential to the implementation of development cooperation, as well as to improve development cooperation and communicate to people what its significance and situation are, Japan must make efforts to efficiently transmit information and promote public participation, in coordination with international

organizations and NGOs.

As a result of the “ODA Review”, it was decided that in order to promote public understanding and support, measures to this end will be restructured primarily under the following pillars: public “participation” in development cooperation; and “increasing visibility” of ODA.

1. Broadening Public Participation and Sympathy

By providing as many people as possible with opportunities to experience the work of development cooperation and having them gain exposure to the actual situation of ODA, public participation will be promoted

and sympathy heightened. Furthermore, a national campaign to raise awareness will be strengthened, so that a wider range of people can become familiar with development cooperation.

2. Increasing the Visibility of ODA

“Increasing visibility” refers to the enhancement of information disclosure. The Ministry of Foreign Affairs will specify the effects of ODA which were a result of the shift to a results-based approach. The Ministry will set up a website to systematically show the status, outcomes, etc. of all cooperation projects funded by ODA in principle. It will prepare reader-friendly

evaluation reports. Information will be disclosed in such ways, whether or not the projects were success stories or failures. This aims at enhancing the confidence of the public in ODA through increased transparency and easy-to-follow explanations of the objectives and situation of ODA.

3. Improving the Efficiency of Public Relations Activities

Public relations (PR) activities concerning ODA’s field operations and specific projects will be concentrated in JICA in principle, while the Ministry will remain responsible for promoting public understanding of the importance and policy significance of development cooperation. This will increase the efficiency of PR activities. At the same time, by JICA becoming an information hub for the people, user convenience and

friendliness will be improved. National public interest in ODA will also be generated through JICA’s centers located around the country and other means.

At JICA, information disclosure to the public will always be part of the work flow when formulating and implementing ODA projects. At the same time, public awareness will be further promoted through the use of the JICA International Centers, etc.

4. Concrete Efforts for Promoting Public Understanding and Support

(1) *Nantokashinakya!* Project: The forgotten 5.5 billion people

Through people's participation in the *Nantokashinakya!* Project (We Have to Do Something! Project) (Note 7) which started in July 2010, it is hoped that each and every citizen will deepen their understanding of development cooperation and find something that will motivate them to take action.

The heart of the project is the new interactive website, which has messages from experts and public figures participating in the project and covers a diverse range of information provided by member organizations.

Website
<http://nantokashinakya.jp/>



Nantokashinakya! Website

(2) International Cooperation Reporters

In order to provide opportunities for as many people as possible to experience and observe the situation in developing countries, Japan plans to implement a new program called International Cooperation Reporters, which has higher cost-effectiveness than the ODA Citizen Monitoring Program that was implemented

until FY2008. Through this program, citizens will visit ODA sites as international cooperation reporters, and afterwards report on the situation of developing countries and the significance of and need for international cooperation through a variety of Japanese media outlets.

(3) TV program on development cooperation “*Chikyu (Earth) VOCE*”

The newly revamped ODA promotional TV program, “*Chikyu (Earth) VOCE*”, has been aired on TV Tokyo and affiliated TV channels since April 2010. The program uses creative ways to engage the audience and to increase their familiarity with international cooperation. Specifically, the program not only limits itself to field interviews as before, but also introduces a variety of international cooperation programs in which anyone can easily participate, including those in which people can participate in Japan, as well as interviews of public figures engaged in international cooperation and



Ms. Ai Sugiyama, a reporter of TV program “*Chikyu (Earth) VOCE*,” and the village children during her field visit to Senegal

Note 7 The Project, whose executive committee consists of the Japan NGO Center for International Cooperation (JANIC), United Nations Development Programme (UNDP), and JICA, offers easy-to-follow information on the situation in developing countries and the significance of and need for international cooperation, and provides opportunities to learn about international cooperation, in partnership with a variety of practitioners around Japan.

relevant international cooperation efforts of NGOs and private corporations.

