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International Trends in Development Aid and Japan's ODA^{*}

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Introduction

Official development assistance (ODA) is aid in the form of capital, goods, and knowledge provided by developed countries and international institutions to improve the economic and social conditions of developing countries, and can be viewed as a part of global-scale public policy. Following World War II, the United States provided assistance for the recovery of Western Europe through the Marshall Plan, and the World Bank was established. Subsequently, the Development Assistance Committee (DAC) was set up within the Organisation for Economic Co-operation and Development (OECD) in the beginning of the 1960s. These events had a significant impact on subsequent implementation of development assistance. The United States, through its own policies and through its influence on the World Bank, was a significant presence in the direction of trends for international assistance notably up to the 1980s. From the 1990s on, the influence of the northwestern European countries increased and was reflected in the policies of not only the United Nations organizations and the DAC, but also those of the World Bank and the International Monetary Fund (IMF), generating various new trends in assistance.

This paper examines Japan's position within the DAC from the 1960s up to today, and the country's responses to trends originating from the World Bank from the 1980s to the first half of the 1990s and to trends originating from Europe from the latter half of the 1990s to the 2000s. It concludes by noting challenges at present and in the near future.¹

1. Trends at the DAC and Japan's position²

Following the end of World War II, Japan's ODA started in 1954 when it joined the Colombo Plan (established in 1950 by the British Commonwealth to provide technical assistance in the countries of South Asia). In 1955, Japan began to provide postwar reparations to Burma, the Philippines, Indonesia, and Vietnam. In 1958, Japan, along with the United States, United Kingdom, Canada and Germany, participated in a meeting held by the World Bank to respond to India's balance of payments crisis. With such a record of activities, when the Development Assistance Group (DAG) was created within the Organization for European Economic Co-operation (OEEC) under the leadership of the United States in 1960, Japan, although not one of the eight founding nations, was invited to become a member immediately after its

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establishment, and thus participated in the group's activities from the start. In March 1961, the DAG declared its resolution on the "Common Aid Effort." This set forth a model for assistance cooperation (in a loose form based on sharing experiences and mutual review), which continues up to the present day. In July 1961, the final meeting of the DAG was held in Tokyo, with then Prime Minister Hayato Ikeda delivering the opening address. At this meeting, studies were conducted for implementing the above-mentioned Resolution on the Common Aid Effort, marking the start of the operational method of mutual review and assessment of each country's policies and performances. In October 1961, with the supersession of the OEEC by the OECD, the DAG was reconstituted as the DAC. Japan was one of the original DAC members, along with nine Western countries. In the beginning of the 1960s, all of the developed nations established assistance organizations. Japan launched the Overseas Economic Cooperation Fund (OECF) in 1961 and the Overseas Technical Cooperation Agency (OTCA) in 1962. Japan was not lagging behind the developed nations of the West in establishing such assistance institutions.

In 1962, the DAC conducted a review on the achievements of its member countries' assistance policies, and published the aid review as the first DAC Chair's Report. The report's recommendations touched on points such as the difference in aid efforts between the member countries, conditions for provision of financial aid, promotion of aid untying, aid distribution across recipient countries and regions, formation of a cooperative assistance group, and improvement of aid effectiveness. The Chair's Report was subsequently examined at the DAC's first High Level Meeting, which was held later in the same year. From this time on, recommendations were repeatedly made for improving and harmonizing the financial terms of aid. As one of the countries with low grant shares and grant element (degree of concessionality of the financial terms of loans), Japan bore the brunt of criticism (along with Germany and Italy). In 1963, the DAC adopted a resolution recommending that the terms of aid should be adapted to the circumstances of recipient countries, and in 1965 it noted the necessity of untying aid, non-project assistance and local cost financing, in addition to softening financial terms of aid. At the same time, studies were also advanced on coordination of assistance, and in 1966, the Guidelines for Co-ordination of Technical Assistance were formulated. With regard to assistance efforts, in 1967 data was published on total official contributions as percentage of national income. There continued to be conflicting views on untying aid. Japan did not clearly indicate its attitude toward this issue at first, but from a certain point in time, it revealed its position to promote the shift to untied aid. In 1972, a new recommendation was made for terms of financial assistance, calling for an increase of the grant element and to apply special preferential terms for the least developed countries. In 1978, the grant element target was raised higher. In addition, in 1979, the DAC adopted the Guidelines for Improving Aid Implementation and later that year the High Level Meeting instructed that initiatives be taken for evaluation of aid effectiveness.

