

Why Japanese Aid is Ineffective in Reducing Poverty

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Japan is expected to become the largest donor of ODA (Official Development Assistance) in the world, due to the rapid increase of its ODA budget in recent years, high yen rate, and decrease in the ODA of the United States, erstwhile the biggest aid donor. The quality, however, of Japan's ODA has come under fire: the proportion of grants to loans is low; its beneficiaries are said to be Japanese corporations; and instead of helping the poor in the Third World, it has contributed to socio-cultural problems and environmental destruction.

Many publications have criticized ODA policy among donors, questioned ODA's poor performance in tackling poverty, starvation, and violations of human rights, and suggested alternatives to improve ODA's implementation. [1] Many of these criticisms actually could also apply to Japan's ODA. [2]

Allocation of ODA

Grant element versus total amount

The total amount of Japan's ODA in the fiscal year 1987 was 1,078 billion yen or 7,454 million US dollars, representing 0.31 percent of that year's GNP, and posting a 13.5 percent increase in yen base, or 32.3 percent in dollar base from 1986. Of this, 1,154 million dollars went to bilateral grants; 1,067 million dollars to bilateral technical cooperation; 3,027 million dollars to bilateral loans; and 2,207

million dollars to multilateral aid. The proportion of loans vis-a-vis total Japanese ODA is larger than that of other DAC (Development Assistance Committee) countries. In fact, Japan ranks 17th among 18 DAC members in terms of grants to loans ratio, making Japanese ODA the second "hardest" aid for recipients.

Geographical distribution of bilateral ODA

In 1987, recipients of Japan's ODA included the following: Asian countries, 65.1 percent (Northeast Asia, 11.0 percent; Southeast Asia, 35.6 percent, including 32.0 percent for ASEAN; Southwest Asia, 18.5 percent); Middle East, 10.0 percent; Africa, 9.8 percent; Latin America, 8.0 percent; and Oceania, 1.3 percent.

The 10 major recipients were ASEAN members (Indonesia, Philippines, Thailand, Malaysia), other Asian countries (People's Republic of China, Bangladesh, India, Burma, Pakistan), and Turkey. Japan has also been criticized for allocating only a small part of its ODA to Africa.

Distribution by income groups

Also in 1987, 18.8 percent of Japan's bilateral ODA went to LLDCs (Least among Less Developed Countries); 43.2 percent to LICs (Low Income Countries); 19.2 percent to LMICs (Lower Middle Income Countries); 7.3

percent to UMICs (Upper Middle Income Countries); 3.0 percent to NIEs (Newly Industrializing Economies); and 2.3 percent to OPEC members.

Distribution by sectors

In 1985 and 1986, 18.5 percent of Japan's ODA was used for social infrastructure; 37.3 percent for economic infrastructure; 14.2 percent for agriculture; 12.4 percent for industry and production; and 8.3 percent for programme aid. The amount set aside for economic infrastructure was the highest among DAC members, making it one of only two countries whose allocation for economic infrastructure exceeded that for social infrastructure, leading one to conclude that Japan distributes its ODA according to the "trickle down" approach to development, rather than the "basic needs" approach.

Japan's Policy on Aid

Official line

The Japanese government does not have a single, unified policy towards ODA implementation because four governmental agencies -- Ministry of Foreign Affairs (MFA), Ministry of International Trade and Industry (MITI), Ministry of Finance (MOF), and the Economic Planning Agency (EPA) -- are responsible for aid administration, and aid policy or implementation is very much a product of bargaining and coordination among these agencies.

In general, according to the MFA [3], developed countries give aid out of humanitarian considerations and because of the assumed interdependent relationship of nations. Specifically, the MFA believes that Japan has to give aid because such is the cost "for maintaining a 'peaceful state'", "of being a big economic power", "of being externally dependent", and "of being a highly modern non-Western country".

The MITI has its own rhetorics for giving aid: "it is necessary on humanitarian grounds";

"it will bring about global peace"; "it will contribute to the development of the world's economy"; "it will bring about a stable supply of natural resources and energy"; "it will expand trade"; and "it will deepen friendship with developing countries". [4]

Aside from these publicized rationale for providing aid, it has often been contended that Japan also uses ODA to cope with rising criticisms of its trade surplus, especially from the US. Japan has been asked to contribute more to the international community through bigger ODA disbursements.

Political motives

It is said that Japan has been providing aid to achieve economic goals, and it is only in recent years that it began to pursue political aims. (Some say, however, that it had had political motivations from the beginning, as seen in its distribution of war reparations, and also because it refrained from giving aid to socialist countries until the mid-seventies.)