The popular singer, Ms. Ayaka Hirahara, who sings the theme song of the TV program exchanged opinions with Minister for Foreign Affairs Okada at the Ministry of Foreign Affairs in June 2010, and expressed her intent to continue her involvement in international cooperation.



Ms. Ayaka Hirahara (right) and Minister for Foreign Affairs Katsuya Okada

(4) Website for increasing the visibility of ODA

The Ministry and JICA launched a website called “Increasing the Visibility of ODA (tentative)” on October 1, 2010 to systematically as well as visually represent information such as ODA status and outcomes. The website will be further enhanced to provide people with easy-to-follow information on the objectives and situation of ODA and ensure that visibility is increased.



Homepage of Increasing the Visibility of ODA website

Section 3

Policy-making Functions and Implementation Capacity (JICA)

In implementing the results of the “ODA Review”, the Ministry of Foreign Affairs will concentrate on policy-making, while JICA will take responsibility for aid implementation.

1. Reinforcing the Policy-making Functions of the Ministry of Foreign Affairs

The Ministry reinforced its ODA policy-making functions by restructuring its International Cooperation Bureau in July 2009. Under the reform, the aid schemes divisions were abolished, the functions of the country assistance planning divisions were strengthened, and the Development Assistance Policy Coordination Division

was newly established to promote the integrated implementation of the three types of aid schemes (grant aid, technical cooperation, and ODA loans). Through the expansion of the country assistance planning functions, the Ministry will strive to enhance its country assistance strategies.

2. Reform of JICA

With the establishment of the new JICA (Note 8) in October 2008, JICA became an aid implementing organization which ensures the integrated implementation of the three types of aid schemes. JICA will take advantage of its expertise and network in gauging and analyzing the development needs and situation in the field, developing a new aid scheme and areas of assistance, and strengthening the aid implementation functions. To this end, JICA will continue to reinforce its analytical and conceptual abilities, develop its implementation capacity, and ensure the efficient implementation of programs.

At the same time, duplication of efforts between the Ministry and JICA, adjustment costs and other items which can be streamlined, and responsibilities which can be transferred from the Ministry to JICA will be identified and all operations will be streamlined. Through these measures, the Ministry and JICA will better fulfill their respective roles and generate greater synergies.

As discussed in the “ODA Review”, JICA will reinforce its aid implementation capacity around the following three pillars.

(1) Enhancing program and project planning capacity

JICA will enhance its development needs analysis in which it has high expertise, and strengthen its program and project planning capacity. Specifically, JICA will analyze the needs and development policies of recipient countries and design five-year country and sectoral programs. Upon consultation with partner country governments and other donors and aid agencies, JICA will propose to reflect the programs in the CAPs of the Government of Japan. JICA will take advantage of the

JICA Research Institute which was established when the new JICA was launched, and develop and raise awareness about new models of assistance bearing in mind Japan's experience and technologies and changes in development needs. Current efforts include support to Africa for increasing rice production, an infrastructure development package, support to tackle climate change, and promotion of partnership with BOP businesses.

(2) Building flexible implementation capacity

The programs designed will steadily reflect past lessons learned and other considerations during the planning stage (to ensure the thorough implementation of the PDCA cycle) and will be implemented based on appropriate outcome indicators. In addition, in order to develop an effective aid implementation mechanism, JICA will encourage staff to work in the field. JICA will also lead development policy discussions among diverse stakeholders, including experts, volunteers, domestic

offices, and technical trainees, and strengthen NGO assistance and strengthen partnership with the private sector, including through the restructuring of overseas investment and loans. JICA will also take full-fledged steps to improve the implementation mechanism in the field, including enhancing the security management system in unstable developing countries and regions, such as areas undergoing peace-building.

Note 8 The former JICA was principally responsible for promoting the implementation of technical cooperation and grant aid. Under the revised JICA law, the new JICA which was established on October 1, 2008 is responsible for the above, as well as for the implementation of ODA loans which were managed by the Japan Bank for International Cooperation (JBIC) as part of their overseas economic cooperation operations. Moreover, the new JICA became responsible for the implementation of some grants previously implemented by the Ministry of Foreign Affairs.