Entering the 1980s, in addition to the above-mentioned aid conditions and operational matters, new proposals were made on the principle and purpose of development. With regard to conditions and operations, in addition to individual country reviews, in 1980, comparative reviews of donor countries on actual and prospective aid were launched. In 1981, the DAC formed a group for evaluating aid projects, and studies by that group paved the way for the adoption of the Principles for Aid Evaluation, which covered all stages of the project cycle, at the High Level Meeting of 1988. Moreover, in the following year, an expert group prepared a document compiling the experiences of the donor countries. With regard to aid coordination, the High Level Meeting in 1983 examined ways for raising aid effectiveness through improvement of aid coordination for each recipient country, and at the 1986 meeting, the guiding principles for Aid for Improved Development Policies and Programmes and Implications for Aid Co-ordination were adopted. *Report on Development Cooperation in the 1990s*, a policy statement released in 1989, emphasized that the promotion of aid coordination was indispensable to raise aid effectiveness.

Regarding the promotion of aid untying, a ministerial-level agreement was reached in 1985, guiding principles were adopted in 1987, and it was agreed to further strengthen discipline in 1992. A recommendation on completely untying aid to the least developed countries was adopted in 2001.

Regarding development ideals and goals, women, the environment and participation were raised as important themes. In 1981, a review was conducted on the role of women in development, and it was decided to make this a focal point in the review of aid policies and actual performance of DAC member countries, and in statistical reporting. A group formed for this theme drafted the Guiding Principles to Aid Agencies for Supporting the Role of Women in Development, which were adopted at the 1983 High Level Meeting, and an expanded version of the principles and guidelines was adopted in 1989. The High Level Meeting of 1995 issued an important policy statement concerning gender equality, and in 1998, the Guidelines for Gender Equality and Women's Empowerment in Development Co-operation were adopted. Meanwhile, an environmental focus and sustainable development were positioned as central challenges for development cooperation in the 1990s, and a working group was established in 1989. At the 1990 High Level Meeting, discussions were pursued on the interrelationships among the environment, population and development, and from 1991, a series of Guidelines on Aid and the Environment were formulated. In 2001, the Guidelines on Strategies for Sustainable Development, and in 2002, the Guidelines on Integrating the Rio Conventions (the 27 principles agreed to at the 1992 United Nations Conference on Environment and Development) into Development Co-operation were adopted. With regard to participatory development and good governance, the *Policy Statement on Development Co-operation in the 1990s*, released in 1989, called for promotion of participation in both economic and political domains, and at the 1990 High Level Meeting, discussions were conducted on the role of aid in achieving development with broad participation. In 1992, based on discussions and reviews of donor country policies and performances, agreement was reached on the formulation of a common frame of reference for cooperation in the area of participatory development and good governance, including not only basic principles such as democracy and human rights, but also matters such as military expenditures and corruption. After further study, the DAC adopted the Guidelines for Participatory Development and Good Governance in 1995.

