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OFFICIAL DEVELOPMENT ASSISTANCE (ODA)

(a) Overview: Circumstances Surrounding Japan's Official Development Assistance (ODA) and Revision of the ODA Charter

Developments Leading to the Revision of the ODA Charter

The year 2003 marked a significant turning point for Japan's Official Development Assistance (ODA) given that the ODA Charter, the basic document on Japan's ODA policy, was revised for the first time in 11 years at a Cabinet meeting in August 2003. After the Ministry of Foreign Affairs initially announced that it would review the ODA Charter in December 2002, the basic policies were decided in the Council of Overseas Economic Cooperation-Related Ministers in March 2003 and the government draft was then formulated. In the process of revising the ODA Charter, a special emphasis was placed on having exhaustive discussions within Japan, and many opportunities were provided to hold exchanges of opinions among experts, implementing

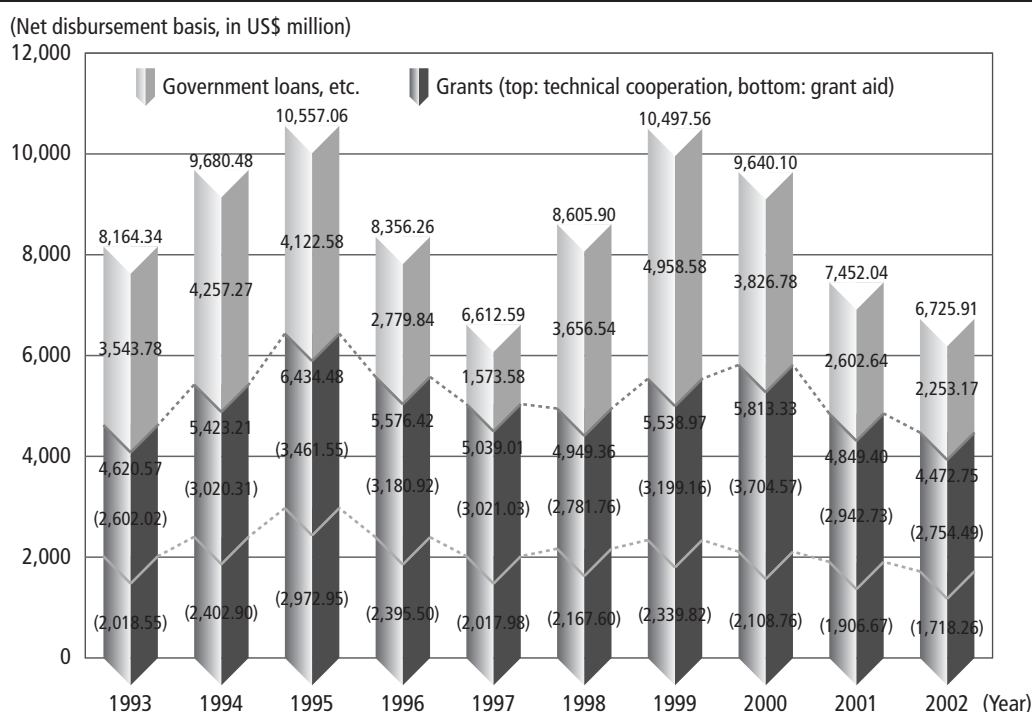
agencies, non-governmental organizations (NGOs), and economic circles in the drafting process. Moreover, the government draft was later made public on the Foreign Ministry website to gather public comments. Public hearings were also held in Tokyo, Osaka and Fukuoka. The final draft was drawn up taking into account the comments and results of the hearings and adopted by a Cabinet decision. As such, the revision of the ODA Charter was advanced through an unprecedented process by integrating the opinions from various segments of the public.

Background of the Revision of the ODA Charter

The revision of the ODA Charter is attributed to the dramatic changes that had occurred in the domestic and international situation surrounding ODA since the previous ODA Charter was adopted by a Cabinet decision in June 1992.