(3) Thorough cost reduction and strengthening governance

Bearing in mind the results of the screening process by the Government Revitalization Unit, JICA aims to further enhance the efficiency of its program implementation by thoroughly cutting costs and strengthening governance. JICA will install a system to receive proposals to improve its operations from various stakeholders, including

experts, volunteers, NGOs, and consultants. In addition, JICA will strengthen its internal control functions (e.g., program review and evaluation; ex-post audit; compliance system; and evaluation, procurement and monitoring) and reduce costs through reviewing its acceptance of trainees, travel costs, and commissioned work.

Keyword 3

ODA Use for Promotion of Economic Diplomacy

Japan has made a variety of international contributions through official development assistance (ODA). In order to continue to actively provide such international cooperation, it is increasingly important for Japan to create a stronger economic foundation.

As Minister for Foreign Affairs Maehara announced in his foreign policy speech to the 177th Session of the Diet in January 2011, based on the "ODA Review," Japan will continue to attach high priority to reducing poverty, namely, contribution to the achievement of the MDGs, investing in peace, and supporting sustainable growth. At the same time, Japan will place a particularly great importance on actively using ODA to promote economic diplomacy. Japan intends to promote ODA which benefits the international community, developing countries, and Japan together.

A big challenge for economic diplomacy is securing a stable supply of natural resources, energy, and food. It is a vital task for Japan to reinforce strategic relations with food exporting countries and countries with mineral and energy resources, including rare earth. In this light, Japan will strengthen bilateral relations with those countries by actively supporting the socioeconomic development, including infrastructure development, of resource-rich countries, through utilizing diplomatic means such as ODA under public-private collaboration.

Another major pillar of economic diplomacy is support for the international promotion of Japanese infrastructure systems. To date, in order to promote greater coordination between ODA and the private sector, Japan has introduced a number of measures, including the Special Terms for Economic

Partnership (STEP) concerning ODA loans and a scheme for receiving proposals on public-private partnership projects submitted by private companies. STEP is a system introduced in 2002 to promote the "visibility of Japanese aid" by making use of Japan's advanced technologies and know-how, and transferring excellent technologies to developing countries. In FY2009, Japan implemented a total of six ODA loan projects through STEP, including the dedicated freight railway construction project in India, the international airport terminal construction project in Vietnam, and the sewerage system project in Papua New Guinea. Through STEP, Japan will support the development of developing countries by making use of its advanced technologies and know-how, and enhance efforts for the international promotion of Japanese infrastructure systems.

Furthermore, in FY2010, Japan introduced a JICA scheme for the study of private sector proposals. The aim is to make use of the know-how, financial resources, technologies, and other resources of private companies for the resolution of the development challenges of developing countries, and support the international promotion of private companies. Based on the proposals for Public Private Partnership (PPP) and Base Of the economic Pyramid (BOP) business projects submitted by private companies, JICA entrusts those companies to carry out feasibility studies (F/S) (*1).

With a view to promoting ODA which contributes to economic diplomacy, Japan will make further use of these frameworks and actively promote other initiatives, including closer dialogue with the business community and the consideration of new tools.

*1 Studies for verifying whether individual projects are feasible from various perspectives, including technical, economic, social, and environmental, to formulate an optimal program plan.

Section 4 Securing Financial Resources for Development

In order to carry out more strategic and effective aid by securing the financing needed to meet the vast and diverse development needs, efforts will be strengthened to mobilize and secure ODA and other sources of funding.

1. Efforts Towards Expanding ODA

In today's globalized world, Japan needs to pursue the common interests of the international community together with major countries and sufficiently implement ODA as the core of development cooperation.

Even under difficult economic and fiscal conditions, Japan will strive to expand ODA, fulfilling its commitments including assistance to Afghanistan and Africa and staving off the declining trend of ODA from the standpoint that ODA is investment for the future. On that premise, Japan will continue to eliminate

inefficiencies and promote cost-reduction efforts.