The above is a somewhat detailed summary of DAC policies and its trajectory of activities from the 1960s to the early 2000s; the reason being that the DAC was the forum where Japan was constantly subject to peer pressure with regard to the trends of international aid. Be it financial or operational aspects such as concessionality and untying aid, the aspects of ideals or objectives such as gender equality and participation, or even the aspect of distribution of aid such as the focus on Africa, a large part of the new developments in Japan's development assistance was introduced as Japan gradually softened its initial discomfort and antipathy and became steadily swayed by the increasingly clear direction of discussions at the DAC. However, among issues on the operational aspects, no meaningful changes were seen on the themes of aid effectiveness, aid evaluation or aid coordination. It may be surmised that the Guidelines and the strong inertia for maintaining the status quo and disrespecting expert capabilities—characteristic features of Japan's official aid administration—were especially binding and constraining factors preventing changes on these matters. These factors will again be taken up in the following section.

2. Trends emerging from Washington and Japan's response³

From the mid-1980s to the end of the 1990s, Japan's aid circles were directly confronted by the trends (ground-shaking at times) emerging from Washington, and were pressed to respond. In the process, there were also very interesting episodes of Japan's attempts to fight back. Around 1980, conservative administrations were born both in the United States and the United Kingdom that adhered to the

ideologies of liberalization and market focus, ousting Keynesianism and planning orientation from economic policies. The impacts were strongly reflected in international aid institutions, particularly the policies of the World Bank. This was concretized most markedly in practice in the policy conditionality of structural adjustment lending (SAL).

At that time, the “adjustment” in the World Bank’s operational term “structural adjustment” meant, above all, “adjustment of external balance of payments.” As causes of difficulties in external balance of payments, attention was directed not only to changes in the international economic climate, but also to past inappropriateness in economic management, with the latter being considered as the key focus of policy and institutional reform for structural adjustment in developing countries. It was anticipated that SAL would serve an important role, since it was thought that there was large possibility for policy and institutional reforms and their effects throughout the economy as a whole. This view was thought to be particularly applicable to the middle-income countries where state-led import-substituting industrialization had generated large distortions in policies and institutions.

In the view of the World Bank, the structural adjustment plans for many countries had a common challenge to address, since the economies of many of the developing countries showed common distortions. The distortions in the economy that required structural adjustment were largely divided into the following two types. First, the size of the public sector was excessively large compared to the private sector, and a great deal of inefficiencies were seen in the operations of the public sector. Second, the various restrictions placed by the government on private sector activities obstructed the market mechanism and generated inefficiencies in resource mobilization and allocation. Based on this basic recognition, structural adjustment plans were formulated and implemented throughout the economy under the basic policy of focusing on private sector initiatives and the market.

The trend for liberalization and pro-market focus, which emerged from Washington, presented a serious situation for Japan’s aid circles, particularly the international financial bureau of the Ministry of Finance, which was responsible for relations with the World Bank. The scope of the trend was not limited to restricting the implementation of individual aid projects.

The clearest conflict between the World Bank and Japan broke out in 1984 over the liberalization of the financial sector.⁴ A letter was sent under the name of the senior vice president of the World Bank to the president of the OECF, urging a reconsideration of the operation of the ASEAN-Japan-Development Fund, a two-step loan under the jurisdiction of the OECF, because it was providing loans at preferential interest rates for specific purposes. The reason for this was that it generated new distortions in financial markets and thus went against financial sector reforms in the Philippines implemented with the assistance of the World Bank and IMF. The World Bank executive director from Japan made a strong protest against this, and in Tokyo, the international financial bureau of the Ministry of Finance and the OECF began to formulate countermeasures. One of these was the preparation of a paper presenting Japan’s views, to be distributed at the 1991 World Bank-IMF Annual Meeting. Another was the initiation of an exploration for ways to direct the attention of the World Bank to the development experiences of Japan and East Asia. The outcome of the first countermeasure was the October 1991 release of a paper titled, *Issues Related to the World Bank’s Approach to Structural Adjustment: Proposal from a Major Partner*, which was distributed at the World Bank-IMF Annual Meeting. The outcome of the second countermeasure was an agreement by the World Bank for implementation of a study on the development experiences of Japan and East Asia. Japan shouldered the 1.2-million dollar cost for implementing the study, and at the Board of Executive Directors, withdrew its opposition to the financial sector Operational Directive of the World Bank, which focused on the promotion of deregulation.

