



The DAC's main findings and recommendations

**Extract from: OECD Development Co-operation Peer Reviews
Japan 2020**

The DAC's main findings and recommendations

Japan aims to achieve peace, stability and prosperity in the world

Diplomatic, peace and development efforts combine to support sustainable development

Japan is committed to peace, stability and prosperity. Through participation in the G7 and G20 it promotes important issues for global sustainable development – such as universal health coverage, quality infrastructure investment and gender equality – and advances environment and climate issues. It highlights regional opportunities and challenges through regular high-level summits, such as the Tokyo International Conference on African Development (TICAD) and the Pacific Islands Leaders Meeting (PALM), and active engagement with the Association of Southeast Asian Nations (ASEAN), including through the ASEAN-Japan Forum.

The rule of law, good governance, democracy, freedom and respect for human rights are critical elements of Japan's foreign policy and underpin its commitment to addressing global challenges and promoting global public goods. These universal values, and Japan's long-standing commitment to human security, inform its diplomatic, peace and development efforts for sustainable development. Japan's focus since 2016 on a free and open Indo-Pacific seeks to establish a rules-based international order by promoting these values, pursuing economic prosperity with connectivity, and building commitment to peace and stability. This has strengthened Japan's international presence from the Asia-Pacific to the Middle East and Africa.

Japan moved quickly to implement the 2030 Agenda for Sustainable Development. Its broad-based, whole-of-society approach to applying the Sustainable Development Goals (SDGs) is built on eight priorities for domestic and international action addressing the themes of people, prosperity, planet, peace and partnership. Japan builds awareness of sustainable development through the Japan International Cooperation Agency's (JICA's) Global Plazas, development education initiatives and an active outreach programme. SDGs Awards are given to organisations that proactively promote the SDGs, such as through domestic awareness-raising activities.

Japan has a strong commitment to country ownership and mutual benefit

Based on its own experience, Japan values self-reliant development and the mutual benefits to be gained from development co-operation for Japan and its partner countries alike. Japan approaches its philosophy of tackling poverty, environmental degradation and economic growth in partner countries first and foremost by respecting partner countries' ownership and promoting development that builds on their social and cultural values, while also drawing on Japan's experience and expertise.

Japan values the political and developmental benefits of South-South and triangular co-operation, especially their ability to deepen relationships among countries, build trust and co-create solutions which are well-adapted to the local context. It advocates for both types of approach, disseminates successful efforts, and contributes to building knowledge and an evidence base.

Japan is recognised as a global champion of disaster risk reduction

Japan draws on its considerable expertise in disaster risk reduction against natural hazards. Through the Sendai Framework for Disaster Risk Reduction 2015-30 and strong bilateral partnerships, Japan supports its partners to create coherent links between disaster prevention, mitigation, preparedness, response, recovery and rehabilitation. In particular, JICA has established a number of programmes to share its knowledge and technology in disaster-prone countries, as recommended in the last peer review.

Japan can build on its achievements

Whole-of-government country policies would ensure synergies across Japan's portfolio

Japan prefers to work with partner country governments given its emphasis on country ownership, reinforced by the growing share of sovereign loans in its official development assistance (ODA) portfolio. At 80% of bilateral aid, Japan's country programmable aid is well above the DAC average (49%). It supports individual projects identified by partner country governments that meet joint priorities, and tracks the results achieved by each project. Japan lays out its country development co-operation policies in very concise documents that identify how its priorities align with those of the partner country. But the link between Japan's portfolio of projects and its whole-of-government efforts or the sustainable development outcomes that partner countries aim to achieve could be more clearly shown. More comprehensive country development co-operation policies could set out how Japan's range of instruments – loans, grants, technical co-operation, volunteer assignments, capacity building, private sector investment, etc. – contribute to shared results in each country. Creating greater synergies across these various instruments could help Japan to achieve development co-operation outcomes that are greater than the sum of its individual project parts.

