Official Development Assistance (ODA) of Japan: between the flawed structure

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Abstract

The Official Development Assistance (ODA) of Japan is an arm of the Ministry of Foreign Affairs in the country. The office (ODA) aims to help developing nations with supplies, civil engineering and other assistance. ODA promotes international dialogue and study on developmental issues and sets standards for reporting and monitoring aids. It includes assistance from both provincial as well as territorial sources along with international global sources.

Japan as the world’s top Official Development Assistant (ODA) provider assistance on various socio-economic developments to countries such as Indonesia, Sri Lanka, Korea, China etc. by funding aids through the UN with mixed results due to factors like corruption and the prevalent political system which has made its aid providing measures highly unnoticed and incompetent at the present temporal context.

Many reform measures were initiated by the Japanese government to improve its foreign aid system to salvage the lost ground in the late 90’s. But lack of public interest, excessive centralised government, lack of foreign elements and over dependency of the recipient countries along with a faulty administration structure and various inadequate measures did not take the aid measure to the limit as expected by Japan.

Though it has to continue this effort to maintain the regional peace and prosperity irrespective of its success and needs to bring about an international awareness and domestic political support in achieving its goals. It is evident that tougher challenges lie ahead for the country.

Keywords: Official Development Assistance, funding aids, public interest, excessive centralised government, foreign elements, faulty administration, international awareness.

1. Introduction

Official Development Assistance (ODA) is a DAC (development assistance committee) generated in terms to address the assistance which is primarily responsible for measuring aid provided by the Organisation for Economic Co-operation and Development (OECD) for the socio-economic development and welfare of the developing economies. It can be both bilateral as well as multilateral. The Official Development Assistance (ODA) of Japan is an arm of the Ministry of Foreign Affairs in the country. The office (ODA) aims to help developing nations with supplies, civil engineering and other assistance.

ODA promotes international dialogue and study on developmental issues as well as sets standards for reporting and monitoring aids. It includes assistance from both provincial as well as territorial sources along with international global sources.

Japan started with its Official Development Assistance (ODA) by joining the Colombo Plan in 1954 with a pledge to provide aid to nations who needed assistance. The country was ranked as the world’s top ODA provider from 1991 to 2000. It has provided assistance on socio economic infrastructure, public health, water and human resource development to countries such as Indonesia, Thailand, Vietnam, Sri Lanka, Korea, China etc. Japan started helping funds for international organisations such as the UN, World Bank from the 1950s, and it has contributed too many organisations in policy making as a

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Council member. As of 2003, the Japanese ODA provided over $221 billion USD foreign aid to 185 nations and regions. Japan ranks second in terms of ‘aid donor’ in the world. Over the past 30 years, the country has provided over $200 billion for development purposes as part of its official assistance program.

Foreign aid has helped many countries like Korea, Vietnam etc. to achieve rapid growth and development. But, at the same time foreign aid has been a huge failure as well. This is often the result of incompetence, corruption and misguided policies. Moreover for the aid money to be efficiently utilised, there is a need for a sound and efficient management. It has been found that aid has a positive impact on growth of the developing countries with good fiscal, monetary and trade policies.

2. Tied Aid

In 1998, a huge sum of the total ODA were tied. An aid is said to be tied when procurement contracts have claims limiting purchase of goods and services to be made with only the donor country or the group of donor countries.

Tied aids are highly inefficient. It represents a form of distorting protectionism by implementing domestic industry by non-competitive means. It has the potential of devaluing and undermining overseas development programmes. The economic benefits of the donor country is often much more than the recipient country. Moreover, there are many conditions on the recipient country which are often less than ideal. When the aid money is utilised, products and services that are required should be purchased from the donor country. Development objectives of the recipient country highly suffers. It designs projects that do not adhere with the recipient country’s priorities in development. And as mentioned earlier tied aids distort and devalue aid programmes.

Now looking with the mentioned positive and negative impact of Official Development Assistance we shall discuss about Japan as an aid providing country.