These aims have been written about in public documents: First, as Japan becomes an "economic giant", its leaders have begun to feel that Japan should play a larger role in international politics, and "contribute more to the world". ODA is considered a form of "international contribution" and becoming a leading donor of aid would subsequently expand Japan's political influence.

Second, ODA has begun to be viewed as contributing to "comprehensive security" and, thus, should be distributed according to "strategic considerations". Indeed, Japan has increased aid to countries caught in conflict like Thailand, Pakistan, and Turkey, and then to "areas which are important to the maintenance of peace and stability" like Jamaica and Somalia, a trend apparent during the eighties. [5] Japan, together with the United States and other developed countries, was also recently involved in the multilateral aid plan to the Philippines, which, by all indications, is strongly linked to the US military bases in this country. Because of the peace principle of its Constitution, Japan cannot

provide direct military aid, so development aid is given instead, in order to "strengthen the economic, social, and political resilience of these countries through economic cooperation". [6]

Since Japan cannot use military power as a tool in foreign policy, aid has been perceived by its leaders as a means of influencing international affairs. [7] And because they consider Japan-US relations to be vital, ODA, to some extent, has been distributed along American interests.

Economic motives

The strongest motivation for providing ODA has been economic. Until the early seventies, export of Japanese manufactured goods has been the dominant objective of Japan's economy, and aid was distributed to Asian countries with which it had strong trade relations. Just after the "oil shock" in the mid-seventies, a stable supply of raw materials and energy resources became the priority need, so the share of the Middle East and other resource-rich areas of the aid pie increased.

Criticisms, however, began to be raised about Japan's enormous gains from trade linked to ODA. Thus, ODA officially ceased to be linked to the promotion of exports. The Japanese government's reliance on private firms for project funding and consultancy, however, still make ODA profitable for Japanese business.

Perceptions of development

In order to get the support of the Japanese public for its policies towards aid, *development in the Third World* is often cited as a goal which ODA will help achieve. A certain level of development is, of course, necessary because markets have to be created for Japanese goods. Governments with which they have trade relations also have to be kept stable.

Though to a large extent promoting genuine development is mere rhetoric, we still have

to see how Japanese aid administrators perceive development because it affects cost of projects and distribution of ODA. As mentioned above, the MFA believes that as a non-Western country that has achieved modernization, Japan can serve as a model for Third World countries. [8] An official concerned with ODA once said, "If someone criticized Japan's ODA as promoting inequality in developing countries, I would say it is good because that was the Japanese experience", implying that if other countries also go through what Japan did, they will eventually become as developed as Japan. Another official was quoted as saying that aid is the transfer of "advanced" technology and civilization. [9]

Japan, thus, provides ODA in order to strengthen the resilience of recipient countries -- actually of governments that are pro-Western and which adopt the market economy system -- in the process, creating export markets and finding sources of raw materials, and at the same time, instilling into Third World peoples' minds that the Japanese model is the one to follow and learn from.

Implementation of ODA

The procedure for implementing and distributing aid is heavily influenced by "organized interests in donor countries, including commodity groups, hunger lobbies, banking and foreign policy organizations (which) compete for setting priorities in aid use". [10] In the Japanese case, "bureaucratic interests were the main determinants of the articulation of Japan's aid and economic cooperation policies". [11]

The four-ministry system

Decisions on ODA administration and approvals of bilateral loans are decided at conferences of the four participating agencies, each of which has its own interests. The MFA takes part in the proceedings from the point of view of foreign policy; the MITI, in

terms of industrial and trade policies; the MOF, in terms of budgetary constraints and international financial policy; and the EPA, which supervises the Overseas Economic Cooperation Fund (OECF), in terms of Japan's overall economic goals and programs. [12]

Personnel

Very few people work in the agencies concerned with ODA. The MFA's Bureau of Economic Cooperation, for example, has about 150 people [13], but an ordinary employee works more than 200 extra hours every month! The Japan International Cooperation Agency (JICA), tasked with providing technical assistance, and the OECF have a total of 1,200 employees, less than one fourth of USAID personnel, or about the same as Canada's CIDA (Canada International Development Agency), whose ODA amounts to a fourth of Japan's. [14]

Further, since aid "is peripheral to the main purposes of the ministries" [15], few of the personnel are really concerned about aid administration, as they are more interested in Japan's relations with other superpowers or developed countries rather than with the plight of people in underdeveloped areas. Many of them work with the aid divisions of their agencies for only two or three years, then look for new jobs elsewhere.

