

*Excerpt from a final paper submitted for the course "International Organisations and Economic Development" (Fall 2012): Mistakes Were Made, Lessons Were Learned: The Evolution of Japan's Overseas Development Assistance (ODA)*

Abstract:

Less than 70 years ago, Japan struggled to regain its foothold after the devastation of World War II. On its way to becoming Asia's first developed country, the government learned unique lessons in rebuilding and development as an aid recipient. As the tables turned, Japan became world's top aid donor by 1989, only to discover that quantity is not the same as quality. For years, critics berated the efficiency, effectiveness, and transparency of Japanese aid. An organizational transformation in 2008 led to changes significant in achieving development objectives and goals. In an era of increased foreign aid scrutiny, it remains crucial for Japan to seek equilibrium in satisfying national interests while meeting both the needs of aid recipients and the goal of reducing poverty. Though Japan has fallen in total ODA disbursement rankings in recent years, the consensus is that Japan will continue to play an important role in the international aid community.

## **I. Introduction**

In 2010, Japan gave over US\$11 billion in overseas development assistance (ODA), placing the nation as the fifth largest aid donor in the world (Ministry of Foreign Affairs, 2010: 15). For a nation with a history of ODA less than seventy years long, the transformation of Japan's policy and practice of foreign assistance has been remarkable. The history of Japan's foreign aid system also reflects a structure fraught with challenges and a lack of solutions. In the past, the fragmented nature of the aid administration and a lack of leadership had contributed to an ambiguous aid philosophy. Divided motives amongst agencies for aid disbursement inevitably led to the absence of a cohesive national strategy. The combined characteristics of Japanese aid were criticized at home and from abroad (Kawai and Takagi, 2004: 256). For Japan to remain a vital member of the international donor community, a stagnant aid program would not suffice.

Since the late 1970s, aid leaders have attempted to improve aid policy, practice, and its outcomes. Criticisms about the quality of aid weighed heavily in decisions to merge a variety of aid-related services and agencies into the Japan International Cooperation Agency (JICA) in 1974. A series of important changes followed throughout the years but the turning point in

Japanese aid has been the renewal of the JICA in October 2008. Despite budget cuts in recent years, Japanese aid policy has continued to prioritize the quality of aid and enhancing the beneficial impact of ODA in recipient countries. The history of Japan's aid system and the subsequent rise of the JICA present a unique process in the search for alignment with international ODA standards. In spite of a slow transformation towards convergence with international norms, incremental changes have renewed hope in the national aid strategy and increased expectations within the international aid community. As the nation grows out of old continuities and develops towards new directions, Japan will surely continue to attract the attention of critics in the realm of development assistance.

The rest of the paper is organized as follows. Section II explains economic, political, and humanitarian perspectives in understanding the motives of Japanese aid. Section III provides an overview of criticisms regarding aspects of efficiency including tied aid, a reluctance towards multilateral aid efforts, and request-based assistance. In the following section, the dominance of infrastructure-related projects, geographical biases, governance amongst recipients, and a lack of local feedback are referred to as problems concerning the effectiveness of aid. Section V summarizes issues of accountability and transparency, particularly relating to the absence of a national strategy, a fragmented organizational structure, and evaluative frameworks. By way of conclusion, Section VI discusses specific improvements in aid policy and practice made possible through the transformation of the JICA in 2008 and remarks on the future of the JICA.

Throughout the paper, connections to theories presented in books written by Amartya Sen, Jeffrey Sachs, William Easterly, Abhijit Banerjee, and Esther Duflo are explored.