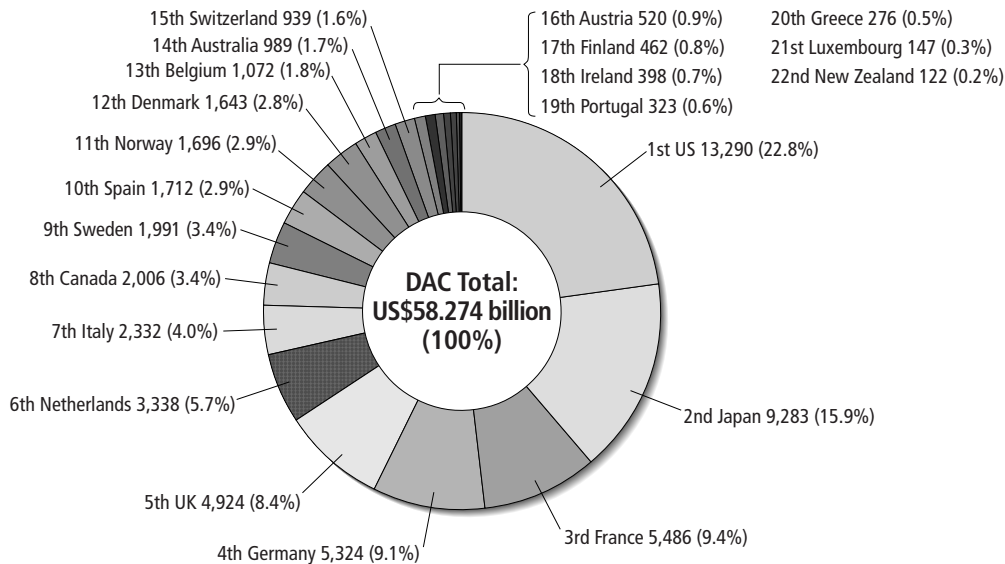
To begin with, as globalization has advanced, it has become increasingly important for the international

Record of Bilateral ODA by Type of Assistance



Note: Includes record of assistance to South Eastern Europe and countries no longer dependent on aid.

Record of Development Assistance From DAC Countries' Governments (Net disbursement basis in 2002, in US\$ million)



Source: 2003 DAC reference materials, 2002 DAC Chairman's Report.

Note: Does not include record of assistance to South Eastern Europe and countries no longer dependent on aid.

community to address the development issues faced by developing countries. Especially since the terrorist attacks in the United States in September 2001, the international community has come to share the view that "poverty can be a hotbed of terrorism" and the European countries successively announced their bold policies to increase development assistance. Under these circumstances, new factors—new development issues such as "sustainable development," "poverty reduction" and the "consolidation of peace;" the concept of "human security;" and the Millennium Development Goals (MDGs) that were compiled at the United Nations (UN) Millennium Summit in 2000—were the major pillars in international debate concerning ODA.

Meanwhile, on the domestic front, there were further demands from the public calling for improvements in the strategic value, flexibility, transparency and efficiency of ODA against the background of the severe economic and financial situation. In light of these circumstances, the entire government's ODA budget was 857.8 billion yen for FY2003, 5.8% lower in comparison to that of the previous fiscal year, thereby resulting in a 26.6% reduction in the last six years (the FY2004 government draft budget for ODA is 816.9 billion yen, 4.8% lower in comparison to that of the previous fiscal year). In addition, broader public participation in ODA has been requested as its participants have diversified to include NGOs, volunteers, universi-

ties, local governments and economic circles.

Since 2002, the Foreign Ministry has dynamically implemented concrete measures for ODA reform based on the following key concepts: ensuring "transparency," improving "efficiency" and promoting "public participation." The revision of the ODA Charter represented the results of such ODA reform and contributed to spreading Japan's concept of ODA throughout the international community.

