



Ho Chi Minh City overlooking the Saigon East-West highway tunnel under construction in Viet Nam
(Photo: Hikaru Nagatake / JICA)

Section 1

Developing Countries and ODA in a Global Economy

October 2014 will mark the 60th anniversary since the start of Japan's technical cooperation to developing countries. Japan has so far extended bilateral aid to 169 countries and 21 regions, as well as assistance through contributions to Multilateral Development Banks (MDBs), including the World Bank and the Asian Development Bank (ADB) and to United Nations (UN) agencies, including the United Nations Development Programme (UNDP), United Nations Educational, Scientific and Cultural Organization (UNESCO), United Nations Children's Fund (UNICEF), World Health Organization (WHO), World Food Programme (WFP), and the Office of the United Nations High Commissioner for Refugees (UNHCR). How does the world and developing countries view the assistance Japan has provided? Every year, BBC, a public service broadcaster in the United Kingdom, carries out the Country Ratings Poll that surveys whether countries have positive or negative influences on the world. Every year, Japan ranks

among the top countries viewed as a positive influencer on the world. Recently, Japan was ranked in the first place in 2008 and 2012. These positive perceptions of Japan are largely underpinned by the international cooperation Japan has extended, including ODA. In a 2008 opinion poll on Japan conducted in six key ASEAN countries to which Japan has offered substantial ODA, 92% of those polled assessed that Japan's ODA is helpful in the development of their countries, while 93% considered Japan as a trustworthy friend for ASEAN countries. Among the messages of support which were received from around the world in the aftermath of the 2011 Great East Japan Earthquake, numerous messages expressed gratitude for Japan's help when their own countries were hit by disasters and for Japan's support to their countries' development. These are all a testament to the significant role Japan's assistance in the last 60 years has played in strengthening international trust in Japan.

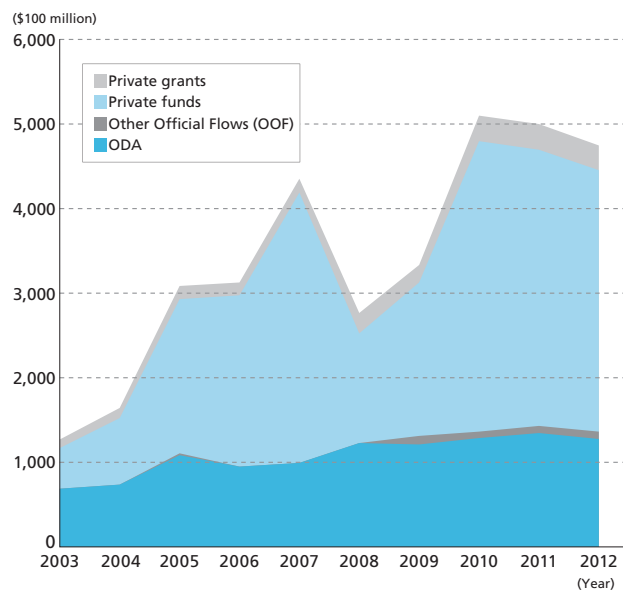
At the same time, considerations of what Japan's

ODA should look like now and in the future must take into account the recent major changes taking place in the international landscape surrounding Japan. One of the changes is the changes in the political and national security environment. In the midst of heightening popular calls for democratic systems throughout the world, it is demanded that Japan carry out an increasingly strategic diplomacy for shaping an international order based on universal values, such as freedom, democracy, and the rule of law. ODA is one of the most important tools to this end. Japan can promote and foster these favorable developments by strengthening support through ODA for countries with which Japan shares universal values and strategic interests, and for countries in the process of democratization and national reconciliation.

Changes in the international landscape have also been striking on the economic development front. Until the early 2000s, as private financing inflows could not be expected, many countries, especially in Africa, had to rely on ODA for most of their countries' development. This situation has, however, changed completely with the later changes in the global political and economic circumstances. As civil wars and coup d'états decreased and the political and security situation improved, coupled with the advancement of economic globalization, many developing countries increasingly attracted attention as new investment destinations and markets amid rising natural resource prices and primary product prices, among other factors. Private financing flows to these countries in turn began to exceed ODA flows. As shown in the graph "Financial Flows from Developed to Developing Countries (Nominal Terms)," private financing inflows to developing countries were approximately 2.5 times as big as the ODA inflows in 2012. With private financing emerging as a new driving force in addition to ODA, developing countries have been realizing remarkable economic growth, which has been driving the global economy. In Africa – a continent that had suffered from poverty, a succession of countries have achieved annual growth rates of above 5%. Against this backdrop, during the Fifth Tokyo International Conference on African Development (TICAD V) held in Yokohama in June 2013, many African leaders called for Japanese companies to increase their investments in the countries, which have identified private financing-led growth through trade and investment as a national goal.