Recommendation

1. Japan's country development co-operation policies should better outline a coherent, whole-of-government approach which describes the sustainable development outcomes and impact it seeks to achieve, aligned with its partner countries' results frameworks and the Sustainable Development Goals.

Japan complies with the DAC recommendation to untie ODA to least developed countries (LDCs), but could work to reverse its overall increase in tied aid

In 2018, Japan reported as untied 100% of its aid covered by the DAC Recommendation to untie official development assistance to LDCs and highly indebted poor countries (HIPCs) (excluding technical co-operation and food aid). Nonetheless, since 2012 there has been an increase in the share of *untied* aid contracts that are ultimately awarded to Japanese companies in LDCs (Figure 3.2). The overall share of untied bilateral ODA decreased from 74.6% in 2016 to 67.2% in 2018 with the increase in the share of tied loans extended to partner countries seeking highly concessional terms for adopting Japanese technologies and quality infrastructure, such as high speed rail and mass rapid transit. The increase in tied aid points to

the challenge of pursuing development and commercial interests simultaneously, and risks undermining partner country and regions' private sector development efforts and overall self-reliance, which Japan sees as crucial for sustainable development.

Recommendation

2. Japan should continue to completely untie its aid covered by the DAC recommendation, while monitoring the impact of its declining share of untied aid overall and working to reverse it.

Japan continues to expand and strengthen its partnerships, and could support more joint work

Japan is a generous multilateral partner, providing a total of USD 4.9 billion (30% gross ODA) in core and non-core support to the multilateral system in 2018. It is the current Chair of the Multilateral Organisation Performance Assessment Network (MOPAN). While Japan participates actively in government-development partner co-ordination mechanisms, it rarely funds projects jointly with other donors. Part of the challenge for Japan is that earmarked funding channelled through the multilateral system typically originates from Japan's supplementary budget, and is thus limited to annual project approvals which are administratively burdensome. Japan more readily commits to parallel financing with clearly delineated responsibilities between funders for ODA loan projects.

Japan holds regular dialogues with domestic civil society actors and non-government organisations (NGOs), who appreciate their freedom to operate in countries and sectors of their choice. The Ministry of Foreign Affairs (MOFA) recently increased funding available through the grant assistance scheme to civil society organisations (CSOs) and raised the maximum overhead cost rate. These are welcome developments. However, Japan emphasises project-based funding over programme or institutional funding, giving just 1-2% of bilateral ODA as core support to NGOs. CSOs are agents of change and independent development actors in their own right, and play a vital role in supporting and building capacity amongst their partners in developing countries. Japan could draw on the good practices of other DAC members, to support NGOs in responding more flexibly to the changing contexts in which they operate, for example through the use of multiannual framework agreements and supporting the enabling environment and space for civil society.

Japan has started to find ways to top up public development finance via new blended finance initiatives involving technical co-operation, loans and equity. In doing so, it works with multilateral and bilateral development finance institutions. Japan also supports feasibility studies for Japanese companies looking to invest in the SDGs and business opportunities in developing countries. Its objective is to de-risk investment and encourage its own private sector to invest. As seen in Ghana, clear guidance on how to most effectively use scarce ODA resources to achieve this objective would be helpful.

Recommendation

3. Japan should continue to build on its strong partnerships for greater impact by:
 - providing earmarked funding in a way that offers multilateral partners more predictability and flexibility to pool with other funders
 - providing greater institutional support to civil society organisations in Japan and partner countries as strategic partners and development actors in their own right
 - establishing clear guidelines and procedures on the use of ODA and other resources in catalysing private sector activities, in line with the OECD DAC Blended Finance Principles.

Even more streamlined systems and procedures – and investing in staff – would make Japan a more agile donor

Japan's project management processes are clear and its early consultation on the relevance of its grant and loan projects is good practice. However, centralised decision making – together with a rigorous approach to determining feasibility, assessing risks, designing and procuring projects – leads to delays in implementation. While processes have been streamlined in the past decade, further effort is needed if Japan is to be more agile in responding efficiently to partner government needs.

