

ODA Reform: **Five** Recommendations

– Moving into the 21st century-“Development Cooperation (DC)” –

Multi-sectoral Task Force for the Reform of Japanese ODA

June 2010



FIVE RECOMMENDATIONS FOR
FUTURE DEVELOPMENT
COOPERATION

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– Moving into the 21st century-“Development Cooperation (DC)” –

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About the “Multi-sectoral Task Force for the Reform of Japanese ODA”

We are a group of professionals who have gathered voluntarily, working in a personal capacity, in order to think about Japan’s Official Development Assistance (ODA) in a new era. As a multi-stakeholder group of professionals involved in ODA (including political circles, the media, NGOs, businesses, consultant firms, academia, government and aid-implementing organizations), we have shared our respective views on the issues associated with Japan’s ODA and its strategic direction and discussed how to reform Japanese ODA in the future.

During 2006–2007, we also held discussion meetings and formulated the *ODA Manifesto*, which included 30 proposals for the “Year for Development 2008” – when the Fourth Tokyo International Conference on African Development (TICAD IV), the G8 Hokkaido Toyako Summit, and the merger of JICA and JBIC took place. While some of the proposals were realized, overall, there has been limited progress in implementing them.

In September 2009, the Democratic Party of Japan took power, bringing about an excellent opportunity to fundamentally review Japan’s ODA. Under the initiative of Foreign Minister Katsuya Okada, the Ministry of Foreign Affairs began the ODA review in early 2010. While we have great expectations for this initiative, it is important to note that discussions in our meetings focused on Japan’s overall external cooperation strategy and necessary institutional mechanisms. This suggests the need to think beyond the existing legal and organizational frameworks associated with ODA.

ODA Reform: Five Recommendations was compiled based on the intensive discussions at our meetings, organized five times between February and June 2010 (with a total of about 300 participants; the topics and speakers are shown at the end of this document). The participants expressed various opinions and ideas, and the interests of the group organizers ranged widely as well. Overcoming such differences, we put together the recommendations with emphasis on where to start reforms in order to transform Japan’s ODA and move into “21st century-Development Cooperation (DC).”