Furthermore, the so-called emerging countries, including China, India, and Brazil, have registered spectacular economic growth and are strengthening their global presence. As a result of economic growth through trade and investment, these countries saw sharp declines in their poverty, and made substantial contributions to the achievement of the Millennium Development Goals

Financial flows from developed to developing countries (nominal terms)



Source: DAC Statistics on OECD.STAT
 Nominal terms: Values not adjusted for exchange rates and price fluctuations

(MDGs). These countries are in a position of offering development financing, and have dramatically increased their contributions for development in recent years.

Another area that needs to be looked at is the world's transition towards even greater diversity and multipolarity. While there are developing countries that achieve many of the MDGs, conversely there are still numerous countries which do not see adequate progress in achieving these goals. These are countries that lag behind in development due to various circumstances such as regional conflicts and civil war, and must continue to rely on ODA. In addition, there are countries like Myanmar embarking on a process of building a democratic state. These countries which promote democratization and aspire to grow based on an open economy not only have tremendous needs for development cooperation through ODA; they are also anticipated to witness dramatic economic growth through future increases in private sector investment, undergirded by rapid improvements in the investment environment. On the other hand, in some countries which have steady economic growth, poverty is still a serious issue due to widening intra-country disparities. It is imperative that assistance also addresses the hardships faced by these countries.

The advancement of globalization is, furthermore, accelerating the integration and interdependence of world economies. This is yet another critical aspect to consider in examining the future role of ODA. In the present era, an array of worldwide risks can have significant impacts on the entire world economy. These are not restricted

to risks that originate from developed countries, such as the global economic crisis and the European debt crisis. Today, when investment money also reaches across developing countries, developing country risks can immediately set off ripple effects on the entire world economy, including geopolitical risks, such as regional conflict and terrorism threat, and sovereign risks related to national credit. It is not an exaggeration to say that for Japan and for the entire globe, no localized risk in the world may be considered “somebody else’s problem.”

In this changing international landscape, the role demanded of Japan’s ODA is changing qualitatively.

First, as private financing assumes a greater role for achieving sustainable growth in developing countries, in recent years there have been growing expectations towards ODA’s catalytic role for attracting private financing and towards ODA’s role for creating an investment-friendly environment. Increases in direct investment in developing countries contribute to the transfer of technologies and knowhow to developing countries, as well as to increases in employment and income in developing countries. By unlocking the vitality of local companies in developing countries,



Children in Sodo, Southern Nations, Nationalities, and Peoples’ Region, Ethiopia (Photo: Kenshiro Imamura / JICA)

Japan will support their sustainable economic growth. Specifically, Japan will further strengthen programs such as infrastructure development that contribute to improving the business environment of developing countries, the development of industry human resources in developing countries, and public-private partnerships including BOP (Base of the economic Pyramid) business support¹. This type of ODA, which attaches importance to aspects of growth, is consistent with the principles of development cooperation for developing countries that Japan has been promoting.

Secondly, the role demanded of ODA has diversified as the world becomes more diverse and multipolar. For countries where private financing inflows cannot be expected, it remains important that a stronger focus is placed on poverty reduction, and that Japan carries out development cooperation based on the principle of human security, including technical cooperation for human resource development. Many of the challenges confronting these countries are global issues, such as regional conflict, infectious diseases, and climate change, that are bound to affect the whole world, including Japan. Japan’s proactive engagement in these fields will contribute to strengthening trust in Japan as well as Japan’s presence in the international community. Moreover, supporting countries embarking on a process of building a democratic nation through ODA promotes the shaping of an international order which is in line with universal values, such as freedom and democracy, and is expected to greatly contribute to the realization of a free and prosperous international community.