Key Points of the ODA Charter

The key points of the revised ODA Charter are as follows.

(1) Objectives

The former ODA Charter advocated the importance of concepts such as the humanitarian viewpoint, interdependence in the international community, environmental conservation and Japan's mission as a peace-loving nation. It was also grounded on the basic principles of attaching importance to ensuring, with the core concept of self-help efforts of developing countries, the efficient distribution of resources, fairness and "good governance" in developing countries and thereby promoting their sound economic development. Based on this, the new ODA Charter has declared that the objectives of ODA are "to contribute to the peace and development of the international community, and thereby to help ensure

Japan's own security and prosperity." This recognizes that the basic policies of Japan's diplomacy are to ensure Japan's security and prosperity, and that the importance of ODA, which is provided as an element of diplomacy, can neither be understood nor supported, unless it contributes to Japan's security and prosperity. Recently, various issues such as humanitarian ones (poverty, hunger, refugees and disasters), global ones (the environment and water), conflict and terrorism in particular have become more serious. The ODA Charter states, therefore, that Japan's initiative in making full use of ODA to resolve these issues will not only benefit Japan in a number of ways, for example through further advancement of friendly relations and promotion of people-to-people exchanges and through improvement of Japan's position in the international arena, but also, it will lead to the stability and development of developing countries, which is vital for Japan as it is heavily dependent on overseas countries for resources and energy.

(2) "Human Security" and the "Consolidation of Peace"

The new ODA Charter identifies the perspective of "human security" as a basic principle and the "consolidation of peace" as one of its priority issues. "Human security" is a concept of integrating and reinforcing efforts that emphasize the human-centered perspective with a view to protecting human beings from extensive and serious threats to their survival, livelihood and dignity, and thereby materializing their full potential. "Human security" has been assessed as one of Japan's basic ODA principles which should be taken into account in every stage from ODA policymaking to implementation. Japan has vigorously supported the dissemination of the principle through the Commission on Human Security in particular. Given that the Commission submitted its report to UN Secretary-General Kofi Annan in May 2003, Japan has been supporting concrete projects that contribute to the materialization of "human security" on the ground by making full use of the Trust Fund for Human Security established at the UN as well as the Grant Assistance for Grassroots Human Security Projects, which has since FY2003, reflected the concept of human security more strongly than the conventional Grant Assistance for Grassroots Projects. More specifically, Japan has been supporting projects in various fields such as education, health and medical care, environment, gender, the

"consolidation of peace" and nation-building with the purpose of protecting as well as empowering people.

In the post-Cold War international community, tensions caused by ethnic, religious and historical factors have become obvious, mingled with political and economic speculation, and a spate of regional and domestic conflicts have been occurring frequently. In order to respond to the present situation, the Japanese Government has attached importance to the role of ODA in various aspects such as conflict prevention, emergency humanitarian assistance during conflict, promoting the conclusion of conflict, "consolidation of peace" and nation-building after the conclusion of conflict, incorporating the "consolidation of peace" as a priority issue into the new ODA Charter. The importance of making full use of ODA to that end was also proposed in the report issued in December 2002 by the Advisory Group on International Cooperation for Peace (a private council under the auspices of the Chief Cabinet Secretary). For a long time, Japan has proactively used ODA to respond to the needs arising in the "consolidation of peace" and nation-building, for example, assistance to refugees and Internally Displaced Persons (IDPs), mine countermeasures, the Disarmament, Demobilization and Reintegration (DDR) of ex-combatants, restoring infrastructure for basic human needs (BHN), and political, economic and social institution building in countries such as Cambodia, Kosovo, East Timor, Afghanistan and Sri Lanka. In addition to those, the "consolidation of peace" in Iraq became another crucial challenge for providing ODA in 2003, and Japan intends to continue to attach importance to making contributions in these areas.

