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JAPAN

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The Development Assistance Committee: Enabling effective development

OECD

OECD Development Co-operation Peer Reviews: Japan

2014

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Conducting the peer review

The OECD's Development Assistance Committee (DAC) conducts periodic reviews of the individual development co-operation efforts of DAC members. The policies and programmes of each member are critically examined approximately once every four or five years. Five members are examined annually. The OECD's Development Co-operation Directorate provides analytical support, and develops and maintains, in close consultation with the Committee, the methodology and analytical framework – known as the Reference Guide – within which the peer reviews are undertaken.

The objectives of DAC peer reviews are to improve the quality and effectiveness of development co-operation policies and systems, and to promote good development partnerships for better impact on poverty reduction and sustainable development in developing countries. DAC peer reviews assess the performance of a given member, not just that of its development co-operation agency, and examine both policy and implementation. They take an integrated, system-wide perspective on the development co-operation and humanitarian assistance activities of the member under review.

The peer review is prepared by a team, consisting of representatives of the Secretariat working with officials from two DAC members who are designated as "examiners". The country under review provides a memorandum setting out the main developments in its policies and programmes. Then the Secretariat and the examiners visit the capital to interview officials, parliamentarians, as well as civil society and NGO representatives of the donor country to obtain a first hand insight into current issues surrounding the development co-operation efforts of the member concerned. Field visits assess how members are implementing the major DAC policies, principles and concerns, and review operations in recipient countries, particularly with regard to poverty reduction, sustainability, gender equality and other aspects of participatory development, and local aid co-ordination. During the field visit, the team meets with representatives of the partner country's administration, parliamentarians, civil society and other development partners.

The Secretariat then prepares a draft report on the member's development co-operation which is the basis for the DAC review meeting at the OECD. At this meeting senior officials from the member under review respond to questions formulated by the Secretariat in association with the examiners.

This review contains the Main Findings and Recommendations of the Development Assistance Committee and the report of the Secretariat. It was prepared with examiners from Australia and France for the Peer Review of Japan on 17 June 2014.

Table of contents

Abbreviations and acronyms 7

Japan's aid at a glance 9

Context of Japan's Peer Review 11

The DAC's main findings and recommendations 13

Report 21

Chapter 1: Towards a comprehensive Japanese development effort 23

Global development issues 23
Policy coherence for development 24
Engaging in partner countries: a co-ordinated government approach at partner country level 26
Financing for development 27

Chapter 2: Japan's vision and policies for development co-operation 31

Policies, strategies and commitments 31
Decision-making 33
Policy focus 34

Chapter 3: Allocating Japan's official development assistance 41

Overall ODA volume 41
Bilateral ODA allocations 42
Multilateral ODA channels 46

Chapter 4: Managing Japan's development co-operation 51

Institutional system 51
Innovation and behaviour change 53
Human resources 54

Chapter 5: Japan's development co-operation delivery and partnerships 59

Budgeting and programming processes 59
Partnerships 62
Fragile states 64

Chapter 6: Results and accountability of Japan's development co-operation 69

Results-based management system 69
Evaluation system 72
Institutional learning 73
Communication, accountability, and development awareness 74

Chapter 7: Japan's humanitarian assistance 79

Strategic framework 79
Effective programme design 81
Effective delivery, partnerships and instruments 82
Organisation fit for purpose 84
Results, learning and accountability 85

Annex A: Progress since the 2010 DAC Peer Review recommendations 89

Annex B: OECD statistics on official development assistance 93

Annex C: Field visits to Indonesia and Senegal 101

Annex D: Organisational structure 109

Tables

Table 3.1 Percent share of bilateral ODA to top recipients over time 43
Table 3.2 Financial terms of ODA commitments, 2011-12 44
Table 3.3 Top recipients of Japan's net ODA 44
Table 3.4 Share of multilateral non-core contributions in 2012 47
Table B.1 Total financial flows 93
Table B.2 ODA by main categories 94
Table B.3 Bilateral ODA allocable by region and income group 95
Table B.4 Main recipients of bilateral ODA 96
Table B.5 Bilateral ODA by major purposes 97
Table B.6 Comparative aid performance 98