Thirdly, with the integration and interdependence of the world economy deepening, the issues of developing countries are no longer confined to developing countries. In an increasing number of cases, developed economies have benefited from, or have been conversely affected in a negative manner by, causes attributable to developing countries. Amid stagnant growth in developed economies, an era has arrived in which the economic growth of developing countries determines the fate of the growth of the entire world economy. Realizing balanced, sustainable, and resilient economic growth in developing countries is now an essential prerequisite for ensuring stable development and prosperity across the world, including Japan. Under these circumstances, what has come to light once again is that assistance for developing countries via ODA benefits not only developing countries, but also the entire international community, including developed countries. The assistance needs of developing countries are diverse, ranging from economic infrastructure assistance that will likely have short-term effects on the world economy, to areas requiring

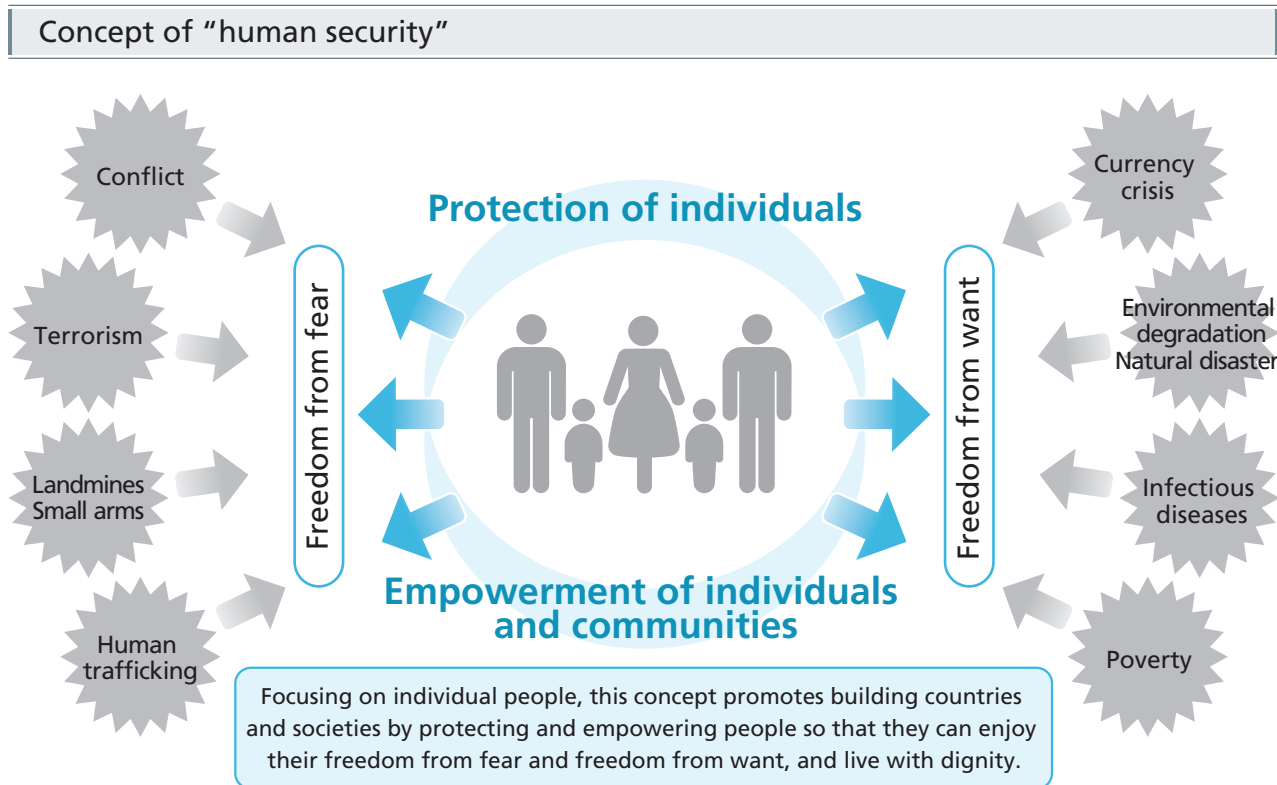
Note 1: See page 150-151 about BOP business

long-term efforts, including poverty reduction and peacebuilding. By addressing these needs of developing countries, its impacts will be passed on to the entire international community in the form of international economic growth and peace and stability. Looking ahead to 10 years and 20 years from now, ODA is an important “investment in the future” for developing countries to become independent and to develop, and to ensure that this development serves as a springboard for growth for the world as a whole.