Persistent Efforts toward ODA Reform

The new ODA Charter comprehensively includes the achievements of ODA reform that the Foreign Ministry has vigorously advanced since 2002. First of all, as there are 13 relevant ministries and agencies that implement ODA, the new ODA Charter calls for strengthened coordination among them as well as intensified collaboration among the government and the ODA implementing agencies such as the Japan International Cooperation Agency (JICA) and Japan Bank for International Cooperation (JBIC). Moreover, the new ODA Charter states that policy consultation with developing countries as well as the function of local entities, mainly Japanese embassies, in developing countries,

Outline of the ODA Charter

I. Philosophy: Objectives, Policies and Priorities

1. Objectives

Contribute to the peace and development of the international community, and thereby to help ensure Japan's own security and prosperity

2. Basic policies

- (1) Supporting self-help efforts of developing countries
- (2) Perspective of "human security"
- (3) Assurance of fairness (environmental and social impact, perspective of gender equality, etc.)
- (4) Utilization of Japan's experience and expertise
- (5) Partnership and collaboration with the international community

3. Priority issues

- (1) Poverty reduction
- (2) Sustainable growth
- (3) Addressing global issues
- (4) Peace-building

4. Priority regions

Asia, which can have a major impact on Japan's stability and prosperity, is a priority region for Japan. However, Japan will strategically prioritize, fully taking into account the diversity of the Asian countries' socioeconomic conditions and changes in their respective assistance needs. Japan will prioritize its assistance for other regions on the basis of the charter, giving consideration to the needs for assistance and the state of development.

II. Principle of ODA Implementation

Comprehensively take into account developing countries' need for assistance, socio-economic conditions and Japan's bilateral relations with the recipient country in accordance with the principles of the UN Charter as well as the following points:

- (1) Pursue in tandem environmental conservation and development
- (2) Avoid any use of ODA for military purposes or for aggravation of international conflicts
- (3) Pay adequate attention to trends in military expenditures and WMD
- (4) Pay adequate attention to efforts for democratization and the introduction of a market-oriented economy, and the situation regarding the protection of basic human rights and freedoms

III. Formulation and Implementation of ODA Policy

1. System of formulation and implementation of ODA policy

- (1) Coherent formulation of ODA policy (establishment of medium-term ODA policies and individual country assistance programs)
- (2) Collaboration among related government ministries and agencies (Council of Overseas Economic Cooperation-Related Ministers, etc.)
- (3) Collaboration between government and implementing agencies
- (4) Strengthening of policy consultation
- (5) Strengthening of the functions of field missions in the policy-making process and in implementation
- (6) Collaboration with aid-related entities

2. Increasing public participation

- (1) Broad participation by Japanese citizens from all walks of life
- (2) Human resources development and development research
- (3) Development education
- (4) Information disclosure and public relations

3. Matters essential to effective implementation

- (1) Enhancement of evaluation system
- (2) Ensuring appropriate procedures
- (3) Prevention of fraud and corruption (enhance auditing, etc.)
- (4) Ensuring the safety of ODA personnel

IV. Reporting on the Status of Implementation of the Official Development Assistance Charter

The government will report the status of implementation in the ODA White Paper.

will be reinforced, with the aim of providing aid that better meets the development policies and needs of developing countries. Strengthening the local system has currently become a trend among the international donor community, and Japan has adopted this in the new ODA Charter as a new feature in line with such a trend. Through such systemic reform, the government in its entirety has aimed to implement ODA in a unified and coherent manner.