In 2015 JICA developed guidelines for gender mainstreaming in 11 different sectors, as well as a project management tool for mainstreaming gender into programming, as recommended in the last peer review. Project proposals are screened and discussed by the gender team in Tokyo at the preparatory stage before the project scope is finalised. JICA also has safeguard and monitoring measures in place for its projects and supports partners in implementing appropriate environmental and social safeguards. Projects are monitored to avoid or minimise development projects' adverse environmental and social impacts, including on local communities. However, there is an opportunity for stronger leadership to proactively manage potential positive or adverse environmental and climate-related impacts across its portfolio.

Japan is committed to tackling sexual exploitation, abuse, and harassment and recognises the need for greater preventive efforts. It has considerably improved its management of corruption risks, as recommended in the 2014 peer review. It communicates corruption risks to private sector entities engaged in development co-operation, and has a solid sanctioning system in place to prevent corruption. Japan could further strengthen and systematise its corruption risk management by providing guidance and support to staff in assessing, mitigating and monitoring corruption risks in particular sectors and programmes. It could also further replicate its good practice of entering into agreements and establishing joint committees with the governments of countries where corruption risks are high. Broadening its approach beyond the fiduciary risks to Japanese funds to include potential threats to achieving development goals would be an important next step.

JICA in particular is responding to the challenge of retaining and developing its staff. It has defined the knowledge, skills and abilities required for staff to become competent development practitioners, as well as outlining milestones for staff to meet as their career develops. Yet further staff investment is needed, particularly in locally-engaged staff, if Japan is to become more agile in its development co-operation activities, to adapt to change more rapidly and remain innovative in an increasingly crowded development space.

Recommendation

4. To uphold its development co-operation principles and improve its agility and adaptability, Japan should continue to improve its systems, procedures and capabilities in the following areas:
 - further enhancing decentralisation of decision making
 - further streamlining its project approval and management processes
 - continuing to invest in the capabilities of its staff – in particular locally engaged staff
 - strengthening how environment and climate change risks including adaptation and mitigation are taken into account across its development co-operation portfolio
 - developing systems for assessing, mitigating and monitoring contextual and sector-specific risks of corruption in its programmes.

Systematic use of conflict analysis would help Japan to strengthen coherence between its humanitarian, development and peace efforts

In recent years, Japan has increased its engagement in fragile and crisis-affected contexts and has also stepped up its role in peacebuilding efforts. In some contexts, Japan has strengthened its conflict sensitivity in programming, as well as designing programmes that address the root causes of instability. Building on the solid knowledge it has acquired, Japan is now well positioned to guide its staff in taking a coherent approach to the humanitarian, development and peace sectors in a systematic way and make the links more explicit in all programming documents.

Recommendation

5. Japan should build on the knowledge it has developed in engaging in fragile and conflict-affected contexts to systematise conflict sensitivity across its entire development portfolio and make explicit and operational the coherence between humanitarian, development and peace in its programmes.

Japan's more strategic evaluations could highlight its wider impact

JICA sees solid knowledge management as key to promoting innovation in development co-operation and has 19 communities of practice in specific sectors and areas. It publishes evaluation lessons on its website, and these must be consulted before a new project design is approved to ensure experience is fed into similar projects. MOFA's International Co-operation Bureau is responsible for utilising evaluations and lessons learned, and conducts regular training in ODA evaluations. Evaluations have become more strategic since the last peer review. Though there are examples of evaluations grouped by theme or purpose, there is an opportunity to do even more to look beyond project delivery. For example, project-level results could be explicitly linked to broader policy, institutional or system-wide reform in partner countries or across Japan's programming. Making clear these programme-level outcomes would allow Japan to explain to the public how its development co-operation has specifically contributed to the broader development outcomes set out by partner country governments.

Recommendation

6. As MOFA and JICA adapt their solid evaluation policies and guidelines to the DAC evaluation criteria, Japan should undertake more strategic evaluations that look beyond project delivery to more systemic and programme-wide outcomes.