Amid the declining trend of ODA in recent years, Japan has maintained a sizable number of aid programs through the ODA budget (initial budget) and supplementary budget. As the supplementary budget is designed to meet unforeseen needs at different times, Japan will seek to allocate in the initial budget, to the extent possible, the ODA portions whose necessity and scale can be reasonably and reliably estimated.

2. Collaboration with Private Sector Resources and OOF

Given the vast development needs of developing countries, ODA funds alone are not sufficient for meeting these needs. ODA and other public funds make up a declining share of the flow of funds to developing countries, 70% of which now consist of private sector resources. Under these circumstances, it is becoming important that ODA and private sector resources are integrated to effectively meet the development needs of developing countries, including removing bottlenecks to private sector resources through ODA.

The Government of Japan will resume JICA's Private-Sector Investment Finance (Note 9), by which support will be provided through investments and loans for the development programs implemented in

developing countries by companies and other private actors. In addition, the Government will draw on the preparatory studies based on company proposals and studies for promoting partnership with BOP businesses, and support the development of businesses driven by private-sector needs.

These initiatives, prompted by ODA, are expected to increase private sector resources to developing countries and support their growth through spillover effects. Furthermore, coordination with OOF (official flows other than ODA), such as the Japan Bank for International Cooperation (JBIC) and the Nippon Export and Investment Insurance (NEXI), will be strengthened, and private sector resources will be further harnessed.

Note 9 Private-Sector Investment Finance is a program which provides necessary funds as either investments or loans for development cooperation activities undertaken by the private-sector in developing countries, which are expected to be highly effective for development but have difficulties in attracting funds from existing private financial institutions. The program, which had been handled since 1960 by the former Overseas Economic Cooperation Fund (OECF), is now implemented by JICA. In accordance with the Reorganization and Rationalization Plan of Special Public Institutions, since 2002, the program's investments and loans were provided exclusively for the projects which were approved before the end of FY2001 or those which were extended. It was then decided that the program will be re-launched within FY2010 at the 6th Ministerial Meeting on the Deployment of Integrated Infrastructure Systems on December 10, 2010. (The Ministerial Meeting, chaired by Chief Cabinet Secretary Sengoku, was held following the Cabinet decision on September 7, 2010 "Holding of the Council on the Realization of the New Growth Strategy," for the purpose of facilitating cross-national, politics-led, and quick decision-making in providing support for the efforts made by private companies operating in the field of infrastructure systems.)

3. Innovative Financing

The international community, including Japan, actively undertakes international cooperation efforts, such as efforts towards the achievement of the Millennium Development Goals (MDGs). However, meeting the development demands of the world requires the mobilization of a broader range of development financing. “Innovative financing” refers to mechanisms for securing new sources of financing in light of these development demands of the world.

A variety of innovative financing mechanisms have been proposed. Some countries have already introduced mechanisms, such as the mechanism of levying a tax on air tickets (solidarity levy on air tickets) and the mechanism of raising funds for the purchase of vaccinations by issuing bonds on the basis of donors’ pledges (International Finance Facility for Immunization [IFFIm]). The funds raised through these programs are used to fight the three major infectious diseases (HIV/AIDS, tuberculosis, and malaria) and address other issues, and have already made significant achievements.

There are also other initiatives being considered, including the currency transaction development tax to be levied on currency transactions.

The Leading Group (LG) on Innovative Financing for Development was established in 2006 as a major international forum for discussing innovative financing. Currently, there are 60 member countries and the number is growing every year. Japan held the LG presidency from June 2010 to the end of 2010, and hosted the 8th plenary session in Tokyo in December 2010. Japan has fulfilled its role as president by further galvanizing domestic and international interest in innovative financing and contributing to its development.

In addition, the Taskforce on International Financial Transactions for Development was launched in October 2009 to discuss innovative financing mechanisms related to international financial transactions, including the currency transaction development tax. Japan is also a member of this Taskforce and actively contributes to the discussions.