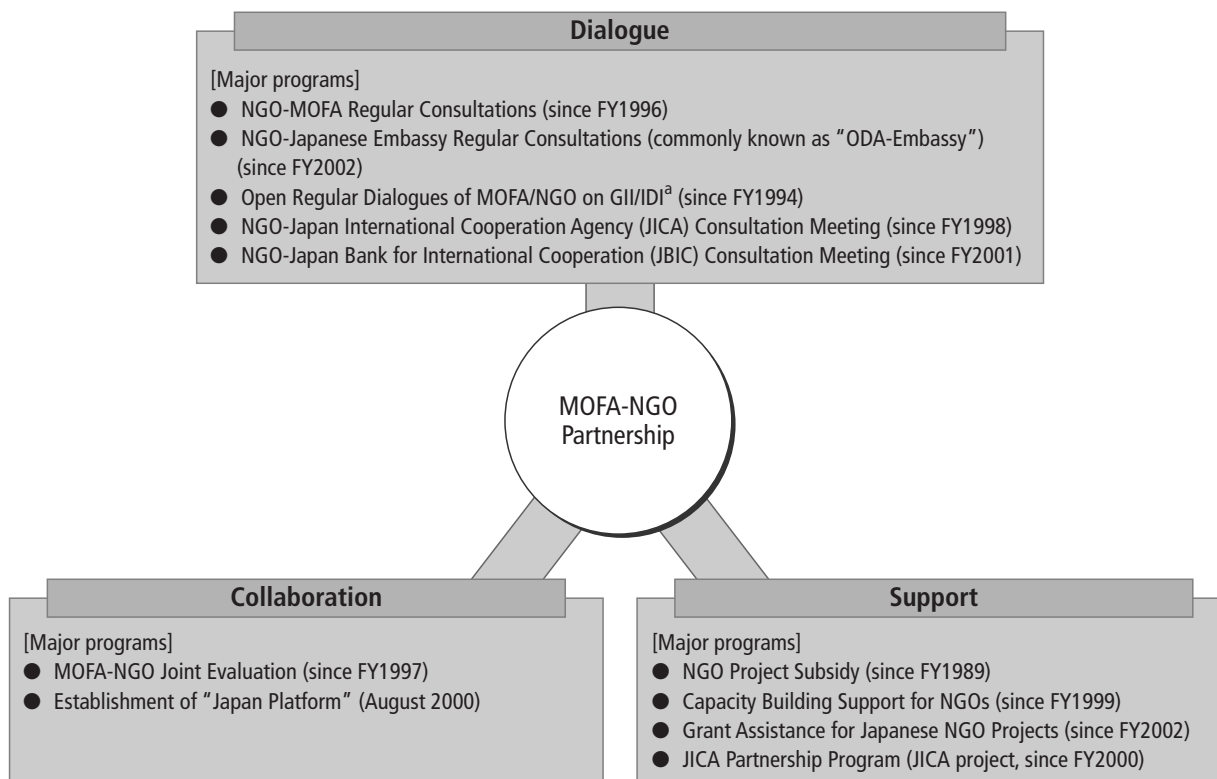
In addition to this, the new ODA Charter includes strengthening collaboration with NGOs, through which the Foreign Ministry has recently been trying to promote collaboration with aid-related agencies and organizations, both internal and external, and to increase public participation. It declares also that the government will cooperate with volunteer activities to materialize

participation by Japanese citizens from all walks of life, and that it will promote public relations, information disclosure and development education to foster people that will be interested and may be engaged in ODA in the future. Furthermore, the new ODA Charter refers to enhancing evaluation, ensuring appropriate procedures, and preventing fraud and corruption with a view to ensuring the transparency of ODA, which is tax-financed, as well as improving the effects of aid. To put it concretely, the following elements are important: strengthening third-party evaluations and audits; applying guidelines established by JICA and JBIC to confirm that considerations to the environmental and social impact be given to aid projects in recipient countries; formulating and announcing a list of future yen loan candidate projects—the “long list,” and appropriately

Partnership between the Ministry of Foreign Affairs and Non-governmental Organizations (NGOs)

Since NGOs can provide detailed assistance activities that have a direct effect on local citizens, the roles of NGOs in recent years have increased in the fields of combat against poverty and other problems in developing countries and the provision of emergency humanitarian assistance to disaster and conflict areas. The Foreign Ministry (MOFA) is promoting ODA that emphasizes the partnership between the Foreign Ministry and NGOs.