Business interests

While some quarters say that business interests do not play a very large role in the disbursement of aid, observations to the contrary have been increasing, i.e., that Japanese firms benefit from it, and that it supports foreign investments. [16] Japanese firms are said to prepare feasibility studies, then they pressure recipient governments to "request" these projects, making it appear that these are what the latter need. [17] *Marusei* projects (those which Japanese firms pressure ministries to adopt through negotiations with politicians, who thereafter allegedly

receive rebates for their efforts), have been rumored to exist. [18]

Grants, although making up a small portion of total ODA, are, nevertheless, completely tied to Japanese suppliers. Yen loans, on the other hand, although mostly untied, are made favorable to Japanese firms because it is usually their consultants that design projects and specify standards to be used.

Project selection and evaluation

Selection of projects to fund is another problematic aspect of ODA. Most of the time, this is based only on economics, i.e., cost-benefit analysis. Anthropological or sociological problems which may arise are almost never considered. Some officials view participation of citizens in recipient countries as unnecessary because "they are uneducated and ignorant" anyway. [19]

In terms of evaluation, it was only in recent years that Japanese aid agencies started to assess their projects, and even here, they were studied only in economic terms.

Political parties and the Diet

Japanese politicians and political parties as a whole, except those who lobby for certain firms and pressure groups, have shown little interest in ODA. Discussion in the Diet about aid occurs only when cases of corruption or scandals are exposed. The Diet actually has the privilege of deciding the amount of ODA through deliberations on the annual budget, but little attention has been given to this.

People's response

NGOs in Japan are few and their consciousness-raising activities are even fewer. Unlike in other countries, "interest groups" are known in Japan as those which seek material goals or concessions, and as such are not very popular. Because of the bad image people have of "lobbying" or "interest groups", they dislike organizing pressure groups to

pursue certain goals. Thus, the only organizations that aid agencies have to deal with are business groups that are not under any pressure to perform humanitarian acts.

The Japanese people generally have little interest in the North-South problematique, which is why NGOs are lethargic as a whole. Development issues are unfamiliar and seldom taught in schools.

In sum, then, bureaucratic and business interests play decisive roles in implementing aid. The pursuit of interests other than the genuine development of recipient countries is said to be the reason why aid is ineffective in promoting growth or reducing poverty. [20] In the Japanese case, this is compounded by the fact that no development-oriented organization takes part in the aid program, and that no groups lobby for development or the reduction of poverty.

Japan's Culture and History

The indifference of the Japanese bureaucratic elite, business sector, or the public to development issues or poverty in the Third World is deeply rooted in the country's culture and history. Not until the mid-19th century did Japan open its doors to the outside world. The people, thus, feel a "sense of separateness" from the rest of the world, leading one scholar to observe that it is this which makes the Japanese feel that poverty in the Third World is by no means their responsibility. [21] Further, its own rapid growth and industrialization have made the people feel that their experience can happen to anyone; all others have to do is to follow its example. The Japanese, with a feeling of superiority vis-a-vis the rest of the non-Western countries, think Japan should be regarded as a model. In some instances, some of them even see aid as a form of charity, and, thus, favor its increase. [22]

Historically, aid was used to help hasten the development of Japan, by indirectly promoting trade and industry. Since then, it has been implemented and distributed according to the goals and interests of the bureaucracy,

politicians, and businesses. Whatever changes have been done were mainly in response to external, not internal, pressures.

Recent Trends

In sum, both the ideas behind aid-giving and actual implementation are incompatible with the goal to eradicate poverty or encourage development in recipient countries. To promote development in the Third World and respond to humanitarian concerns have remained rhetorical aims. The manner in which Japanese aid has been implemented has disregarded the participation of people with real interests in aid, or the need to respond to poverty or starvation, human rights violations, or destruction of the socio-cultural and natural environment.

Fortunately, some changes are being done. On the level of policy, the Japanese government has begun to think of NGOs as possible partners in the implementation of aid; to study and pay attention to possible effects of aid on the society and environment of recipient countries; to evaluate projects; and others.

Concern in the Diet and among political parties has also increased through the years, mainly due to the rapidly rising ODA budget, and the Marcos scandal (please refer to "Marcos' Yen for Corruption" in this issue. -Ed.). Politicians, including members of the ruling party, are insisting on the enactment of a basic law on ODA [23]. Discussions on aid policy have also been held.

Change has also been observed in the mass media and the general public. There is heightened criticism of ODA in media reports. The public has gradually become aware of issues involved. After realizing that aid has not gone to its supposed beneficiaries, some sectors have become reluctant to favor an increase in its budget. [24] Interest in Third World problems and in NGO activities has begun to pick up. NGOs themselves are beginning to feel that they should engage in development education and advocacy work.

It is too early to point out the causes for these changes, welcome as they are, and whether these will be sustained or just die naturally like fads do. It is also premature to say what Japan's ODA program would be

like in the future. What is sure, though, is that there are, indeed, many important things that Japan can do, other than merely increase the amount of aid it doles out.