3. Discussion

3.1 Challenges within the Japanese ODA system

Japan now has to cope with the many challenges of its aid programmes. Despite widespread reform at the policy level it has been rather difficult for Japan to provide a consistent and stable response in adherence with the nation as a whole to the building international pressure on its aid. One single reason cannot be sited for this. Japan has a long history of administrative complexities that still lingers around in the contemporary times as well as combined with lack of political commitments and rigidities in existing policies. Moreover Japan’s aid policy is very reactive to the external pressures owing to the disaggregated administrative structures and lack of political focus.

As stated in Alan Rix’s Japan’s Foreign Aid Challenge, ‘every donor country has its own criteria, agenda and conditions that need to be taken in to account’. These special considerations in Japan’s case are: Firstly, its status as a peaceful nation as imposed by the post-war constitution of the country. Its contribution to world peace, therefore, is to play a role in improving relations between the North and the South through its economic cooperation. This is a bait to strengthen the country’s international negotiating power and at the same time contribute to the security system of Japan. Secondly, the status of Japan as an economic giant of south-east Asia as well as the world. The country is driven by its need to participate in international economic management and also because of its need to give more official aid to counterbalance the massive size of private investment in developing countries. Thirdly, Japan’s aid can be used as a buffer against overseas economic dependence. And the fourth reason for Japanese aid giving lies in Japan’s experience as a recently modernising non-Western country, and the lessons that may hold for developing countries today, as well as the positive contributions that Japan can make in bringing the North and South together.

Although Japan is pushing itself enormously towards gaining a leadership in global aid, by working on measures to improve its aid, the efforts are yet not so evident in the present situation. The main perceived agenda of Japan here being to strengthen its position in multilateral aid forums in the Asian region and to gain wider acceptance of its aid philosophy and policies as a part of its post-war foreign policy.

Japan took many initiatives in this regard. The pledges of US $800 million in assistance for Cambodian reconstruction in 1992 and 900-1000 billion yen over the next five years for environ-
mental aid along with many others of the initiative measures taken by Japan in order to improve its position as a donor country are some of such measures which are worthy to be mentioned. Provisional figures for 1991 aid disbursement make Japan again the top donor country.

Japan was the top donor country for the 8th year in a row among the Development Assistance Committee countries in 1998. Official Development Assistance (ODA) was one of the most important post war foreign policy of Japan. This was perceived by the post war Japanese government as an important method of improving its ties with the rest of the world and compensate for the damage it had caused during the World War II. Japan’s ODA helped many countries achieve rapid development mostly in terms of economic progress. And many countries aided by Japan are now among the developed economies of the world. But as time has gone by, Japanese people are now in a state of doubt of whether there is a need to continue giving such large amounts of ODA as a ‘donor’ when Japan itself is going through a period of recessionary or a phase of stagnation with the Asian Economic Crisis of 1998 or be the Global Economic Crisis of 2008.

Japan as a donor country is different from rest of the many DAC members. Japanese proclivity for funding infrastructure projects is not similar to what it generally is. Quality of Japanese aid is low. It stands 39.6% among the DAC members. The quality of aid is measured by the grant share and grant element where former implies the amount of grant of grant aid compared with the loan aid and the latter implies the grant aid plus that part of the loan aid which is considered to be grant.

Most common form of reform measure given by Japan is the financing of economic infrastructures. There are huge debates on whether infrastructure projects contribute sustainable development or whether they lead to environmental destruction. Moreover there is a huge dependence and indebtedness of the recipient country.

Official Japanese statistics claims that almost all Japanese aid loans are untied. But in reality it is quite different. Grant aids and technical assistance with minor exceptions are almost always tied.

### 3.2 Structural Flaw within the Japanese ODA

Foreign aid does not generate a lot of public interests; therefore Japan aid largesse is relatively unknown outside the country. This very criticism appears frequently, where the debate about the nation’s aid role is fast paced and fiery.

The main cause of the problem lies within the structure of the Japanese aid system and its programmes. It is administratively complex and politically muddled, and aid is greatly understaffed. Even the Japanese government is poorly informed about how effective its aid is in fulfilling programme objectives and the needs of the recipient country. Moreover, it is taking a more rapidly rising share of national taxes. Foreign aid cut across interests of a wide variety of people and institutions in Japan. Private enterprise did not play much significant role in helpful aid policy making in Japan. Moreover formal coordination mechanisms in the Japanese system did not perform efficiently.