In the Foreign Ministry's solid relations with NGOs, there is the aspect of “collaboration” or the utilization of human resources and know-how of NGOs in the implementation of ODA projects, as well as the aspect of “support” through ODA for activities carried out by NGOs themselves. Thus, in order to enhance these aspects of the partnership, the Foreign Ministry believes it is important to strengthen “dialogue” with NGOs.



^a GII: Global Issues Initiative on Population and AIDS

IDI: Okinawa Infectious Diseases Initiative. The Open Regular Dialogues of MOFA/NGO on GII was launched in FY1994, and it was renamed the Open Regular Dialogues of MOFA/NGO on GII/IDI under the Okinawa Infectious Diseases Initiative that Japan announced at the G8 Kyushu-Okinawa Summit in July 2000.

implementing and ensuring transparency of grant aid by holding meetings to assess it.

Conclusion

The year 2004 marks the 50th year since the beginning of Japan's ODA. Taking advantage of its experience as the first nation in Asia to have become a developed country, Japan has utilized ODA to support actively the development of economic and social infrastructure as well as human resources and institution building. As a consequence, it has significantly contributed to the economic and social development of developing countries, especially in East Asia. It is now expected that Japan will build a new form of ODA pursuant to the revised ODA Charter, taking pride in those achievements.

(b) Itemized Cases: Efforts in Priority Regions and Areas in 2003

Asia

Asia has been regarded again as a priority region in the new ODA Charter, as had been the case under the former ODA Charter, because Japan, as an Asian country, is very closely related to this region in a wide range of aspects including those of a political or economic nature, and the region can have a great influence on Japan's safety and prosperity. According to the regional record of bilateral ODA, aid to Asia accounted for approximately 60.7% of Japan's bilateral ODA (net disbursement basis for 2002).

Approximately 30% of Japan's bilateral ODA has been provided to ASEAN countries. At the Japan-ASEAN Commemorative Summit held in Tokyo in December 2003, Japan established priority areas in economic cooperation such as strengthening integration within ASEAN, enhancing competitiveness and dealing with combating counter-terrorism and piracy. Japan also reaffirmed that it would continue to give priority to ASEAN countries with a view to alleviating regional disparities. More specifically, Japan announced that it would contribute approximately US\$1.5 billion over the next three years as cooperation for the Mekong region development, which includes Thailand, Cambodia, Laos, Myanmar and Viet Nam, provide assistance to the Brunei-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA), contribute over US\$1.5 billion for human resources development in ASEAN

countries and have people-to-people exchanges on a scale of approximately 40,000 people.

