

CHAPTER II

JAPAN'S OFFICIAL DEVELOPMENT ASSISTANCE

In this chapter, the author discusses about Japan's Official Development Assistance and its aid to Africa. Furthermore, this chapter explores more about Japan's Official Development Assistance on its definition, historical context, types of classification of ODA in general, international contribution of Japan's ODA along with its contribution to Africa.

A. Definition

Official development assistance is various organizations and groups, including governments, international organizations, non-governmental organizations (NGOs) and private companies, carry out economic cooperation to support socioeconomic development in developing countries. The financial and technical assistance that governments provide to developing countries as part of this economic cooperation are called Official Development Assistance (ODA) (JICA, 2015, p. 1). On several occasions, Japan has utilized its official development assistance (ODA) to confront problems and issues both at domestic and abroad. As the result of the first disbursement, Japan's ODA has helped conduct many of the country's foreign-policy objectives. In addition to reparations and export promotion, the Japanese have also utilized aid as a form of investment, a confidence-building measure, an arrangement for bilateral circumstances, a manifestation of economic power and global leadership, and a tool to obtain power and influence in various international organizations (Trinidad, 2007, pp. 1–2).

B. Historical Context

Japan was one of the recipient countries of foreign aid because it needed large funds to rebuild the country due to

losing the war in 1945. However, in 1954 Japan followed the Colombo Plan and became one of the countries providing technical assistance to developing countries (Adeleke, 2011). Japan has joined the Colombo Plan since 1954, which is a regional organization formed in 1950 in Colombo, Ceylon (now Sri Lanka), it includes the concept of intergovernmental collective efforts aim to strengthen the economic and social development of its member countries in the South Asian region, Southeast Asia and the Pacific region. The main focus of all Colombo Plan activities is on the development of human resources (Colombo Plan).

Since then, the Japanese government has continued to strive to increase collaboration by utilizing the funds and technology through Official Development Assistance, known as ODA (Official Development Assistance), an alternative financing from an external party that is utilized to carry out social-economic development in developing countries. (Japan's ODA, 2015)

Japan's record as an aid donor dates back to the period of reparations in the 1950s. ODA is also known as concessional funding for development is described by using various terminologies that happen to be determined as synonymous or as actually referring to different types of funds. Although there is constant international contention concerning where the line between commercial loans and foreign aid in the form of concessional loans is, the DAC (Development Assistance Committee) has agreed on the term Official Development Assistance (ODA) for funds that are 1.) Provided by governments or government agencies 2.) Promote economic development and welfare in developing countries as a main objective and 3.) Are concessional through a grant element of 25% minimum, calculated with a 10% discount rate (JICA, Japan's ODA and JICA, 2015).

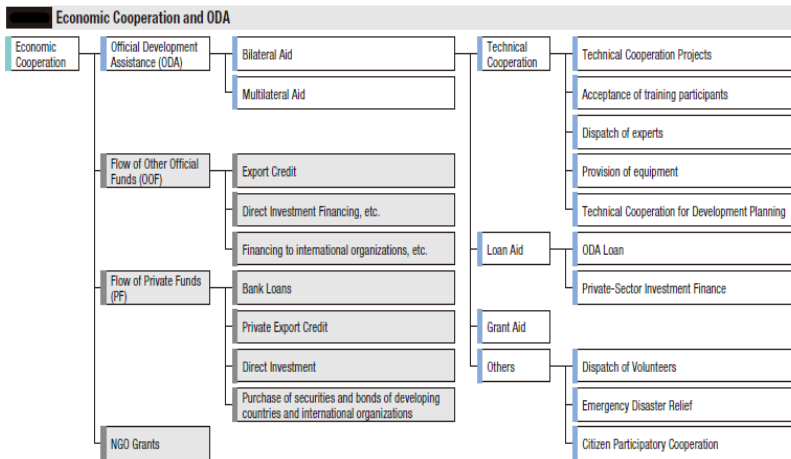
In order to contextualize Japan's ODA system and the stance the government has taken with regard to defending it against criticism by the DAC or NGOs for benefiting its own industries, it is crucial to figure out how Japanese ODA