Figures

Figure 0.1 Japan's implementation of 2010 peer review recommendations 9
Figure 3.1 Japan's net ODA 42
Figure 3.2 Composition of Japan's gross bilateral aid programme in 2012 44
Figure 3.3 Total gross ODA, disbursements, constant 2011 USD million 47
Figure 3.4 Core and non-core allocations to multilateral organisations 47
Figure 6.1 Japan's PDCA cycle 71
Figure A.1 Japan's implementation of 2010 peer review recommendations 92
Figure B.1 Net ODA from DAC countries in 2012 99
Figure C.1 ODA to Senegal and Indonesia 103

Boxes

Box 1.1 Policy coherence for development in practice: Generalised System of Preferences 24
Box 1.2 Japan's new diplomatic strategy for responding to global climate change 26
Box 3.1 Japan's strengthened focus on disaster risk reduction 45
Box 4.1 Partnering in innovation 53
Box 5.1 Evaluation of Japan's triangular co-operation 63
Box 7.1 Japan's response to Typhoon Haiyan 83
Box C.1 Japan's support to infrastructure development in Indonesia 102
Box C.2 Donor co-ordination in Indonesia and Senegal 105

Abbreviations and acronyms

ASEAN	Association of Southeast Asian Nations
CAP	Country Assistance Policy
CPA	Country programmable aid
DAC	OECD Development Assistance Committee
FAO	Food and Agriculture Organisation of the United Nations
FY	Fiscal year
GHG	Greenhouse gas
GNI	Gross national income
GSP	Generalised System of Preferences
HIPC	Heavily Indebted Poor Countries
HLF	High Level Forum (Busan)
ILO	International Labour Organization
JBIC	Japan Bank for International Co-operation
JDRT	Japan Disaster Relief Team
JETRO	Japan External Trade Organisation
JICA	Japan International Co-operation Agency
JPY	Japanese yen
LDCs	Least Developed Countries
LDP	Liberal Democratic Party
MOFA	Ministry of Foreign Affairs
NGO	Non-governmental organisation
ODA	Official development assistance
ODA-TF	Official Development Assistance Task Force
OHCHR	Office of the High Commissioner for Human Rights
PDCA	P (Plan) D (Do) C (Check) A (Act)

PPP	Public-private partnership
PSIF	Private sector investment finance
SATREPS	Science and Technology Research Partnership for Sustainable Development
SECURE	Standby Emergency Credit for Urgent Recovery
TICAD	Tokyo International Conference on African Development
UN	United Nations
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNFPA	United Nations Population Fund
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNOCHA	United Nations Office for the Co-ordination of Humanitarian Affairs
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
WFP	World Food Programme
WHO	World Health Organization

Signs used:

EUR	Euro
USD	United States dollars
JPY	Japanese yen
( )	Secretariat estimate in whole or part
-	(Nil)
0.0	Negligible
..	Not available
...	Not available separately, but included in total
n.a.	Not applicable

Slight discrepancies in totals are due to rounding.

Annual average exchange rate: 1 USD = JPY

2008	2009	2010	2011	2012
103.5	93.4	87.8	79.7	79.8

Japan's aid at a glance

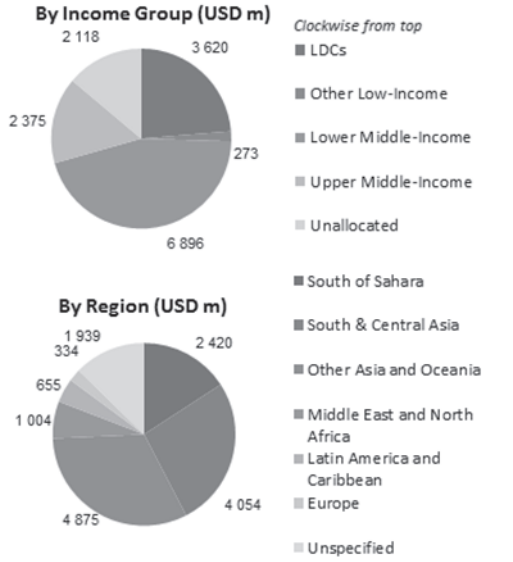
JAPAN

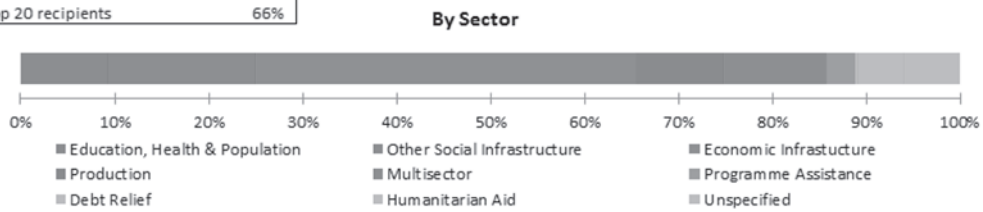
Gross Bilateral ODA, 2011-12 average, unless otherwise shown