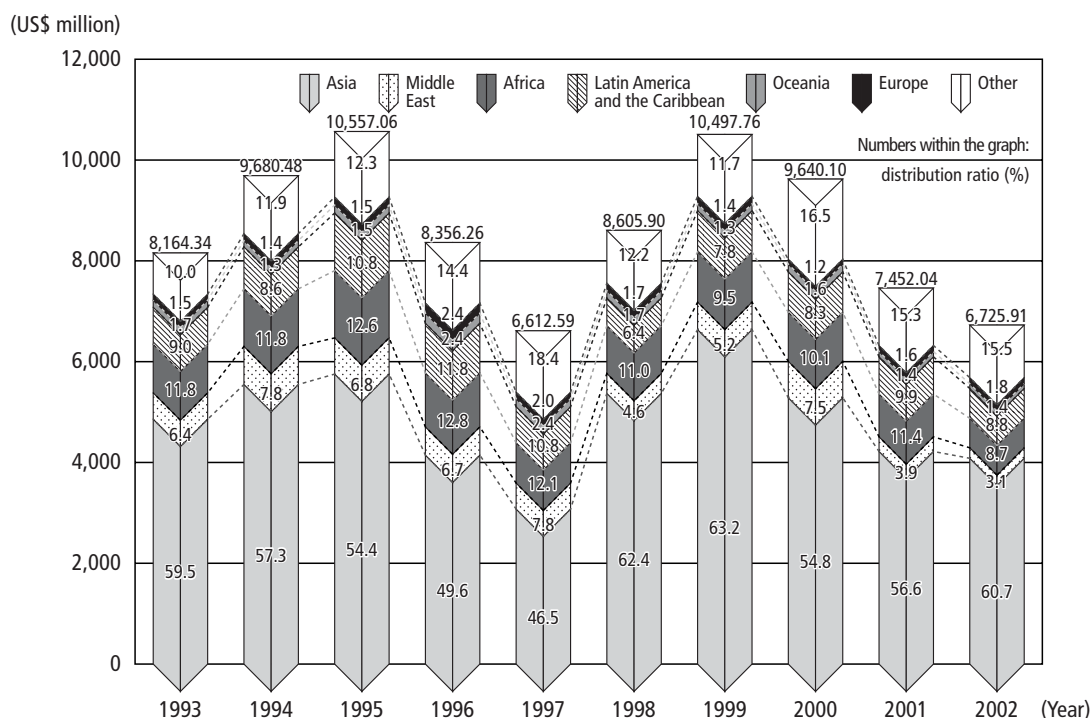
ODA for China has been substantially reviewed based on the Economic Cooperation Program to China formulated in October 2001, and the priority areas have now been changed from economic infrastructure building in the coastal areas to environmental conservation, human resources development, and poverty eradication. In addition, the scale of assistance has not been premised on traditional levels; rather, it has been decided through a close examination of each project in terms of, inter alia, Japan's national interest. As a result of this review, Japan's ODA to China has been drastically reduced in recent years. In particular, yen loans, which constitute a large part of ODA, were 121.214 billion yen in FY2002 (exchange of notes (E/N) basis), a reduction of over 40% compared to the figure for FY2000 before the formulation of the Economic Cooperation Program for China. Moreover, approximately 70% of them were intended for the field of the environment.

Africa

Africa has been plagued with grave problems such as conflict, HIV/AIDS, debt and hunger caused by drought, and particularly, poverty has been remaining to be a serious issue. Therefore, Japan has been determined to dynamically put the concepts of the new ODA Charter, especially "human security" and the "consolidation of peace," into practice in Africa. Furthermore, Africa is currently at the forefront of international aid trends; in fact, the international community has increased its aid to Africa toward attaining the MDGs, and there has been progress in the measures which have been taken based on the Poverty Reduction Strategy Papers (PRSP) under the initiative of the World Bank and International Monetary Fund (IMF) as well as in donor coordination. Japan has been striving to play a leading role in these developments in accordance with the ODA Charter.

As a responsible member of the international community, Japan has attached importance to assistance to Africa and has continued to provide aid through the Tokyo International Conference on African Development (TICAD) process. Japan held the Third Tokyo International Conference on African Development (TICAD III) in Tokyo at the end of September 2003, where Prime Minister Junichiro Koizumi, stressing "South-South cooperation" and

Geographical Distribution of Bilateral ODA (Net Disbursement Basis)



“human security,” announced that Japan would be committed to support Africa with the three pillars of “human-centered development,” “poverty reduction through economic growth” and the “consolidation of peace.” Prime Minister Koizumi also expressed Japan’s intention of extending grant aid, with the target of US\$1 billion in the next five years in areas such as health and medical care, education, water and food.

Supporting Self-Help Efforts of Developing Countries: Assistance toward Democratization

As highlighted in the basic policies of the revised ODA Charter, the most important philosophy of Japan’s ODA is to support the self-help efforts of developing countries based on good governance. Japan has been committed to give priority to assisting those countries that make active efforts toward pursuing peace, democratization and the protection of human rights, as well as structural reform in the economic and social spheres. In particular, in light of the principles of assistance implementation outlined in the ODA Charter, it is vital to vigorously provide support for the countries that have been making active efforts to pursue democratization to encourage their efforts. Based on this concept, Japan has

been extending its multidimensional support primarily in technical cooperation such as accepting trainees and dispatching experts.