has evolved. Japanese officials often remark how the acquires its intense on infrastructure projects and other programs letting export-led growth form its own experience attaining after WW2. Ever since infrastructure was the area where Japan had lagged behind developed countries the most, the objective was set on electrical generating capacity, telephone coverage, paved roads, railways and other infrastructural components. Other economic-political incidents at the same time were Japan's liability for war reparations to Southeast Asian countries and its invitation to join the Colombo Plan for Cooperative Economic and Social Development in Asia and the Pacific in 1954 (Pitzen, 2016, p. 14).

As the origins of Japan's ODA were both invented by its post-war reconstruction efforts as a loan recipient and its war reparation payments agreed upon in the Treaty of Peace with Japan 1951, academics refer to the first era of Japanese ODA as the war reparation era or the era of Japan's own economic development (Tsunekawa, 2014, p. 1). The timeline of Japanese ODA has steadily been divided into four phase classification by the prime economic driver of its ODA program. The war reparation phase is followed by the new responsibilities, particularly poverty reduction, tied to joining the DAC and OECD in the 1960s. During this time, implementation agencies for loans, grants and technical cooperation (TC) were created and the JOCV (Japan Overseas Cooperation Volunteers) program was released (Seiki, 2007, p. 14). The third era around 1970s and 1980s is marked by the promotion of democracy and market economy, that typically much more crucial observers considered an era of systematic, mercantilist expansion meant to secure access to natural resources in the wake of the two global oil shocks 1973 and 1979. The strong focus on Asia and the notable congruence of aid recipients and trade partners, or countries where Japan has notable trade interest, had integrated substance to this criticism (Jr, 1990, p. 60). The current era, beginning with Japan's 1977 announcement to twofold its ODA budget and untie aid,

regarded Japan as one of the world's largest donors. Japan's steep rise throughout the 1980s was encouraged by various factors: The appreciation of the Japanese Yen following the Plaza Accord of 1985 elevated Japan's budget numbers in the USD-denoted statistics of the DAC drastically (Ensign, 1992, p. 6); In the meantime American ODA budgets were trimmed in the midst of tensions of the cold war; And Japan officially committed to recycling its large trade surplus through ODA (Jr, 1990, p. 52). The first ODA charter 1992, declaring 40 years of ODA experience, serves as a starting point: It manifested global aid issues such as environmental changes and human security concerns among other objectives (MOFA, Japan's ODA Charter, 1997)

C. Types of Official Development Assistance



Source: JICA Annual Report 2015

Table 2.1 Types of Japan's ODA

ODA is broadly classified into two types: bilateral aid and multilateral aid. Bilateral aid is provided in three forms: Technical Cooperation, Loan Aid and Grant Aid. In addition, other schemes of bilateral aid include the dispatch of volunteers, while multilateral aid consists of financing and financial contributions to international organizations.

1. Bilateral Aid, as what had been mentioned is provided in three forms:

1.1 Technical Cooperation

Technical Cooperation supports the development and improvement of technologies that are appropriate for the actual circumstances of these countries, while also contributing to raising their overall technology levels and setting up new institutional frameworks and organizations. These enable partner countries to develop problem-solving capacities and achieve economic growth. Technical Cooperation includes acceptance of training participants, dispatch of experts, provision of equipment and implementation of studies aimed at supporting policymaking and planning of public works projects (Technical Cooperation for Development Planning) (JICA, 2015, p. 1). In regarding to its form technical cooperation draws on Japan's technology, know how and experience to nurture the human resources who will promote socioeconomic development in developing countries. Moreover, through collaboration with partner countries in jointly planning a cooperation plan suited to local situations. In addition, in technical cooperation, Japan receives trainees, dispatches experts, provides equipment, conducts feasibility studies, and dispatches Youth Cooperation Units.