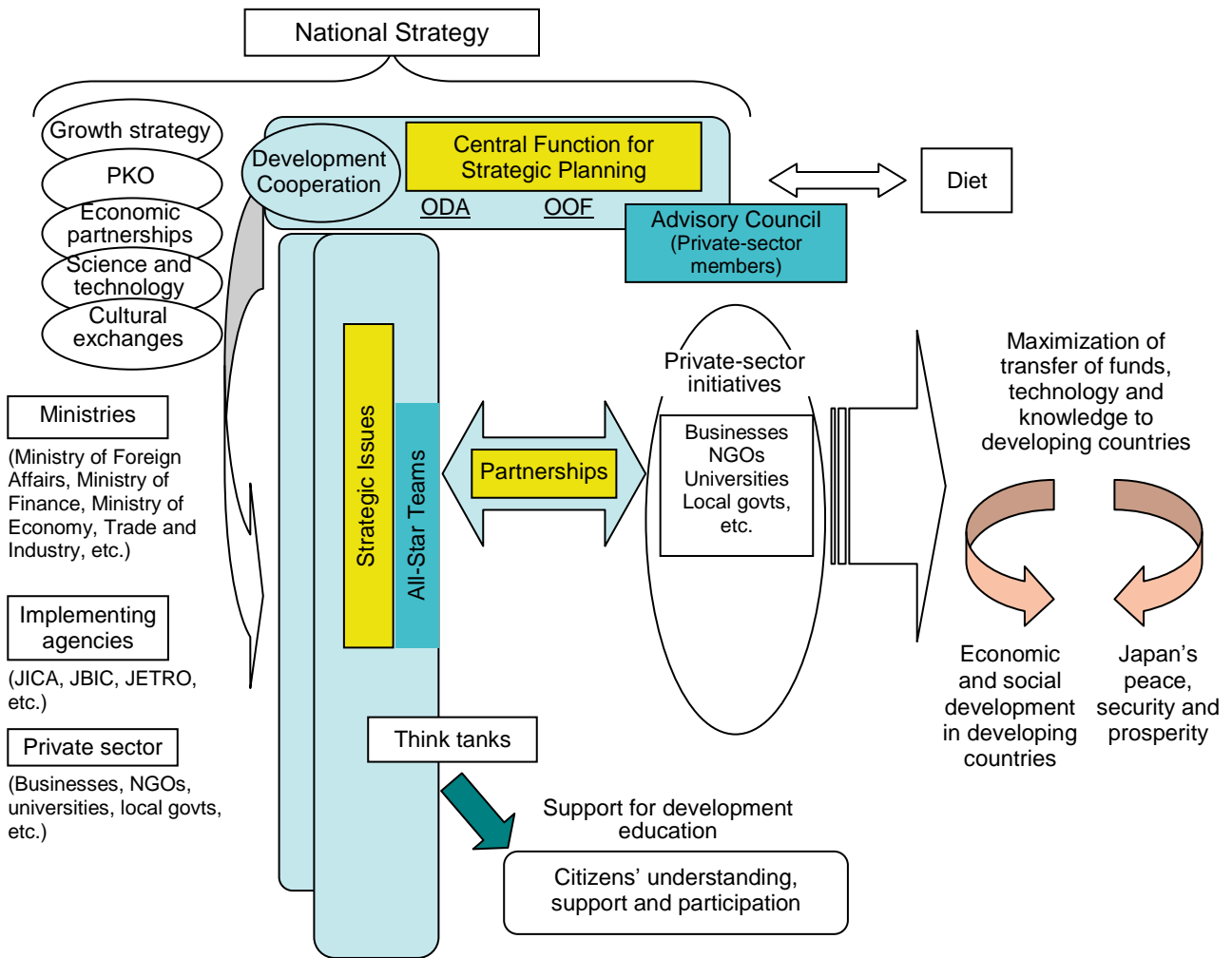
Organizers of the “Multi-sectoral Task Force for the Reform of Japanese ODA”

Five Recommendations

Five Recommendations for Future Development Cooperation

Recommendation 1: Change “ODA” to “Development Cooperation (DC)”	<ul style="list-style-type: none"> • Change the name • Establish a strong, central function for strategic planning • Establish a Development Cooperation Committee within the Diet (House of Representatives)
Recommendation 2: Strengthen “policy capability” in the global arena	<ul style="list-style-type: none"> • Establish “All-Star Teams” by strategic issue • Create a think-tank function • Mobilize policy-oriented professionals across organizations
Recommendation 3: Enhance partnerships with diverse actors: expand the total resource flows to developing countries	<ul style="list-style-type: none"> • Establish a base for private-sector activities • Create matching-fund mechanisms that support private-sector initiatives
Recommendation 4: Establish a new cooperation strategy for Asia: towards “network-based cooperation”	<ul style="list-style-type: none"> • Shift to support for global public goods (software) in the entire Asian region • Establish an intellectual network and a cooperation mechanism to mobilize experts of emerging donors on a large-scale • Establish an “Asia Development Cooperation Forum”
Recommendation 5: Shift “ODA public relations” to support for “development education”	<ul style="list-style-type: none"> • Transfer budgets and personnel for “ODA public relations” to support for “development education” • Formulate a basic policy for “development education”

“F” Structure of Development Cooperation



ODA: Official Development Assistance
OOF: Other Official Flows

Foreword (Historical perspectives and problems)

Half a century has passed since Official Development Assistance (ODA) was initiated after World War II. With the end of the Cold War and the progress of globalization, the environment surrounding ODA has dramatically changed. ODA under the framework of the East-West confrontation became a thing of the past. Meanwhile, the world is becoming increasingly multipolar and diversified due to globalization and the rise of newly emerging countries. Today, the world cannot be viewed simply from the conventional North-South framework.