The above-mentioned OECF paper was a concise and straightforward statement of the philosophy

and policy behind Japan's development aid. In it, views were expressed on the following five points.⁵

1. In order to realize sustainable growth, it is beneficial to promote investment in priority areas by employing tax concessions and state-led financing.
2. Promotion of industry should be considered from the perspective of long-term economic development; hasty opening of the markets could have negative effects.
3. The financial sector of developing countries is underdeveloped, and the market mechanism is incomplete, with this making policy intervention, including preferential interest rates, indispensable.
4. There are cases where developing countries lack the conditions for effectiveness of privatization, and there is the possibility that foreign companies will control core sectors of the economy.
5. The principle of placing efficiency first above all should be rejected and a balance between efficiency and fairness from the viewpoint of social welfare should be pursued.

It appears that a fundamental difference in the conceptualization of economy and development was at the root of the conflict between the development policies of the World Bank and Japan.⁶

The World Bank's policy thinking, informed by neoclassical economics, places importance on efficiency of resource allocation and thus focuses on the "framework" of incentive systems. In contrast, the Japanese view the economy as a collection of tangible "ingredients," such as machinery, human resources, and infrastructure, with economic development considered as a process to expand and improve them. In the "framework" approach, it is argued that the level of various economic activities should be determined in line with the incentive system, and that policy intervention gives rise to distortions and inefficiencies. Contrarily, in the "ingredients" approach, economic development is viewed as a process of realizing the government's future vision for economy by means of the implementation of policy measures.⁷

Regarding the above-mentioned second countermeasure that was realized, the outcome of one and a half years of research conducted by the World Bank was released as *The East Asian Miracle* at the September 1993 Annual Meeting. This publication included some new developments in studies on official development from an academic perspective, but it was basically a political document that served as a point of compromise to mitigate the conflict between the World Bank and Japan. The views presented in it fundamentally reconfirmed the basic policies of the World Bank, but it also recognized that there could exist positive effects of state-led financing under certain conditions, and thus provided the Japanese side (Ministry of Finance) with some satisfaction. This marked the beginning of the end to the ideological conflict. In Japan, during the Ryutaro Hashimoto administration in the second half of the 1990s, the Ministry of Finance led market-oriented deregulation that urged a break with the development-centered system under the slogan of "creating a socioeconomic system that anticipates global trends." With regard to policies for developing countries, on the occasion of the World Trade Organization (WTO) coming into effect in 1996, Japan (the Ministry of International Trade and Industry) started to prioritize the promotion of business interests of Japanese companies through trade and investment, and criticized the industrial policies of developing countries that conflicted with this policy. And within the World Bank as well, based on reconsiderations that conditionality was not being observed, initiatives were launched to search for more flexible policies befitting the circumstances of the recipient countries.

When the Asian financial crisis of 1997-98 struck East Asia, the World Bank came out with a view that structural reforms centering on the restructuring of the financial and corporate sectors were crucial for recovery and renewed development. It proposed and promoted the establishment of financial and corporate governance framework and the strengthening of the management capabilities of the public sector as necessary conditions for recovery and sustainability of growth, and it engaged in these issues

through a series of SALs and technical assistance projects.⁸ What was particularly important here was the establishment of a “framework” for financial and corporate governance. This included, among others, strengthening regulation and supervision, monitoring management, improving information disclosure and accounting practices, and protecting investors. These reform measures can be characterized from the following two perspectives. First, they included the promotion of opening markets to foreign financial institutions and multinational enterprises and freeing investment regulations, emphasizing institutional reforms that went beyond emergency response (reopening of foreign capital inflow). Second, they conceived a reform of the overall governance system, covering the corporate, financial and government sectors, for the abolishment of the existing interrelationships and collusion among them and the realization of high transparency, adequate regulations and supervision, and market discipline. In response to this new trend from Washington, Japan did not present any criticisms or counterproposals beyond an expression of concern with regard to overly short-term capital movement.