1.2 Loan Aid

Loan aid supports the efforts of developing countries to enhance by providing these nations with the capital necessary for development within long-term and essentially lower interest rates compared to commercial rates. The primary types of Loan Aid are ODA Loans and Private-Sector Investment Finance. ODA Loans in particular enable the provision of finance in larger amounts compared with Technical Cooperation or Grant

Aid, and hence this form of aid has been effectively utilized for building large-scale basic infrastructure in developing countries. Although Loan Aid entails full repayment by the recipient country, this encourages the beneficiary country to closely on the essence and main concern of projects and to make endeavors to allocate and utilize the funds as efficiently as possible (JICA, 2015, pp. 1–2).

1.3 Grant Aid

Grant Aid, which is an assistance scheme that provides necessary funds to enhance socioeconomic development, is financial cooperation along with developing countries without obligation for repayment. Particularly in developing countries with low income levels, Grant Aid is broadly utilized for building hospitals, bridges and other socioeconomic infrastructure, as well as for promoting education, HIV/AIDS programs, children’s healthcare and environmental activities, which straight support the improvement of living standards (JICA, 2015, p. 2). In addition, Grant aid is comprised of all types of bilateral ODA, which is certainly provided regardless repayment obligation. The main subjects of Japanese grant aid cover Basic Human Needs (BHN), e.g health, sanitation, food security as well as other ‘soft aid’ aspects, such as environmental protection and human resource development. Prior to DAC High Level Meeting in 2001, in which a recommendation to untie ODA to LDCs Countries was agreed upon among member states, grant aid was offered in the form of tied aid makes it possible for Japanese firms to win contracts without competition (Pitzen, 2016, p. 19).

2. Multilateral Aid

Another type of Japan’s Official Development Assistance is multilateral aid that consists of financing and financial contributions to international organizations. Multilateral aid is an indirect approach providing assistance to developing countries by providing financing or donating funds to international organizations. Funds are contributed to the various bodies of the United Nations, including the United Nations Development Programme (UNDP), United Nations

Population Fund (UNFPA) and the United Nations Children's Fund (UNICEF), while financing is provided to multilateral development banks (MDBs) such as the World Bank, the International Development Association (IDA, also known as the Second World Bank) and the Asian Development Bank (ADB).

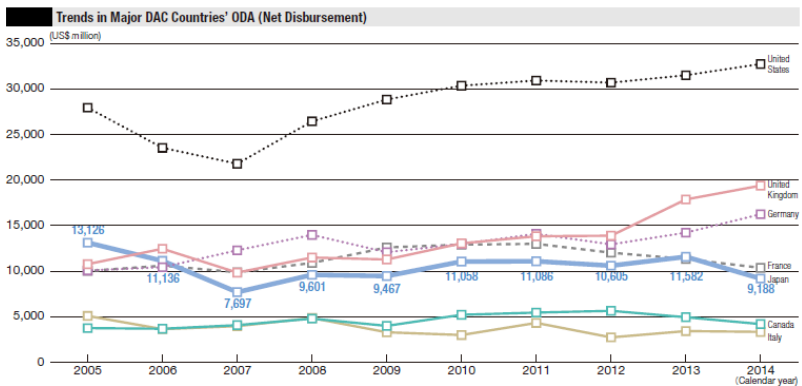
D. International Contributions and Global Issues

Japan's Official Development Assistance from the 1980s to the early 1990s further expanded Japan's objectives for international contributions, and evoked the reform of the ODA institutions. One of those was a rapid increase in the absolute amount of ODA. After Prime Minister Fukuda stated his plan to double the amount of ODA in 1977, Japan steadily raised the ODA for the two subsequent decades (until 1997). Mostly supported by the rising yen, Japan remained the world's top provider of aid, exceeding the US in the total amount of ODA in dollars from 1991 to 2000. Nonetheless, the expanding ODA budget amid continuing budget naturally gained the attention of the public and mass media, and the philosophy behind foreign aid was questioned as never before (Tsunekawa, 2014, p. 8).