While globalization has positive aspects such as accelerating the free movement of people, goods, money and information and creating new industries and employment, it also widens the socio-economic gaps and causes various transnational threats (such as financial crises, infectious diseases, and global climate change). Such negative effects of globalization are severely affecting vulnerable people in poor countries. In such an environment, global efforts to reduce poverty have been strengthened and the importance of sustainable growth has been reconfirmed. Furthermore, after the Cold War, regional conflicts and civil wars between ethnicities have occurred frequently; this has made support for peace building and post-conflict reconstruction important areas of development assistance.

As the development agenda has changed, the actors in development assistance have been changing, too. Not only the traditional donors, but also emerging countries, such as China, India and Brazil, provide development assistance. NGOs and businesses have come to play an important role as well. Moreover, remittances sent home by diasporas and overseas workers of developing countries are on the rise. Now, the volume of private funds flowing into developing countries exceeds that of ODA. This trend is likely to continue in the future.

Looking back on the past half century, Japan has made a significant contribution to the self-reliance and development of Asian countries, particularly through aid, trade and investments, building on its dual experiences as an aid-recipient country (in the past) and a donor country. After decades, East Asia has transformed into a growth center in the world. This is a powerful success story realized by the hard efforts of those East Asian countries that effectively utilized Japan's contribution, and they should take pride in their developmental achievements.

Regrettably, the volume of Japanese ODA, which was the world's largest for ten years beginning from 1990, has fallen to fifth place (on a net disbursement basis). The ratio of Japan's ODA to gross national income is 0.18%, the lowest among OECD member countries. This is primarily attributable to the country's severe fiscal situation. However, there are some donor countries that, despite similar fiscal stringency to Japan, are continuing to increase ODA volume in response to the enhanced global efforts to reduce poverty launched by the Millennium Development Goals (MDGs).

The more serious problem for Japan is that the country has neglected efforts to redefine the role of ODA from the perspective of a national strategy, despite the above-mentioned drastic changes in the environment such as globalization, the multipolarity of the world, and diversification of the development agenda and actors. Consequently, Japan continues to follow the outdated system and notion of ODA without setting clear ODA strategies and policies suitable for the 21st century global context. Japan's conventional ODA framework no longer works either at home or abroad.

In the past few years, various reforms have been attempted in Japan. These include the establishment of the Overseas Economic Cooperation Council (OECC) chaired by the Prime Minister in which related Cabinet ministers participate and the foundation of the new JICA, which is designed to implement comprehensively three "tools," namely, grant aid, technical cooperation and loan aid (so-called yen loans). Regrettably, the OECC has not yet performed its envisaged strategic planning functions, and, at the moment, there is no national consensus on the basic strategy and direction of ODA. Furthermore, many issues remain unsolved, including the implementation system and approaches to ODA and the communication ability to transmit Japan's messages to the world.

The key challenges faced by Japan's ODA can be summarized as follows:

- (1) Disconnection with Japan's overall national strategy and deficiency of systems and functions necessary for strategic planning;
- (2) Decline in international competitiveness and defeat in global power politics;
- (3) Insufficient partnerships among various actors such as businesses and NGOs;
- (4) Absence of a cooperation strategy for dynamically changing Asia (and connection with Japan's growth strategy); and
- (5) Insufficient understanding and stagnant support from citizens.

With regard to the vision and motive for development assistance, there is always debate over "global interest vs. national interest." However, the two are not conflicting concepts, because global integration is increasing interdependence among people and countries. Japan's peace and prosperity are dependent on those of developing countries, and contribution to their development benefits Japan and the world as well. Japan should regard its support to developing countries as investments in the future. We should not forget that it is impossible to attain the goal of peace and prosperity for developing countries, and those for Japan and for the world—unless we support and cooperate with the initiatives by (the people in) developing countries to tackle problems and achieve sustainable development.