3. Trends from Europe and Japan’s response⁹

From the latter half of the 1990s, policies emerging from Europe focusing on reduction of poverty and social participation became mainstream in the international development community. Moreover, with the World Bank and IMF taking on a poverty-focused policy under pressure from the European countries, extremely strong influences came to be exerted by this trend. Reduction of poverty (rather than economic growth) was put forward as the overarching purpose of development assistance, and was pursued on all fronts. Through a resolution at the special session of the UN General Assembly, the Millennium Development Goals (MDGs) for the reduction of poverty were officially adopted as the goals of the international community as a whole. In the implementation of aid, important developments were the introduction of the Poverty Reduction Strategy Paper (PRSP) scheme by the World Bank and IMF, and actions taken at the DAC to improve aid effectiveness and establish a system for aid coordination. In both of these developments, Japan played only a side role, hardly visible on stage.¹⁰

As a new approach for managing the implementation of financial aid within the PRSP scheme, the World Bank and IMF called for “country ownership,” as a replacement for conditionality, and the institutionalization of broad participation by all levels of society in the domestic policy discussion and formulation process. The fact that the World Bank and IMF—international organizations with money and power—presented poverty reduction as the most crucial challenge to address and came out with a joint policy, meant that recipient countries were presented with procedural conditions that were inescapable in order to receive financial aid. Under the PRSP scheme, the roles of the European countries in the practice of aid coordination also increased. With the ideational orientation toward cooperation to achieve “common objectives and goals,” the framework for coordination was a “sector-wide approach” (joint or collaborative actions taken in each sector, such as public health or education), and many countries opted for financing mechanisms suited for that approach, such as sector programs or common funds (pooled financial aid scheme established for individual sectors) and general budget support. In other words, large restrictions were placed on the traditional modality of individual donors providing assistance for specific projects.

Under such circumstances, Japan was confronted with extremely difficult problems concerning local participation in aid coordination. In addition to lacking appropriate aid modality for funding, this was due to significant weakness in human resources and institutions to handle local activities.¹¹ Following this initial bewilderment and some makeshift responses, however, with a confirmation that the traditional approach would also continue in effect, it appears that Japan’s attitude toward (European-led) aid coordination returned to its original state of low interest.

The MDGs, unlike many preceding UN resolutions, did not stop at just being a declaration, but

came to exert tangible effects. There were many factors behind this. First, the United Nations itself made systematic efforts for its realization. In July 2002, the Millennium Project was launched, and in January 2005, the project's report was submitted to the secretary-general of the United Nations. In addition, the Millennium Campaign was organized to advance initiatives by citizens of member nations to request their governments to fulfill their responsibility for achieving the MDGs. At the 60th UN General Assembly World Summit held in September 2005, strong determination to achieve the MDGs was reconfirmed, and an appeal was made for the developed nations to increase their aid. Second, the UK Department for International Development (DFID), the World Bank, and other important aid institutions officially positioned the achievement of the MDGs as their institutions' goal for aid. Third, the international civil society campaigns to eradicate poverty focused on achievement of the MDGs. Amid such diverse developments, global public opinion rose to the point where each of the national governments had to recognize that they will shoulder the responsibility for achieving the MDGs.

Developments for achievement of the MDGs within the international aid community were rapid and systematic. In March 2002, the United Nations held the International Conference on Financing for Development, and the outcomes were compiled as the Monterrey Consensus. In this conference and the agreement on development aid, both increase in financing and enhancement of aid effectiveness were called for in order to achieve the MDGs. In relation to the latter, the challenges to be addressed included: untying aid, presenting multi-year plans for donor assistance, respect for partner country policies and administrative principles, and harmonization of aid procedures between donor institutions. Support was expressed for the Monterrey Consensus and the MDGs in the Chair's Summary of the Group of Eight (G8) Summit held in June 2003, giving it international political weight that went beyond a mere UN resolution.