The sequence of events since the 1980s to the early 1990s enforced the Japanese government to greatly broaden its assistance objectives. Japan was required to cope with new objectives such as market economy-oriented reforms, democratization, human rights, and the violence of the use of ODA money for military purposes, in addition to the expanding international contribution to global issues such as environment and gender. On the other hand, the focus on Japan's own economic growth shifted throughout this process, but it never vanished within the objectives of development assistance (Tsunekawa, 2014, p. 11).

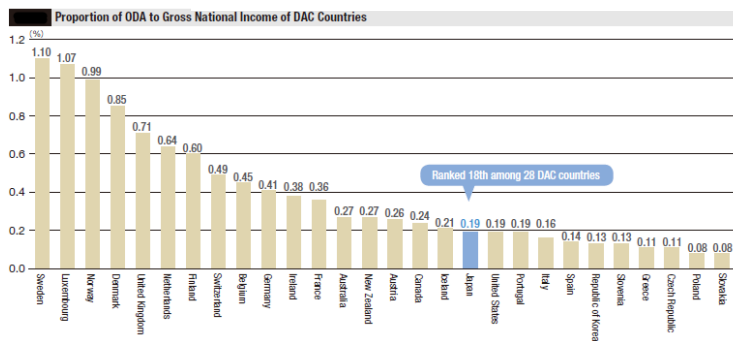
Japan's ODA contribution level throughout the net disbursement basis, in 2014 Japan provided about US\$5,941.13 million (approximately ¥628.9 billion) in bilateral ODA (excluding aid to graduate nations) and provided and financed around US\$3,247.16 million (approximately ¥343.7 billion) to multilateral organizations. In accordance with it, total ODA

contributions amounted to approximately US\$9,188.29 million, down 20.7% from the previous year (a year-on-year decrease of 14.0% to ¥972.6 billion on a yen basis). Due to this amount, Japan ranked fifth amongst the member countries of the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD), after the United States, the United Kingdom, Germany, and France. Historically, Japan world's top contributor of ODA in 1989, surpassing the United States, which until that time had held the top position. Japan then remained the leader among the DAC countries, maintaining its top rank for 10 years from 1991 to 2000. However, the country's contribution dropped in 2001 and began a gradual decline. Meanwhile, Japan's ODA was equivalent to 0.19% of its gross national income (GNI), ranking it at the low level of 18th among the 28 DAC countries (JICA, 2015, p. 14).



Source: OECD/DAC

Table 2.3 Disbursement of ODA



Source: Website of the Ministry of Foreign Affairs of Japan

Table 2.5 Proportion of ODA to Gross National Income of DAC Countries

E. Japan's Official Development Assistance's to Africa

Japan sees a possible link between economic development and enhancing prosperity. Replacing communism, poverty has become the common fear. Although poverty alone does not cause conflict, when combined with other factors like ethnic or religious divides, and weak governance, the result is sometimes instability and conflict. Japan's Official Development Assistance Annual Report 1997 notes that "it is crucial that regional tensions be defused before they develop into full-blown military conflicts. Though varying factors are usually behind the outbreak of any given conflict, human deprivation and economic confrontation are often common denominators in the equation. ODA therefore has a role to play". Considering of the civil wars that were breaking out in various corners of the world, Japan has thus identified ODA as a tool for reconstruction of postconflict regions as well as for prevention of potential conflicts through development assistance so called peace building. This, Japan's new focus in aid, has been demonstrated by hosting meetings of the International Conference on Reconstruction of Cambodia (ICORC), the Tokyo International Conference on African Development (TICAD), and the Mongolia Assistance Group Meeting.

During the TICAD meetings in October 1993, Japan pledged grant aid for well water development as well as to implement assistance for certain priority areas such as: supporting democratization, supporting economic reform, cooperation in fostering human capital, and cooperation in environmental issues. At TICAD II, Japanese Prime Minister Obuchi Keizo announced Japan's New Assistance Program for Africa, which includes an approximately ¥90 billion aid grant

to the sectors of primary education, health and medical services, and water resources over the next five years, as well as support for African countries' efforts to combat antipersonnel land mines and for debt management capacity building (Akiko, Official Development Assistance (ODA) as a Japanese Foreign Policy Tool, 2000, pp. 164-165).