We need to review Japan's ODA from a future-oriented perspective while taking into account the dynamic changes occurring globally. With the progress of globalization, the development agenda and actors involved in development assistance have diversified, requiring speedy response and effective communication power. Moreover, the 21st century has seen the emergence of new power politics, and the importance of soft power is increasing under the global partnership framework. To make meaningful contributions to the international community, Japan should drastically reorganize the conventional concept, budget, systems for policy formulation and implementation, and collaboration approaches related to ODA and create new ones that are suitable for 21st-century "Development Cooperation (DC)". The critical issue we should address is how to create a "win-win" situation for Japan and for the world, building on the assets that have accumulated through Japan's past ODA activities.

Recommendation 1: Change “ODA” to “Development Cooperation (DC)”

The conventional concept of “ODA,” in which the governments of developed countries (official) provide aid (assistance) for the economic development (development) of developing countries, has become a thing of the past. Under accelerating globalization, the 21st century is an era when a variety of actors, such as governments, businesses, NGOs and universities, join hands (cooperation) with the governments of developing countries and international organizations to resolve various international development issues, including peace building and climate change. This century is also an era when newly emerging countries take part in next-generation cooperation as responsible partners on the basis of their recent experiences as aid-recipient countries.

We need to break away from the concept of “ODA” and create a “Development Cooperation” concept that is suitable for the 21st century. In “Development Cooperation” for a new era, various actors cooperate with each other as equal partners by bringing respective strengths, while keeping in mind their common goal to support the development of developing countries. “Development Cooperation” is based on the concept of a partnership in which the public sector supports private sector initiatives. To embody “Development Cooperation,” there is a need to formulate an external cooperation strategy that is supported by the sympathy and trust of various actors as an integral part of the national strategy. Moreover, the role of “Development Cooperation” should be clarified in the external cooperation strategy from a cross-cutting perspective. To this end, a powerful strategic planning function should be established at the center of the government. Development cooperation should be deliberated in the Diet by politicians who represent citizens. We strongly support the activities of the House of Councilors on “the Special Committee on ODA and Related Matters” since its establishment in 2006. In the future, it is important that the whole Diet, including the House of Representatives, work on development cooperation.

- **Change the name**

“Development Cooperation (DC)” shall be used, replacing the term “ODA.” This means that various actors cooperate with each other, as equal partners, for the development of developing countries. The term “ODA” shall not be used (for example, the ODA Charter shall be changed to the DC Charter, and the ODA budget to the DC budget).

- **Establish a strong, central function for strategic planning**

A strategic planning function shall be established in the Cabinet to oversee overall external cooperation activities, including ODA and OOF, as an integral part of the national strategy. This central strategic planning function shall clarify the role of “Development Cooperation” in the government’s external cooperation strategy (growth strategy, PKO, economic partnerships, science and technology, etc.) and determine a basic policy framework for development cooperation, coherent with the international environment and development issues, etc. Under this policy framework, the central strategic planning function shall decide priority issues and regions, formulate global partnership strategies regarding “Development Cooperation,” and direct and supervise the related budgets and operations. To effectively perform these functions, an Advisory Council consisting of private-sector members with knowledge of domestic and international affairs shall be established; a powerful secretariat shall be also established.

- **Establish a Development Cooperation Committee within the Diet (House of Representatives)**

To strengthen the ability of the Diet (citizens) to check government activities, a Development Cooperation Committee shall be established within the House of Representatives. The committee shall be charged with deliberation on the policies for development cooperation, annual budgets (by region, by issue, etc.), and other related matters. The conventional budgets by aid scheme shall be reorganized into budgets by issue and by region.