In the Rome Declaration of February 2003, the representatives of donor countries and multilateral development finance institutions set forth a joint policy on the harmonization of aid procedures as part of initiatives to improve aid effectiveness for realization of the MDGs and Monterrey Consensus. This was based on the recognition that the practice of each aid institution implementing aid without coordinating with each other and without consideration of the administrative burdens on the recipient country was undermining aid effectiveness. The declaration gave support to work for the formulation of standards and principles for "good practices," which had been advanced by the OECD-DAC and international development finance institutions, and agreement was also reached on monitoring the progress on individual articles of the declaration. For developing countries, implementation of harmonization was encouraged, and it was agreed that the donors would support this and report on their progress.

From the end of February to the beginning of March 2005, the High Level Forum on Aid Effectiveness was held in Paris co-sponsored by the OECD-DAC and multilateral development finance institutions, with the participation of government representatives from the donor and recipient countries (now called partner countries). This was held with the aim to compile concrete measures for the improvement of aid effectiveness and to obtain official commitment to this on high levels, including political levels. The results were adopted as the Paris Declaration on Aid Effectiveness, which was made up of three parts: (1) Statement of Resolve, (2) Partnership Commitments, and (3) Indicators of Progress. The Declaration marked clear advancements in the aspects of principles, actions, and monitoring of progress for better aid effectiveness. The main outcomes can be summarized as follows:

1. Contents of the Paris Declaration: In addition to reconfirming "ownership" (the partner country decides on the policy for aid received from the donor), "alignment" (the donor country respects the policy and institution of the partner country), and "harmonisation" (the donors adopt common conditions and procedures), which were matters that had been agreed to since the Rome Declaration, new agreements on "mutual accountability," "managing

development results,” “capacity development,” and “enhancing effectiveness of aid in fragile states” were also made.

2. Action plan: In the Partnership Commitments, the commitments of both the partner countries and the donors were listed for “ownership,” “alignment,” “harmonisation,” “managing for results,” and “mutual accountability.”
3. Mechanisms for monitoring progress: Twelve indicators were established in accordance with the above Partnership Commitments

Just as the Millennium Development Goals (MDGs) laid down the goals for aid for the international community as a whole, the Paris Declaration stipulated the policy for engagement by the international society as a whole in increasing aid effectiveness. And, in both cases, follow-up systems were prepared to achieve the goals through partnership and peer pressure. This was an important development that marked the formation of the “development aid regime” on a global scale. In May 2005, the OECD issued the *Statement on the Follow-up to the UN Millennium Declaration and Monterrey Consensus*, and in it, also touched upon examining both quantitatively and qualitatively the implementation of commitments included in the Paris Declaration. As of 2007, this Declaration, with its implementation promoted mainly by the OECD-DAC, had the participation of 111 countries (including donors and recipients), 26 international institutions, and 14 civil society organizations, and was broadly recognized as a model for enhancing aid effectiveness. In 2008, high-level follow-up meetings were held for the Millennium Development Goals, the Monterrey Agreement, and Paris Declaration, respectively.

Throughout such European-led developments, Japan failed to develop a sense of responsible party and its role was nothing more than an onlooker. The reaction and response of Japan (the Ministry of Foreign Affairs and Japan International Cooperation Agency [JICA]) was sluggish and obscure. It is presumed that the reasons for this were as follows. First, the Japanese government totally lacked awareness as a responsible party in signing the resolutions of the conferences. Second, in relation with the above point, Japan did not at all feel any individual responsibility for the goals of the UN member nations as a whole. Third, as mentioned previously, Japan was not paying proper attention to the development of the situation noted above. Fourth, Japan did not have intellectual basis for constructive engagement because the MDGs and subsequent resolutions were so completely different from its conception of development and aid, which never placed importance on poverty reduction or aid coordination.