Notes

1. Independent Group on British Aid, *Real Aid: A Strategy for Britain*, (1982); Francis Moore Lappe, et al., *Aid as Obstacle: Twenty Questions about our Foreign Aid and the Hungry*, (San Francisco: Institute for Food and Development Policy, 1980); Australian Council for Overseas Aid, *Basic Human Needs: A New Focus for Australia's Overseas Aid Program*, (1983); Davis Millwood and Helena Gezelius, *Good Aid: A Study of Quality in Small Projects*, (Stockholm: Swedish International Development Authority, 1985).

2. For critical views on Japanese aid, see Yoshinori Murai and Machiko Kaida, *Dare no Tame no Enjo?* (Aid for Whom?), (Tokyo: Iwanami Shoten, 1987).

3. Ministry of Foreign Affairs, Bureau of Economic Cooperation, Study group on economic cooperation, "Keizai Kyouryoku no Rinen; Naze Seifu Kaihatsu Enjo wo Okonauoka" (Ideas of Economic Cooperation; Why Provide ODA; 1981).

4. Ministry of International Trade and Industry, "Mitsumeyou! Warera no Sekai; Hatten Tojoukoku dewa Ima Watashitachi no Keizai Kyouryoku wo Hitsuyou to Shiteimasu" (Let's Look at the World! Developing Countries Need our Economic Cooperation).

5. For discussions on "strategic aid", see Dennis Yasutomo, *The Manner of Giving: Strategic Aid and Japanese Foreign Policy*, (Lexington and Toronto: Lexington Books, 1986).

6. MFA, "Waga Gaikou no Kinkyou" (Recent Trends in our Foreign Policy; 1982), p. 8.

7. *Yomiuri Shimbun*, 28 April 1988.

8. MFA, Bureau of Economic Cooperation, Study group on economic cooperation, *op. cit.*

9. *Asahi Shimbun*, 7 August 1986, Interview with Masamichi Hanabusa, "Wagakuni no Kaigai Enjo no Genjou to Kadai" (Present Situation and Tasks of our Overseas Aid), *Keio Tsushin*, August and September 1987.

10. Raymond Hopkins, "Aid for Development: What Motivates the Donors", in Edward Clay and John Shaw, eds., *Poverty, Development, and Food*, (London: Macmillan, 1987), p. 165.

11. Alan Rix, *Japan's Economic Aid: Policy Making and Politics*, (London: Croom Helm, 1980), p. 267.

12. *Ibid.*, Ch. 4.

13. Masamichi Hanabusa and Yoshinori Murai, "Enjo Gyousei wo Ronjiau" (A Discussion on Aid Administration), *Sekai*, December 1987.

14. *AERA Magazine*, 18 October 1988.

15. Alan Rix, *op. cit.*, p. 97.

16. These criticisms are summarized in Ken Matsui, *Keizai Kyouryoku; Towareru Nihon no Keizai Gaikou* (Economic Cooperation; Japanese Foreign Economic Policy in Question), *Yuuhihaku*, 1983, pp. 161-165.

17. Yoshinori Murai, "Yosei Shugi wo Megutte" (On the Principle of Request Base), *Sekai*, April 1986.

18. Yoshinori Murai and Machiko Kaida, *op. cit.*, pp. 36-37.

19. Quoted from a diplomat in the Embassy of Japan in Bangkok, in Hiroshi Nagai, "Senryaku Enjo no Genba Kara; Minshuu Besshi ni Sasaerareta 'Kokueki'" (From the Sites of Strategic Aid; National Interest Supported by the Despise of People), *Sekai*, May 1986, pp. 147-149.

20. Michael Lipton points out that pursuit of donors' self-interest is one of the reasons why aid does not contribute to growth or reduce poverty in recipient countries. "Introduction: Aid Effectiveness, Prisoners' Dilemmas, and Country Allocations", *IDS Bulletin*, Vol. 17, No. 2, 1986.

21. Ronald Dore, "Japan and the Third World: Coincidence or Divergence of Interests", in Robert Cassen et al., *Rich Country Interests and Third World Development*, (London and Canberra: Croom Helm, 1982), p. 128.

22. According to government polls in the early 1980s, around 40 percent of the public favored an increase in the amount of ODA, and another 40 percent opted for the maintenance of the present level.

23. The Clean Government Party has presented a bill on the Basic Law on International Development Cooperation in 1987.

24. In a recent poll by the *Mainichi Shimbun*, 52 percent of respondents said that they were against any further increase in the amount of ODA; *Mainichi Shimbun*, 4 January 1989.