Japan needs to address some challenges

As the world's third largest economy, increasing ODA could strengthen Japan's leadership and commitment to the SDGs

In 2018, under the new grant-equivalent value methodology, Japan's ODA increased by 40.7% to USD 14.2 billion, which is 0.28% of its gross national income (GNI). This increase sees Japan maintain its rank as fourth-largest bilateral donor, and preliminary figures for 2019 show an ODA/GNI ratio of 0.29%. However, this is still short of the international commitment to provide 0.7% of GNI as ODA, and when using the previous metric of ODA flows, Japan's net ODA fell 13.4% in 2018 to USD 10.1 billion. The 2015 Development Cooperation Charter lacks a clear statement of the ODA levels Japan aims to achieve, or a timeline for moving towards the 0.7% target. Given its historic lending and the relatively high share of loans in its ODA portfolio today, Japan will continue to receive a significant volume of loan repayments (these were just over USD 7 billion in 2018), which should help convince the public of the benefits of further increasing ODA levels.

Recommendation

7. Japan should develop and implement a plan to increase ODA levels in line with its international commitments to allocate 0.7% of gross national income.

Japan's approach to poverty reduction could be more explicit in its programming

As outlined in the Development Cooperation Charter, Japan pursues poverty eradication through quality growth and by promoting human security. It has made commendable increases in its share of bilateral ODA to LDCs – rising from 23% in 2014 to 31% in 2018. It helps to improve local capacity to grow the economy in developing countries through technology transfer, human resource development and job creation. JICA states that it directly assists the poor and takes poverty into account by incorporating creative approaches into projects to improve the circumstances of poor people. JICA has published position papers on the SDGs, including Goal 1 on poverty eradication. However, as observed in the last peer review, Japan does not yet have a clear integrated approach, guidance or tools to ensure – and ascertain whether – its growth-enhancing priorities delivers shared benefits for everyone, including those furthest behind. Country diagnostic work could more systematically reflect on the drivers of poverty and vulnerability to inform Japan's priorities in its country development co-operation policies and programming.

Recommendation

8. Japan should develop a clear approach to poverty reduction and specific guidance on designing, monitoring and evaluating its ODA interventions to maximise their contribution to poverty reduction and to address the needs of those left furthest behind.

A formal mechanism and inter-agency co-ordination would help ensure coherence between domestic policies and global sustainable development objectives and the SDGs

Japan strives to achieve greater coherence between domestic policies and development objectives, including through participating in G7 and G20 workstreams, and adhering to a number of OECD recommendations and guidelines. Nevertheless, like many DAC members, Japan could do more to address tensions between domestic policies and sustainable development objectives, for example by complementing its domestic and international efforts to adapt to climate change, conserve energy, and build resilience with efforts to promote the transition to low-emissions, climate-resilient pathways in line with the Paris Agreement. Japan has provided support, through concessional resources, for fossil fuel-based energy supply and power generation in developing countries. The recent tightening of Japan's criteria for supporting exports of newly planned coal-fired power plants is a positive step to better align development with climate action. Establishing a prioritised agenda, as recommended in the 2014 peer review, would help to resolve incoherent areas, as would continued oversight by MOFA, frequent inter-agency co-ordination, more regular and systematic ex ante and ex post analysis by relevant ministries, and a more deliberate approach by responsible ministries and agencies to avoid and resolve potential incoherence. In addition to inter-agency consultations and co-ordination addressing specific issues and policies, Japan would benefit from an inclusive and effective whole-of-government mechanism such as the SDGs Promotion Headquarters for improving policy coherence for sustainable development.

Recommendation

9. Japan should use an inclusive and effective whole-of-government approach and strengthen inter-agency co-ordination to address potential clashes between its domestic policies and sustainable development objectives. Such a mechanism should enable Japan to:
 - identify and analyse clashes and address potential remedies
 - set priorities for action
 - assign measures for ministries and agencies to implement
 - follow up on implementation and review the results of these measures.

Access the full report

OECD Development Co-operation Peer Reviews: Japan 2020

<https://doi.org/10.1787/58fcd8d9-en>