There are two main features of policy making in Japan- the vigour of bureaucratic politics of aid in Japan and the resilience of organisational processes. Some other problems in Japan are: one of excessive centralism, a centralism of competing of bureaucratic power structures without and identifiably reliable core. Japan’s case is distinctive: bureaucratic rigidified patterns of decisions, diffuse structures, complicated procedures, while the precise objectives of policy were never clearly in focus. In addition to long-lasting differences with many other DAC members about how subservient aid should be to other national goals and interests, the Japanese aid system was seriously strained. The reliance on private enterprise and other lobbyists to bridge current and future policies, ensued that the official response to criticism would be either weak or late, generally being both.

### 3.3 Issues of Corruption

Apart from the mentioned problems regarding the ODA in Japan, there is another emerging problem of growing corruption in aid assistance system in the country. There have been cases of corruption drawing attention of domestic as well international media in the recent past and one of the major incident involving the Japanese ODA loan project was the Saigaon East-West Highway Construction Project. In this particular case four
officials of Pacific Consultants International Co. Ltd (PCI) were arrested and indicted, and PCI as an organisation, was on a charge of breach of the Unfair Competition Prevention Law.

3.4 Response and Reaction

Despite the strong reactions from the international aid community and other donor countries, policy changes in Japan’s foreign aid have been curling at a very slow pace. The reform measures, innovations and transparency in policy have not been as fast paced as they were being expected. On the other hand, the changes in public presentation of its policies and the domestic criticism of Japan’s aid are growing at a much faster speed as compared to the former. And to add the defensive approach in justifying its aid programmes, and spending much more aid money has instead generated doubts about Japanese motives related to its aid practices. The change taking place is at a very slow pace and direction of change is still not uniform leading to a much lesser impact. The slow pace of policy change actually highlights problems associated with administrative organisation in the Japanese aid system. Moreover for any new policy to be initiated there is a need for a well organised, efficient and abundant man power which was largely lacking in Japan. There was huge strain on the limited manpower. And also resources required for creating new policies were largely missing in the aiding system of the country. Any kind of administrative reform goes to an enormous screening process and faces hurdles at bureaucratic as well political levels. John White in his study of the politics of foreign aid concluded that the makings of an aid policy lie in the hands of those who actually administer it. The aid administration and aid administrators were variables in the aid relationship which cannot be ignored. In Japan’s case, aid has usually been seen as a preserve for specialist bureaucrats, with very few exceptions of politicians around the fringes of bilateral ties. But with the reform measures initiated in the aid programmes, there should be an emphasis on bringing in political decisions into the arena of Japanese aid programmes, and makes it imperative for the Japanese politicians to take a more decisive role in influencing the directions of Japanese aid policies both at bilateral and multilateral levels and thereby initiating a measure to limit the monopoly of the bureaucratic circle in the Japanese aid programmes. Another major challenge for the policy makers in Japan is the problem of how to manage greater public participation in the aid process.

Foreign aid in Japan had the potential of evoking the interests of several important ministries along with their associated groups. Economic cooperation policy had become a permanent focus of Japan’s international economic policy in respect to her relations with the developed world.

Alan Rix in Japan’s Economic Aid has stated that “policy areas are interdependent. Their boundaries overlap in a way which suggests an intricate, but constantly moving policy ‘map’ of government, where policy contents in one field vitally influences processes in another.” There are deep implications of this sentence with regard to Japan. The paths and guides are very much present in Japan’s foreign aid policy. One constant reference for policy makers was the unanimous consensus that Japan’s own economic growth and development was dependent on aid and other policies related to aid. For the development of foreign aid policy, institutional and political stability is a very important factor.

Policy formulation requires a continuous redefinition of the broader reaches of policy, enabling it to improve the approval of contents and their effects. Helco and Wildavsky conceptualised policy as “a series of ongoing understandings” which identifies political administrators’ roles and actions over time as the negotiator or rather authority of content. In this regard, Japanese foreign aid, the ideas and actions of the policy makers are pretty much in adherence to the norm. The structure through which they operate could not be separated from decisions and the body of policy.