For Japan, these ODA concepts are, in a sense, familiar concepts. In the wake of the dramatic landscape changes, a similar understanding of ODA has also become widespread in other donor countries. Mr. J. Brian Atwood, previous Chair of the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD), who has also served as the Administrator of the United States Agency for International Development (USAID), setting forth in an article he contributed in 2012 that “development assistance is an investment in the future,” urged the international community to increase ODA and argued

that “If we want growth in the OECD countries, we have to adopt a global perspective that encompasses the developing world.”

Even in the United Kingdom which, if one or the other, had taken the position that development aid makes too sharp a distinction between national and global interests and that development should be for the latter, the Secretaries of State for International Development since the inauguration of the Cameron administration have stated that “the development assistance budget is investment in the future for developing countries and the United Kingdom,” and have strongly advocated the need for increases in the ODA budget. It follows that this notion that ODA is investment in the future for the further development of not only developing countries but also of the entire international community is being shared increasingly across the globe. Japan, from this standpoint, will carry out ODA that contributes to the development of developing countries, as well as to the growth and prosperity of the entire international community, including developed countries.



In recent years, assistance and activities carried out by a range of actors, including non-governmental organizations (NGOs), private foundations, and private companies, have gained importance in the context of the development of developing countries. Furthermore, actors such as local governments which were rarely directly involved in the development of developing countries have begun to proactively engage in development. Corporate involvement has also taken on diverse forms, ranging from development assistance extended as social contribution by Japanese companies which do business in developing countries, to initiatives implemented as a vital business component. As described above, various actors are engaged in the development of developing countries, using diverse approaches which leverage the areas they respectively excel in. ODA can link these diverse actors, and by adopting solid approaches, increase the synergy effect. This section introduces several cases in which partnerships between these new actors in development and the Government have created larger impacts.

The first case is an example of a company and NGOs partnering with ODA in Haiti. In Haiti, tuberculosis is rampant and early testing and treatment as well as infection prevention efforts are needed. In January 2013, a Japanese company, EIKEN CHEMICAL CO., LTD., in cooperation with the Japan International Cooperation Agency (JICA), launched a program to enhance Haiti's tuberculosis diagnosis capabilities by introducing and mainstreaming in Haiti a highly sensitive and simple tuberculosis testing method developed by the company. More specifically, EIKEN CHEMICAL provides the reagents and supplies necessary for the implementation of this testing method. In addition, the company dispatches to Haiti physicians

who serve as trainers and conduct trainings on the testing method for local laboratory technicians at the Haitian laboratory carrying out the testing. JICA pays for the cost of dispatching experts from the Research Institute of Tuberculosis, Japan Anti-Tuberculosis Association (JATA), which offers technical support for this training, as well as experts from NGO, RESULTS Japan, which has knowhow in spreading awareness in developing countries. This is a case in which the dispatch of personnel from a relevant NGO and research institute through ODA for a Japanese company's social contribution project in the medical field contributed to building up Haiti's tuberculosis diagnosis capabilities and controlling the spread of infection, and considerably contributed to improving the welfare of the Haitian people.

The second example is partnership between universities and ODA. Obihiro University of Agriculture and Veterinary Medicine is the only national university in Japan specializing in veterinary medicine, agriculture, and livestock. While it has always been dedicated to undertaking progressive research through partnerships with other universities and research institutes in the area, Obihiro University also proactively engages in international cooperation. Obihiro University and JICA signed the Obihiro - JICA Volunteer Team Partnership Program Memorandum of Understanding, under which the university dispatches students and graduates using the Japan Overseas Cooperation Volunteers (JOCV) system to the Itapua department government office and to three city offices in the same department in Paraguay in South America. Students continuously cooperate with the implementation of the capacity-building program to help small-scale dairy farmers in the department improve their milk productivity and milk quality, and contribute to the



A JOCV (Obihiro University of Agriculture and Veterinary Medicine student) paying a routine visit to a farm in Paraguay (Photo: Obihiro University of Agriculture and Veterinary Medicine)



A member of a sludge dewatering equipment development company explaining about the equipment to the Cebu City public services department team (Photo: AMCON INC.)



A technician performing tuberculosis testing in Haiti (Photo: Eiken Chemical Co., LTD.)

development of dairy farming in Paraguay. At the same time, participating students receive university course credit for the dispatch activity. As students are able to obtain field experience in a developing country that goes beyond the scope of a mere exercise, this project is also drawing attention from the perspective of global human resource development.

The “Project for the Promotion and Enhancement of the Afghan Capacity for Effective Development (PEACE),” a project implemented with the cooperation of several Japanese universities to foster human resources who will be responsible for Afghanistan’s future, supports the training of Afghan administrative officers in the areas of agriculture, engineering, and social science (See page 99, for more details of PEACE Project in “Peacebuilding”).