Japan feels obliged to make an international contribution. Today Japan sees ODA as a tool to contribute to world peace, particularly in the context of postconflict peace building, a tool to offset economic overpresence, as well as a tool to enhance its relations with developing countries by improving their economic stability.

Japan's aid distribution to Africa is shaped by its 5 phases of evolution of Japan's aid to Africa according to Sato (Sato, 2004, p. 245)

Phases	Japan's Aid Policy	Aid Policy to Africa
1st Phase: 1954 (participation in the Colombo Plan) – 1972	<ul style="list-style-type: none"> ▪ Pursuit of short-term economic interests ▪ Establishment of “request-based” approach 	<ul style="list-style-type: none"> ▪ Concentration of aid in Asia ▪ Absence of aid policy to Africa
2nd Phase: 1973 (1st oil shock) -1980	<ul style="list-style-type: none"> ▪ Expansion of aid linked to economic security 	<ul style="list-style-type: none"> ▪ Growing interest in Africa to secure natural resources and increased aid to Africa ▪ Aid policy to Africa linked to build support for Japan's role

		in UN
3rd Phase: 1981 (5-year Doubling Plan of ODA) - 1988	<ul style="list-style-type: none"> Using aid as a means to recycle Japan's economic surplus and increase its global contribution 	<ul style="list-style-type: none"> Increased aid to Africa and co-financing of SAL Supporting hunger relief and food security
4th Phase: 1989 (top donor) – 2000	<ul style="list-style-type: none"> Becoming top donor and using aid for broad policy initiatives as part of global contribution 	<ul style="list-style-type: none"> Becoming a major donor in Africa Engagement in political sphere, including the dispatch of SDF Hosting TICAD and exploring new aid initiative in Africa
5th Phase 2001 (US replacing Japan as top donor) – Present	<ul style="list-style-type: none"> ODA budget cut and policy changes 	<ul style="list-style-type: none"> Debt forgiveness to HIPC's Linking aid to peace building Development partnerships Supporting NEPAD/AU

Source: Makoto Sato (2004)

Table 2.8 Phases of Evolution of Japan's Aid to Africa

The Occurrence of Japanese aid to Africa through the first stage was negligible, as around 98 per cent of Japanese ODA focused on Asia, as part of reparations for policies of the past (Sato, 2004). The explicit intention of Japanese aid during this time was, as the Ministry of International Trade and Industry (MITI) stated in 1958: ‘to expand the export market and to secure the import market of important raw materials’ (quoted in Sato 2010: 11). Through 1960s, consulates had opened in Pretoria, Cape Town and then Rhodesia as well as embassies in Nigeria, Ghana, Kenya and Ethiopia (Morikawa 1997: 53-54; 59). Trade and cultural exchanges emerged, particularly with South Africa in the 1960s. Trade links were also re-established with East Africa, where Japan had involved in exports in the 1920s (Ampiah 1997: 35). Uganda was the first African country to receive a Japanese loan in 1966, followed by Kenya, Nigeria and Tanzania in the same year (Wild, Denney, Menocal, & Geddes, 2011, p. 15).

The second stage of Japan’s aid linkage with Africa have been seen as the beginning of raises in ODA flows. Oil crises in 1973 and 1979, caused due to an oil embargo and the quadrupling of oil prices by the Organisation of Petroleum Exporting Countries (OPEC), trigger a wider global financial crisis (Sato, 2004). This crisis highlighted to Japan the probability of resource dependence and the importance of securing natural resources (particularly rare metals) from diverse marketplace (Wild et al., 2011, pp. 15–16). As a result, Africa became a region that attracted the interest of Japan.

