Locating Japan’s ODA within a crowded and shifting marketplace

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ODI-JICA UK event on “Informing the Future of Japan’s ODA

14 July 2011
Outline

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• Key factors that have shaped Japanese ODA
• The Japanese development model
• Japan’s ODA within the international aid system
• Has / can Japanese ODA make a difference and add value?
Project overview

• Japan has an impressive history as a donor but is now at a crossroads.

• JICA UK commissioned this project on “Informing the Future of Japan’s ODA” to help inform future ODA policy discussions.

• The study addresses this question in three different phases.

• This presentation outlines findings from Phase One, which looks at the history of the Japanese development model and its value-added.
Factors that have shaped Japanese ODA

- Japan has a distinct model rooted in its own history and impressive transformation.
- Japan’s aid, like that of all states, is motivated by a variety of interests, including economic, political, security and diplomatic.
- Historically, commercial interests have been one of the key drivers of Japanese ODA.
- Japanese ODA has also been a crucial diplomatic tool for power and influence in the international system.
Factors that have shaped Japanese ODA

- ODA has traditionally been a bureaucratic domain, with little involvement of other stakeholders.
- Aside from business and commercial interests, ODA has lacked a clear domestic constituency favouring international development.
- Japan’s ODA structure is extremely complex, despite recent efforts to streamline it (“New JICA”).
- The structure remains very hierarchical and centralised at HQ level.
Japanese model of development

Principles:

• self-help
• non-intervention
• request-based assistance
• low conditionality
• development assistance as mutually beneficial
Japanese model of development

Modalities:

- greater focus on loans than on grants (reflecting self-help spirit)
- more projectised than programmatic aid
- reliance on Japanese TC and procurement of Japanese contractors (tied aid)
Japanese model of development

Thematic areas of focus:

- Infrastructure and industrial production-related sector as the engines of growth.
- More recent efforts to focus on other areas, including governance and especially human security.
- Growing emphasis on poverty reduction, to be achieved through economic growth rather than social service delivery.
Japanese model of development

Geographic areas of focus:

- Asia historically, though increasingly committed to Africa;
- large focus on middle income countries;
- very broad country coverage across all regions (140+).

Partners:

- generous multilateral and bilateral supporter;
- engages almost exclusively with recipient governments;
- has a historical preference not to work jointly with other donors.
Japan’s ODA within the international aid system

• The Japanese model of development has been subject to criticism because it is so distinct and diverges from the “standard” model of aid effectiveness.

• The quality of Japanese ODA has been deemed to be poor (e.g. not focused enough on poverty reduction, too focused on hardware of development without due concern about software; not programmatic enough; poorly coordinated and harmonised; not transparent, etc.)

• There is also a perception that Japan has not been proactively engaged in the aid effectiveness agenda.
Japan’s ODA within the international aid system

• Japanese ODA has important weaknesses/limitations:

  E.g. assistance tends to be reactive and lacks a programmatic focus; not reflexive enough about contextual differences; too narrowly focused on recipient governments to the exclusion of other relevant stakeholders; etc.

• However, all donors are varied in their aid practice and have different strengths and weaknesses.

• Japan has performed better and worse on different areas (e.g. very strong on S-S and triangular cooperation but much weaker on donor coordination).
Japan’s ODA within the international aid system

- The emergence of new donors like China, Korea, India and Brazil raises both challenges and opportunities for Japan.
- Many of these donors share very similar developmental approaches, which could be a source of competition.
- However, Japan may also be uniquely well placed to act as a bridge between the established donor community and these new donors.
- It has sought in particular to build relations with Korea (very successfully) and China (less so).
Can Japanese ODA add value?

A major player:

- Japan has been one of the largest donors for a long time, and is recognised as bringing important resources to the table, even if its ODA remains considerably below the target of 0.7 percent of GDP.

An empathic partner:

- Japan’s own history and development transformation give it a particular sensitivity, humility and understanding in its engagement with other recipient countries that is based on first-hand experience.
Can Japanese ODA add value?

A trusted intermediary:

• Japan is both an insider and an outsider in the mainstream international assistance community.

• This positions Japan well to act as a bridge between DAC donors and emerging donors, which it has tried to do.

A distinctive voice

• Japan’s ability to voice a difference of perspective within the DAC is valuable because it highlights that there is no single “right” way to approach development.

• However, there is a perception that Japan could use its dissenting voice more effectively.
Can Japanese ODA add value?

A steady supporter:

- The steadiness of Japan’s focus on the “hardware” of development has proven crucial in ensuring that infrastructure and the productive sector don’t fall off the radar screen of international development assistance.

- A focus on Middle Income Countries (MICs) has equally ensured that such countries continue to receive needed assistance.
Can Japanese ODA add value?

An innovative leader:

- South-South and triangular cooperation
- “Beyond aid” efforts
- Disaster risk reduction and management
- Human Security agenda

→ So while Japan is not necessarily as good when it comes to the processes of managing and coordinating aid, it is can be innovative in more substantive areas.