The year 2008 marked a turning point, however, with the situation beginning to divert from the original scenario. At the Fourth High Level Forum on Aid Effectiveness held in Busan in 2011, the agenda on harmonized actions for the formation of a development aid regime based on the Paris Declaration was, for all practical purposes, shelved. The following three can be noted as the factors that brought about this change of course. First, the Paris Declaration, which aimed to improve aid effectiveness, expressed in comprehensive and detailed manners the desirable aid modality as an conceptual and operational system made up of principles, agreements, goals and indicators. However, in its implementation, a large discrepancy was unavoidable between principles and actual situations, and the promotion of implementation through review of progress was unable to produce material results. Second, as important external factors in international politics and economy, newly emerging donors such as China and India, and the increasing weight of engagement by the private sector in international development, led to stronger criticism of the Paris Declaration, which focused solely on the procedural and technical aspects of ODA. This gave strength to arguments for development aid with a focus on results and a broader scope for diverse non-traditional actors. Third, with the official recognition of the role of NGOs in international development—although their actual importance was still limited—calls were raised for expanding perspectives to encompass all types of activities related to development, without limiting attention to official aid.

Reflecting these diverse factors, in the Busan Partnership Document (Busan Declaration), which officially called for enhancing the effectiveness of aid, attention was not narrowly focused on the MDGs or ODA, but was expanded to cover various aspects of development and all actors involved. In this document, the goal of enhancing “aid effectiveness” was replaced by “effectiveness of development co-operation,” and it newly called for establishment of the Global Partnership for Effective Development Co-operation, which covers all development actors. Notably, it encouraged the emerging donors, which are also developing countries, to voluntarily carry out commitments that differ from those of the traditional donors. It also called for a shift of the seat of the secretariat from the OECD-DAC to a joint organ co-managed by the United Nations and the OECD.¹²

Under this new development, it is highly likely that actionable improvement measures for enhancing “aid effectiveness” will also be shelved. In fact, the increasing weight of emerging donors is expanding the freedom of choice on the part of recipient countries, and making it difficult for traditional donors to apply their rules. Amid such a situation surrounding development aid, the character of the aid regime in each recipient country will most probably be determined not by external forces but by how and to what extent calls arise within the country for enhancing aid effectiveness as part of realizing good governance.

Conclusion: Prospects and challenges for the near future¹³

The international development aid community is now entering a period of turbulence. The international aid trends surrounding ODA no longer originate from factors or actors in the aid community, but have become a turbid current generated by all actors engaged in various aspects of development. However, this situation is a desirable change of climate for Japan to engage actively in making international contributions. Distinct diversity is arising in the ideas and goals of development cooperation, in its character and forms, and in the actors involved as well. Moreover, amid the growing role of private capitals and resources, partnership between the public sector and private for-profit sector is becoming increasingly important. With the rise of emerging donors, notably China, conditions have transpired for Japan to collaborate with emerging donors and take new initiatives in development cooperation that would counter the rules formation led by the West. Those charged with policymaking in the developing countries highly appreciate and hold large expectations toward Japan’s development cooperation, which they recognize has contributed to high economic development in East Asia. They have strong ambitions for the development of infrastructure as a premise for realizing economic development through direct investments and exports, and the only countries that can answer such aspirations are Japan and China. Holding the keys to the formation of an industrial cluster that will lead to future industrial advancement are private corporations possessing sophisticated technologies and management capabilities. In this respect, Japan stands above China.

However, the expansion of investment and exports is only one facet of development cooperation. Even for the purpose of attracting direct investments, it will be indispensable to have social and political stability, including public security, and to this end as well, it would be essential, in many cases, to contain or reduce growing income inequality within the country. In the area of improving the livelihoods and lives of those at the bottom of the pyramid, there are many issues that must be addressed by ODA in partnership with BoP business (business development targeting low-income people in developing regions, which aims to help solve social problems) and the private non-profit sector. By sharing the spirit of “*omoiyari* (consideration toward others)” and advancing collaborative activities based on the grass-roots experiences of the Japan Overseas Cooperation Volunteers, NGOs, and other groups, it is hoped that Japan will convey the innate empathy of the Japanese people while improving the livelihoods and lives of people in developing countries.