Japanese aid to Africa remained to expand throughout the third stage. This was partly due to pressure from the international community for Japan to grant more its economic stability. The United States, for example, explicitly that Japan includes more grants in its aid portfolio and direct more aid to Africa in 1985 and UN policy also called for increased aid to Africa (Sato, 2004). Japan provided significant famine relief in East Africa and, responding to international pressures, made ODA one of its three pillars in its policy to counterbalance the trade surplus. During the 1980s, Japan also became South

Africa's main trading partner. Japanese aid to other African states has been perceived as a strategy to address some issues (Wild et al., 2011, p. 16).

During the fourth stage in 1989, aid to Africa a high of between 15 and 19 per cent of Japanese ODA. In 1989 was also the year in which Japan surpassed the United States as the world's largest donor and remained so until 2000 (Sato, 2004). Efforts to intensify the conceptual thoughts in regard to aid were apparent in the initiation of the Tokyo International Conference on African Development (TICAD) in 1993, spearheaded by Japan and development partners and African leaders to discuss the challenges and priorities for development on the Africa. TICAD has continued with conferences held every five years in Japan and has had a strong voice in promoting South-South learning¹.

TICAD has also provided Japan with a higher profile in dialogue on African development and it is seen for building support amongst African states for Japan's seat on the UN Security Council. TICAD III emphasised poverty reduction through economic growth, despite the predominant focus of the international community on achieving the Millennium Development Goals, and this was further developed in TICAD IV emphasised on elevating economic growth (Wild et al., 2011, p. 16).

The Tokyo International Conference on African Development (TICAD) (adapted from JICA 2010: 66)
The Tokyo International Conference on African Development (TICAD) was established in 1993 by Japan to bring African leaders and development partners together to discuss how African development can best be supported. TICAD has been held every five years since, with the key milestones achieved at each conference set out in the table below. Japan has utilised

¹ South-South learning is a phrase historically to describe the exchange of technology, knowledge, and resources between developing countries, also known as countries of the Global South used by academics and policymakers.

TICAD as a way of enhancing African ownership of their development processes and of sharing East Asian experience as an alternative development path. TICAD has also assisted Japan in forging partnerships with other development partners, such as UNDP.

Milestones for the Tokyo International Conference on African Development (TICAD)	
TICAD I October 1993 (Tokyo)	Participants included 48 African countries, 12 donor countries and international organizations. The Tokyo Declaration was adopted as the expression of agreement that Africa's development is a priority issue for the international community.
TICAD II October 1998 (Tokyo)	Participants included 51 African countries, 29 partner countries and international organizations. The Tokyo Agenda for Action was adopted, expressing agreement on policies for social development, economic development, good governance, conflict prevention and post-conflict development.
TICAD III September 2003 (Tokyo)	Participants included 50 African countries, 39 partner countries and international organizations. TICAD Tenth Anniversary Declaration was adopted, emphasizing the establishment of peace,

	people-centered development and poverty reduction through economic growth.
TICAD IV May 2008 (Yokohama)	Participants included 51 African countries, 34 partner countries and international organizations. The Yokohama Declaration was adopted. Japan pledged to double its aid with a focus on agricultural development, trade and investment, tourism promotion and human resource development. Yokohama Action Plan was presented as a five-year roadmap for aid to Africa; a monitoring mechanism was established.

Source : Website of the Ministry of Foreign Affairs of Japan

Table 2.9 Milestones for the Tokyo International Conference on African Development (TICAD)

Finally, the fifth stage was the international acknowledgement of the New Partnership for Africa's Development (NEPAD) as a renewal plan for Africa. Initiated by the African leaders, NEPAD was adopted at the OAU in July 2001, and became a pillar development strategy of the African Union (AU) when the OAU was transformed into the AU in July . NEPAD intends the renewal and development of Africa in various fields such as infrastructure building, human resources,

and industrial development. It emphasises the African initiative, importance of peace, democracy and governance based on the continental as well as regional integration approach. The G8 summit at Kananaskis in June 2002 invited the leaders of Algeria, Nigeria, Senegal and South Africa who initiated the NEPAD, and endorsed the NEPAD. The Japanese government officially announced its support of NEPAD at the TICAD III in 2003 (Sato, 2005, p. 81).