Poverty Reduction

Poverty reduction, listed at the top of the priority issues in the revised ODA Charter, is a key development goal shared by the international community, and is also essential for eliminating instability factors in the world such as terrorism. Therefore, based on the concept of poverty reduction through economic growth, Japan has been prioritizing assistance to such sectors as education, health care and welfare, water and sanitation, and agriculture, all of which form the pillars of the MDGs. The measures that Japan has taken in the areas of education, health care and welfare, and water and sanitation are introduced below.

(1) Education

Japan has vigorously provided assistance in the field of education based on its experience of nation-building by fostering people through education. In 2002, Japan expressed its commitment to provide over 250 billion yen in five years for ODA for low-income countries in

the field of education and announced the Basic Education for Growth Initiative (BEGIN), which defined the basic principles and priority areas of assistance in the field of basic education. The total amount of Japan's bilateral assistance in the field of education in 2002 reached approximately US\$1 billion, 10.6% of total bilateral ODA. Regarding the field of basic education in FY2002, approximately 550,000 children worldwide, including around 300,000 in Asia and 230,000 in Africa, have benefited from the schools, educational material and classroom equipment, all of which were provided by Japan.

Receiving proposals from NGOs, Japan put forward the idea of the "UN Decade of Education for Sustainable Development" at the World Summit on Sustainable Development (WSSD) in 2002. This aims at encouraging both developed and developing countries to promote education that will contribute to sustainable development in the 10-year period from 2005 to 2014. As a sponsor of the "Decade of Education," Japan again proposed a draft resolution on this issue at the UN General Assembly in 2003, as it did in 2002. This resolution was unanimously adopted with over 40 co-sponsors.

(2) Health care and welfare

Combating infectious diseases has become an urgent issue for the international community. In many developing countries, there are a lot of people who suffer and die because of the lack of access to the health care and welfare services, which people in developed countries can enjoy in daily life. In 2002, 10.5 million infants under the age of five died, 98% of whom were born in developing countries. Against this background, regarding cooperation in the area of health care and welfare, Japan has been giving priority to combating infectious diseases and developing a framework for maternal and child health as well as a system for health

care and welfare. In particular, with respect to measures against infectious diseases, Japan has actively extended assistance in accordance with the Okinawa Infectious Diseases Initiative, and has been contributing substantially to the Global Fund to Fight AIDS, Tuberculosis and Malaria, and also has been playing a leading role in the efforts of the international community to eradicate polio. Japan's bilateral assistance in the field of health care and welfare was US\$330 million in 2002.

(3) Water and sanitation

Currently, half of the world's population live in unsanitary water environments and the lives of some 6,000 children are taken every day by illnesses caused by unsanitary water. Japan's assistance in the field of water has been carried out with a focus on the field of drinking water and sanitation, for which targets were outlined in the MDGs and the WSSD Plan of Implementation. According to the statistics of the Development Assistance Committee of the Organisation of Economic Co-operation and Development (OECD-DAC), Japan is the world's largest donor that has contributed in the area of drinking water and sanitation (among countries and international organizations) on an average basis over the past three years (1999-2001), approximately US\$1 billion, one-third of the total amount of worldwide ODA in this area. Japan extended 226.9 billion yen in loan aid and grant aid in the entire field of water in FY2002. Moreover, Japan announced the Initiative for Japan's ODA on Water as a comprehensive contribution measure in the field of water at the 3rd World Water Forum that was held in Kyoto, Osaka and Shiga in March 2003. At the same time, it expressed its commitment to realize concrete progress in the Japan-US Clean Water for People Initiative and Japan-France Water Sector Cooperation.