With the long-lasting economic slump and downward trend in the level of the national budget, Japan's engagement in ODA in recent years have withered in a way that could fall under the saying, "poverty dulls the wit." Amid the current situation in which economic revitalization is postulated as an absolute must, an approach we often see is one that benefits Japanese companies by applying tied aid to ODA programs. This could be called, "poverty breeds greed." What is called for is political judgment that is not swayed by myopic business interests, to define anew what constitutes, albeit a hackneyed phrase, the "enlightened self-interest" of Japan.

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1. Valuable literature exists regarding trends in international aid and Japan's development assistance, including the three themes taken up in this paper. I recommend readers who are interested in this issue to read them. These are by Yasutami Shimomura (2011) and Takehiko Nakao (2005). Mr. Shimoura is a researcher who entered academism after working at the

OECD. At the time of the writing, Mr. Nakao was director of general affairs in the international bureau of the Ministry of Finance, and is currently the President of the Asian Development Bank.

2. Führer (1996) and DAC (2006) were used as sources of information for this section.
3. A part of this section is based on Yanagihara (2000).
4. Some of the information here is based on Wade (1996).
5. The contents of this document are included in OECD (1998).
6. The themes of this section are discussed in more detail in Yanagihara (1998).
7. From this kind of stance, Japan provided, in addition to the above-mentioned two-step loans, large-scale assistance to industrialization projects that met with opposition or criticism of the World Bank (e.g., South Korea's Pohang steel mill project and Thailand's eastern seaboard development).
8. The World Bank (2000) serves as useful reference on this.
9. A part of this section is based on Yanagihara (2014).
10. The only episode that can be considered an exception was Japan's important role in the formulation of the New Development Strategy (1996) in the DAC. This strategy had the characteristic of compiling the goals set forth at conferences held on various themes by the United Nations, and marked a significant step in the process of formulating the MDGs. This fact, however, makes all the more notable Japan's low interest in engagement after the MDGs were established (to be explained later).
11. Rare exceptions within the general situation of hesitation toward aid coordination were Japan's active participation in Tanzania and Vietnam. For details about Tanzania, see the country aid evaluation report on Tanzania (Economic Cooperation Bureau, Ministry of Foreign Affairs, 2006, http://www.mofa.go.jp/mofaj/gaiko/oda/shiryo/hyouka/kunibetu/gai/tanzania/kn05_01_index.html). For Vietnam, see the country aid evaluation report on Vietnam (Economic Cooperation Bureau, Ministry of Foreign Affairs, 2007, http://www.mofa.go.jp/mofaj/gaiko/oda/shiryo/hyouka/kunibetu/gai/vietnam/pdfs/kn06_01.pdf), as well as the evaluation report on the Third, Fourth, and Fifth Poverty Reduction Support Credits for Vietnam (JICA, 2008, http://www2.jica.go.jp/ja/evaluation/pdf/2007_VNC8_4_f.pdf). One document reviews in a comparative manner these two rare episodes of active engagement through the use of a financing instrument of general budget support (Tanzania PRBS and Vietnam PRSC) (Economic Cooperation Bureau, Ministry of Foreign Affairs, 2006, http://www.mofa.go.jp/mofaj/gaiko/oda/shiryo/hyouka/kunibetu/gai/ip_zaimu/pdfs/sk05_01_0004.pdf).
12. The sequence of events from the time of the Paris Declaration through the Busan Declaration is discussed in detail by Takayanagi (2014).
13. Many suggestions for this section were provided by Shimomura (2014). I thank Mr. Shimomura for allowing me to cite and quote his presentation material. However, I hold sole responsibility for the content and wording of the quotation.