As new development partners, the importance of local governments has also increased. A variety of local governments currently provide international cooperation by drawing on their respective knowhow in administrative services. The example of the City of Yokohama is described below.

The City of Yokohama and the City of Cebu in the Philippines exchanged the “Memorandum of Understanding on Technical Cooperation for Sustainable Urban Development” in March 2012. Under this MOU, the City of Yokohama implements technical cooperation in partnership with the private sector, making use of the technologies of private companies and of the City of Yokohama’s various knowhow in urban management and urban development including in water and sewage, waste

management, urban planning, and environment protection measures. In accordance with this MOU, in FY2012, the City of Yokohama conducted a study to examine the urban development vision of Metro Cebu (urban area consisting of 13 municipalities, including the City of Cebu).

Additionally, the City of Yokohama cooperates with an array of training and dispatch programs carried out through ODA. Further still, the City of Yokohama, in partnership with over 100 relevant companies and groups in the city, launched the “Yokohama Water Business Conference (YWBC)” covering the whole spectrum of water and sewage services. Under YWBC, the city and private companies collaborate to resolve water issues of countries, including emerging countries. For example, in the City of Cebu in the Philippines, sludge that has accumulated in household and office septic tanks is not properly disposed of, and is a source of water contamination and the unhygienic environment. Accordingly, a member company of the Water Business Conference made a proposal to improve the hygiene environment in the Philippines by installing dewatering equipment, which was adopted as one of the commissioned Feasibility Study projects that were selected for supporting overseas expansion for SMEs using ODA in FY2012 of the Japanese Ministry of Foreign Affairs (MOFA). This example shows that Japanese local governments’ various attempts at international cooperation contribute to the development of developing countries in all shapes and forms through government-company partnerships.

As explained in Section 1, ODA is investment in the future for both Japan and the entire international community. This concept is made clear in the “Japan Revitalization Strategy” approved by the Cabinet in June 2013. Japan’s growth-focused development cooperation in East Asia has, for example, contributed to the dramatic growth and development of the region. This has brought significant benefits to Japan and East Asia as a whole. Japan’s ODA functions effectively, precisely as “investment in the future,” and can be said to be one of the best practices which have proven to deliver. The section below describes cases of international cooperation that functions as investment in the future.

In developing countries, including emerging countries, experiencing rapid growth, infrastructure demand has risen sharply. Japan views that for supporting the infrastructure development of developing countries, combining ODA with exports of infrastructure systems would achieve both economic development in the partner country as well as robust economic growth in Japan. To make this feasible, it is essential that Japanese companies are awarded contracts not merely to export equipment, but also to provide infrastructure design, construction, operation, and management as a “system,” as well as to carry out diverse businesses, including the enlargement of business investment. Exports of infrastructure systems do not only directly benefit companies that are awarded the contracts. Such exports generate multiple effects, including the development of the regions to which Japanese companies have expanded their businesses and the strengthening of the supply chain. Along with the growth of partner countries through infrastructure development, the transfer of Japan’s advanced technologies, knowhow, and systems to partner countries contribute to resolving issues that partner countries are facing. In particular, developing countries highly esteem Japan’s technologies and systems in sectors Japan excels at, including environmental measures and disaster management, leading to the receipt of requests for assistance from many countries. For example, countries which have introduced early warning technologies for disasters, including volcanic eruption and rainstorm, have resolved the problem of evacuation delays, which in turn has contributed to significant reductions in casualties. In this light, the use of ODA for exports of infrastructure systems is “investment in the future” that generates benefits for both Japan and partner countries.

Based on this concept, in May 2013, the Japanese government established the “Infrastructure System Export Strategy” regarding various initiatives, including ODA. To increase infrastructure system exports, measures including

the following are implemented in connection with ODA:

- Improvement of ODA schemes to facilitate further utilization of Japanese technologies (improvement of STEP scheme);
- Improvement of the ODA Loan scheme, including introduction of ODA Loans with Currency Conversion Option;
- Proactive utilization of JICA Private-Sector Investment Finance;
- Creation of master plans in coordination with the private sector;
- Participation of local governments in overseas projects (local governments and developing countries build up relationships through ODA, and by mobilizing the knowhow of local companies, ODA becomes the foundation of local companies’ overseas businesses);
- Business environment enhancement, e.g., development of legal systems for overseas infrastructure operations; and
- Development of global human resources, and establishment of a human resources network.