No matter how important the organisational dimensions are, outcomes are also affected by individuals. Policies are often derived from the actions of individuals coated in institutional patterns. Standard operating procedures and incrementalism are integral part of Japanese bureaucracy.

3.5 Repercussions

The repercussions of failure in achieving reform of the Japanese aid systems are serious. It might result in the existence of huge ill-guided aid programmes without any political guidance and
some kind of agenda by competing and rival ministries bringing nothing but ill fate. The need for substantial input of information from participants beyond the bureaucracy was very important as it is these people who provided a vital role in translating their assessments of the relevance of a proposed thought in to future policy. Policies are designed to be dynamic as they are continually shifting. The search for the apt balance of perception and structure is a never-ending procedure. And the bureaucracy is less than equipped to maintain with this.

Japanese minister Ohira implicitly argued in his speech in May 1979 stated that “as foreign aid becomes more closely associated and identified with the set out Japanese goals and agendas of distinctly integrating relations with the developing world into the Japanese economic and foreign policies, the question of how foreign aid policy is formulated and what foreign aid policy actually comprised of will become an issue of public interest”. This implies that policies associated with aid programmes have to be changed and new reforms should be introduced in making it more transparent in response for the growing public interest. And therefore conflicts arising within the bureaucracy, or fundamental differences between the ministries in approaches to foreign aid would not be easily hidden. But after all said and done, the foreign aid experience is suggestive of the fact that reaction will not be rapid as one would hope for with relation to the political world, or the pace of events might demand.

Aid system is a key issue in international political economy. Japan’s performance as a global actor and contributor to the debate on major global aid and its domestic aid process cannot be separated from each other. And as discussed earlier Japan’s administrative structure related to its foreign aid needs a reform. It is a necessary step towards enhancing Japan’s international aid performance and setting a basis for its aid leadership. The domestic context of Japan’s international performance is a vital point of vulnerability in Japan’s aid policies and its potential for aid leadership and hence it cannot be ignored at any cost.

3.6 Japan’s Intentions
Japan’s aid challenges not just its own economy or its association with the developing and the developed world but it puts at stake the future of the regional economy as well as international development. Japan cannot do away with its foreign aid programme as it is fundamental for the country in achieving its foreign policy objectives-regional prosperity as well as security, global peace and an open international economic system. Japan’s aid programme provides for a very influential position in its dealing and negotiations with the Third World development and in supporting its global contribution. The contribution of Japan in crafting international approaches to problems of global poverty and development is not just crucial for the recipient countries, but also, Japan’s future and place is very much dependent on how successful Japan can be in this regard. But this is not the only challenge that Japan faces. The challenge of the domestic aid system and its performance is under serious scrutiny.

Alan Rix in his book Japan’s Foreign Aid Challenge addresses the vital question of Japanese aid leadership saying “it is tied to its capacity to entrepreneur new objectives, new strategies and new programmes for international development assistance”. And Japan owes its entrepreneurial leadership to its solid foundation in its long-term structural impact on regional development, the broad acceptance of Japan’s influence and its engagement of so many of the world’s economies in an inescapable economic interchange. Now the challenge that Japan is facing with is to turn its strength which is its aid quantity within the domain of the international aid system into an agenda that reflects Japan’s own interests at a policy level across that system initiated through negotiations and entrepreneurial leadership. In simple terms, Japan must now bring a balance between its own interests and its role as a foreign aid donor. It is only a beginning of Japan’s response to its foreign aid challenge.

4. Conclusion
Japan have developed and incorporated the foreign aid programme as a vital element of its post-war foreign policy. Since then it has gathered many accolades and also have suffered many criticisms. Its structure, design, operation and execution have come under scrutiny both in domestic as well as in
the international arena. Despite of all the criticism, Japan maintains to be one of the top Official Development Assistance (ODA) nations in the world and has contributed to the development of many countries worldwide. But how long is it going to be sustainable for Japan to carry on with its apparently flawed system of foreign aid when its own domestic economy is facing serious crisis is a crucial question which should be address at a earliest possible manner.

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