Recommendation 2: Strengthen “policy capability” in the global arena

In an era of globalization, the issues faced by the international community are increasingly complex and intertwined, requiring speedy and comprehensive response through global partnership as well as global communication ability. This “policy capability” in the global arena is the key element to power politics in the 21st century. At the same time, there is also a need to strengthen “policy capability to effectively resolve the issues faced by individual developing countries,” such as poverty reduction, peace building and sustainable growth.

If Japan wishes to take an intellectual leadership role in solving global problems faced by the international community of the 21st century, as well as problems faced by individual developing countries, Japan must drastically strengthen its global “policy capability.” It is important for Japan to be actively involved in the global development agenda by leveraging its strengths. To enhance global “policy capability,” Japan must be engaged in global rule-making and policy-making for all strategic issues. This requires working across vertical organizations and taking a more comprehensive approach that goes beyond the present way of cooperation based on individual projects and assistance “tools.” There is an urgent need to establish goal-oriented, policy-making functions and to support platforms that mobilize human resources, knowledge and funds for all strategic issues.

- **Establish “All-Star Teams” by strategic issue**

An organization and function shall be established as an intellectual hub (a consortium of multi-stakeholders including ministries and agencies, universities, the private sector, etc.) for each of the selected strategic issues (specified by the central strategic planning function), and “All-Star Teams” shall be organized, made up of people who are actively involved in the rule- and policy-making of the global development agenda and intellectual dissemination. The government shall provide budgets and a secretariat to support them.

- **Create a think-tank function**

To provide intellectual support for “All-Star Teams” organized by strategic issue, a think tank or an intellectual network shall be established, based on the existing research institutes including the JICA Research Institute. The think tank or intellectual networks shall formulate and disseminate international development policies from a longer-term perspective. To support the think tank function, a platform that mobilizes public and private funds for policy research shall be established, and active efforts will be made to mobilize funds from abroad and to form intellectual collaboration with international organizations and overseas research institutes.

- **Mobilize policy-oriented professionals across organizations**

Private-sector personnel with expertise (members of the above “All-Star Teams”) shall be assigned at the government’s policy-making posts. It is important to nurture and train policy-oriented professionals who possess expertise and are capable of taking intellectual leadership on debates in the international community.

Recommendation 3: Enhance partnerships with diverse actors: expand the total resource flows to developing countries

The actors engaged in international development include not only the central government, but also private businesses, NGOs, universities and local governments. Over the past years, efforts have been made to establish frequent dialogues and partnerships among these actors. However, they have been aimed essentially at “increasing opportunities for other actors to participate in the ODA framework,” and it seemed more like “competing for a shrinking pie,” or ODA. To fulfill the basic goal of supporting global development, it is crucial to maximize the transfer of total resources, including funds, technology and knowledge, to developing countries. We should not “compete for a piece of the pie,” but “expand the entire pie” by increasing various human and financial resources bound for developing countries. To this end, it is important that the basic policy framework for development cooperation be shared among all the actors concerned.

In recent years, private-sector actors have come to exert significant influence on international development in terms of their funding size and speedy response, as symbolized by the progress of public-private partnerships (PPP), the emergence of the base of pyramid (BOP) business and the social business, the huge financial contributions by private foundations and NGOs’ activities. NGOs have strengths in providing grassroots-level support, such as education, health and rural development, and they serve as the key point of contact with citizens. Meanwhile, by creating growth and employment, business activities are indispensable for sustainable development of developing countries. It is necessary to fundamentally review the existing division of responsibilities between the public and private sectors in international development and to establish a base for various private-sector actors to work on development cooperation by leveraging the strengths of the respective actors.

- **Establish a base for private-sector activities**

To promote the expansion of private business activities in developing countries, overseas investment loans for high-risk regions and countries, including Africa, should be resumed at the earliest possible date. Support measures for the BOP business should be also introduced.