Not only infrastructure, but also healthy people and a workforce comprised of healthy people are essential for a country’s stability and economic growth. It is important that all people are guaranteed access to basic health and medical services and that efforts are made to improve their health, and to ensure that payment of medical fees do not force them into poverty. Furthermore, being healthy increases opportunities for people to attend schools and find employment, which in turn promotes their country’s economic development. International cooperation in the health and medical field is not only a fundamental initiative that is directly linked to the lives and health of the people; it is human investment in nation-building, and by extension, investment in the building of a peaceful society and stable economic and social development, i.e., “investment in the future.”

In recent years, helped by international efforts, health indicators have improved, including the world’s average longevity and infant mortality rate, and the health of people in developing countries has increased. Nevertheless, in many countries and regions of the world, access to health and medical services has been inadequate amid their poor sanitation environment and the spread of infectious diseases. In short, the health gap has widened. These countries need assistance targeting specific health issues as well as further assistance for strengthening their health systems.

In May 2013, the Japanese government established “Japan’s Strategy on Global Health Diplomacy.” The strategy identified common global health issues as a priority of Japan’s foreign policy, and presented a policy

to strengthen efforts towards the realization of “Universal Health Coverage (UHC).” UHC means ensuring that all people are able to obtain basic health services when necessary, including preventive, curative, and rehabilitative health services, without having financial hardship. Japan, having a track record in achieving the world’s No. 1 healthy and longevity society by adopting various initiatives, including the universal health insurance system, and coping with an aging society, is able to harness this experience and its high level of technologies. In September 2013, Prime Minister Shinzo Abe contributed an article on “Japan’s Strategy on Global Health Diplomacy” to *The Lancet*, the world’s reputed leading medical journal – the first time any G8 leader contributed an article to this journal, in which Japan’s views were explained in detail. As the world’s disease status and health needs change and diversify, not only treatment of specific diseases but also policies and assistance tailored to the situation in each country or region are indispensable. Under this strategy, Japan will continue to support the achievement of MDGs. Furthermore, to achieve UHC, which is vital for realizing human security, Japan will implement bilateral aid effectively, form strategic tie-ups with global initiatives, and strengthen global health human resources. In tandem with these efforts, Japan promotes the internationalization of Japan’s medical technologies and services – one of the components of Japan’s growth strategy – to improve the quality of health and medical services. The public and private sectors will make concerted efforts to contribute to solving global health issues. These efforts will include the transfer of Japan’s world-leading medical technologies, introduction of advanced medical equipment and pharmaceuticals, and the promotion of mutual understanding regarding Japan’s experience with the public health insurance system that realized universal health coverage and regarding the process from development to approval of pharmaceuticals and medical equipment.

Investing in women contributes to the promotion of gender equality and to women’s participation in society, and is deemed a highly effective investment in the future.

Many regions in the world still have large gender disparities in school attendance rates. Women’s access to education can, of course, lead to improvements in their own health and livelihoods. Moreover, having knowledge about childbirth and child-rearing and recognizing the importance of education can lower the morbidity rate of their children and have a positive impact on growth. Additionally, women who received education will more easily find employment, and by extension, increase their incomes. There is a high tendency for women to use incomes for their children’s education, nutrition, and health and hygiene, among other areas. Thus, if women earn incomes and manage their incomes, this would lead to children receiving better education and maintaining better health. Investment in women which contributes to women’s participation in society is precisely investment in their children who will be responsible for the future.

In September 2013, in his address at the General Debate of the UN General Assembly, Prime Minister Shinzo Abe pledged to strengthen assistance that will contribute to women’s active engagement and capacity enhancement to create “a society in which women shine,” and to implement ODA in excess of \$3 billion over the next three years. Japan will implement steady assistance through bilateral cooperation and in partnership with international organizations based on the following three pillars of this commitment: “Facilitating Women’s Active Role/ Participation in Society and Women’s Empowerment,” “Enhancing Japan’s Efforts in the area of Women’s Health Care as a part of its Strategy on Global Health Diplomacy,” and “Supporting Women’s Participation and Protecting their rights in the area of Peace and Security.”



Prime Minister Shinzo Abe delivering an address regarding “a society in which women shine” at the 68th session of the UN General Assembly (Photo: UN Photo / Evan Schneider)