- **Create matching-fund mechanisms that support private-sector initiatives**

Matching-funds and other innovative funding mechanisms should be created to support private-sector actors (NGOs, universities, local governments, businesses, etc.) that are engaged in strategic issues on development. Building on equal partnerships between public-private sectors, not on the traditional contractual relationship, such funding mechanisms shall promote private-sector initiatives with the common goal of development by bringing the wisdom and strengths of various private-sector actors in respective areas.

Recommendation 4: Establish a new cooperation strategy for Asia: towards “network-based cooperation”

As a result of their remarkable growth, Asian countries have come to face complex and sophisticated development challenges. The traditional cooperation strategy, under which the development of infrastructure and human resources supported by ODA played a catalytic role in promoting private-sector investments and trade in these countries, has become a thing of the past. Japan should reconsider its cooperation strategy for Asia, taking into account the changes that have occurred in the past half century. In emerging countries, the private sector and complementary OOF are becoming the main players in financial cooperation and merchandized trade. Nevertheless, development cooperation will continue to have an important role in the areas where market mechanisms do not fully work, including the support for policy formulation, institutional building and human resources development. Development cooperation in Asia should pay greater attention to policy and institutional building support. Japan should shift its cooperation strategy from the development of stand-alone infrastructure projects to support for comprehensive systems, policy and institutional building, with infrastructure as an integral part. To this end, intellectual networks must be constructed within and outside Japan. In the long-run, this will be the most powerful element of Japan’s growth strategy.

Japan should also promote network-based cooperation in partnership with Asian countries (the original ASEAN member countries, China, South Korea, etc.), by mobilizing experts from these countries. These Asian countries have transformed from developing countries to emerging donors by utilizing ODA effectively. By using the assets accumulated through its past ODA to Asia and working with emerging donors as key players, Japan should lead the shift from the conventional cooperation designed to create “something from nothing” to the next-generation development cooperation intended to create “more from something.” Furthermore, Japan should build a cooperative mechanism for supporting developing regions and countries, including the latecomer ASEAN members and Africa, in partnership with Asian emerging donors that have recent aid-recipient experience. This mechanism must go beyond the existing framework to include patterns such as South-South cooperation and third-country training.

● Shift to support for global public goods (software) in the entire Asian region

Japan’s cooperation strategy for Asia should shift from support for stand-alone infrastructure projects to support for “comprehensive systems,” “operations and management,” “policy formulation” and “institutional building.” To this end, “country partnership plans” should be formulated with all-Japan, multi-stakeholder participation, giving due consideration to connection with Japan’s growth strategy.

● Establish an intellectual network and a cooperation mechanism to mobilize experts of emerging donors on a large scale

Japan shall establish a network and a cooperation mechanism to mobilize experts from Asian and other emerging donors on a large scale, in addition to Japanese experts, to support developing countries. As a first step, Japan should build an intellectual network based on the knowledge and human assets accumulated through its ODA activities in Asia and publish documents, in English, about the development experiences of emerging countries. Funding mechanisms must also be established, by strategic issue, to mobilize experts and organizations in Asian emerging countries (the funds shall be contributed to the “Asia Development Cooperation Forum” described in the next paragraph).

- **Establish an “Asia Development Cooperation Forum”**

To share the dynamism of emerging donors and Japan’s experiences, the Japanese government should take leadership in launching a loose and flexible development cooperation forum (as a place for information exchange and policy coordination), consisting of representatives from ASEAN+3. The forum would be the intellectual network and the cooperation mechanism described above. It would mobilize experts and organizations of Asian emerging countries.



Recommendation 5: Shift “ODA public relations” to support for “development education”

From the perspective of Japanese citizens, what is needed now is not short-term advertisement or ODA public relations but increased opportunity to understand the integration and the inter-dependence of the world and to think about “Japan in the world.” It is necessary to increase opportunities for individual citizens to think about the environment surrounding Japan, the need for development cooperation, etc. from a grass-roots perspective. ODA public relations can continue, putting greater emphasis on simple and clear explanations of the evaluation results of cooperative projects from the perspectives of transparency and accountability. However, in the future, larger budgets and more human resources should be allocated for supporting development education.

From a long-term perspective, it is indispensable to enhance the quality and quantity of “development education.” Development education is essential for nurturing citizens who support development cooperation and engage themselves in related activities. In addition, there is a need to establish financial and other support systems for citizen-led development education and the grassroots-level activities that are already taking place nationwide. Furthermore, there is a need to formulate an overall policy for development education. Currently, the Ministry of Education, Culture, Sports, Science and Technology, the Ministry of the Environment, the Ministry of Foreign Affairs, and JICA are respectively providing Education for International Understanding, Environmental Education and Education for Sustainable Development and ODA public relations in accordance with their own ideas. This situation must be changed.

- **Transfer budgets and personnel for “ODA public relations” to support for “development education”**

To promote citizen-led development education, higher budgets and more personnel for ODA shall be transferred to support for “development education.”

- **Formulate the basic policy for “development education”**

A forum shall be created where related ministries and agencies, implementing organizations, NGOs, etc. discuss development education. This forum shall formulate the basic policy for development education and relevant action plans.



Topics and speakers (with the job titles at the time)

- 1st meeting: “Perspective of Thinking about ODA in the New Era” (February 24, 2010)
 Nobuhiko Suto: Member of the House of Representatives, Democratic Party of Japan
 Mitsuya Araki: President, The International Development Journal Co., Ltd.
 Masaki Inaba: Executive Director, Ugoku/Ugokasu (GCAP Japan)
- 2nd meeting: “Citizen-Led International Cooperation – Recommendations for Partnerships with Multi-stakeholders” (March 30, 2010)
 Yukihiisa Fujita: Director-General, International Department of the Democratic Party of Japan, Member of the House of Councilors
 Hiroshi Sato: Chief Senior Economist, Trade and Economic Cooperation Department, Public Private Partnership Team, Japan External Trade Organization (JETRO)
- 3rd meeting: “International Cooperation Policy and the Role of Politics” (April 22, 2010)
 Atsushi Shibazaki: Researcher, Committee on Foreign Affairs and Defense, Special Committee on Official Development Assistance, House of Councilors
 Keizo Takemi: Professor, Tokai University; Senior Fellow, Japan Center for International Exchange
- 4th meeting: “Citizens’ Participation and Understanding – Towards Open International Cooperation” (May 12, 2010)
 Tadashi Inuzuka: Member of the House of Councilors, Democratic Party of Japan
 Eno Nakamura: Executive Director, Development Education Association and Resource Center (DEAR)
 Ken Isaji: Correspondent, Head of NEWS ZERO, Nippon Television
- 5th meeting: “Cooperation Strategy for Asia” (June 8, 2010)
 Kaname Tajima: Member of the House of Representatives, Democratic Party of Japan
 Kenichi Ohno: Professor, National Graduate Institute for Policy Studies

Organizers of the “Multi-sectoral Task Force for the Reform of Japanese ODA”

Shinji Asanuma:	Visiting Professor, Hitotsubashi University
Mitsuya Araki:	President, The International Development Journal Co., Ltd.
Masaki Inaba:	Executive Director, Ugoku/Ugokasu (GCAP Japan)
Asako Osaki:	Development Policy and Gender Specialist
Ryu Fukui:	Manager, Tokyo Development Learning Center, The World Bank
Takumo Yamada:	Advocacy Manager, Oxfam Japan
Masahiko Kojima:	Special Assistant, Office of the President, Japan International Cooperation Agency
Izumi Ohno:	Professor, National Graduate Institute for Policy Studies

Secretariat "Multi-sectoral Task Force for the Reform of Japanese ODA"
National Graduate Institute for Policy Studies (GRIPS) Development Forum

The main points of discussions and materials distributed at the meetings can be viewed on the website of GRIPS Development Forum: <http://www.grips.ac.jp/forum/2010/ODAMT10/oda2.htm>



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