Net ODA	2011	2012	Change 2011/12
Current (USD m)	10 831	10 605	-2.1%
Constant (2011 USD m)	10 831	10 713	-1.1%
In Yen (billion)	863	846	-2.0%
ODA/GNI	0.18%	0.17%	
Bilateral share	64%	60%	

P. Preliminary data.

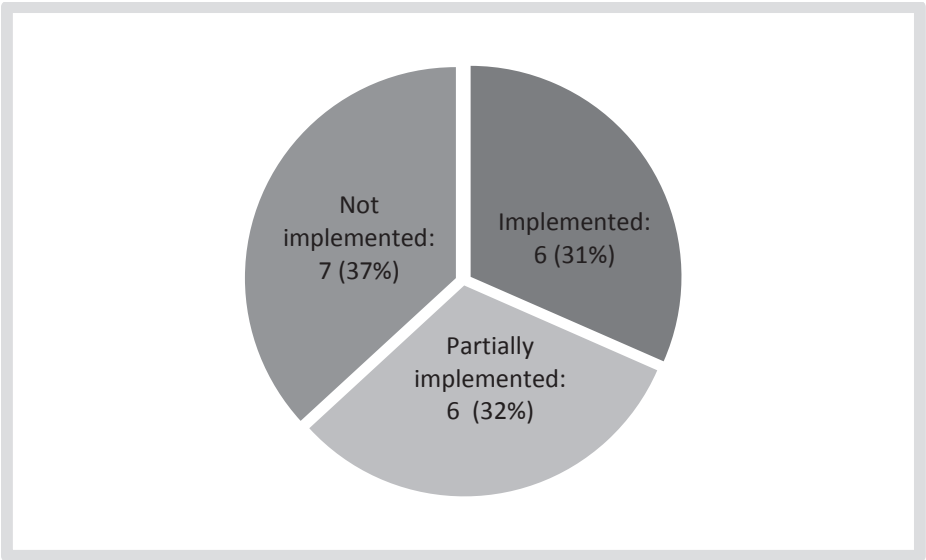
Top Ten Recipients of Gross ODA (USD million)	
1 Vietnam	1 693
2 India	1 580
3 Indonesia	918
4 Afghanistan	812
5 China	697
6 Congo, Dem. Rep.	655
7 Pakistan	438
8 Philippines	423
9 Sri Lanka	422
10 Iraq	376
Memo: Share of gross bilateral ODA	
Top 5 recipients	37%
Top 10 recipients	52%
Top 20 recipients	66%





Source: OECD - DAC ; www.oecd.org/dac/stats

Figure 0.1 Japan's implementation of 2010 peer review recommendations



Context of Japan's Peer Review

Economic and political context

After two severe shocks – the 2008 global financial crisis and the March 2011 Great East Japan Earthquake and tsunami – Japan fell into recession in 2012 for the third time in five years. The country's population is ageing rapidly (putting upward pressure on public social spending) and public debt has grown steadily over the last two decades, surpassing 230% of national output in gross terms – by far the highest ratio in the developed world. The reduced role of nuclear power following the Fukushima accident calls for fundamental reform of the country's electricity sector.

It was in this environment that the Liberal Democratic Party (LDP), after a three-year hiatus, won the parliamentary election in December 2012, and gave the party and its leader Shinzo Abe back government. Along with its junior coalition partner, the New Komeito Party, the LDP won more than two-thirds of the 480 seats in the lower house of the Japanese parliament. The ruling coalition government also won the upper house election in July 2013. Controlling both houses of parliament with a solid and stable legislative majority, Prime Minister Abe's government has been given the numbers he needs to press ahead with an ambitious programme of economic reforms, sometimes referred to as "Abenomics", to rekindle the economy and a sense of confidence in Japan.

Prime Minister Abe has made it a priority of his administration to boost growth and tackle deflation, which has plagued Japan for the best part of 15 years. Since assuming power, he has focused on reviving Japan's economy through a three-pronged (or "three-arrow") strategy combining bold monetary policy, flexible fiscal policy and a medium-term growth strategy. The government hopes to raise annual nominal GDP growth to 3%+ by spending 200 trillion yen (or USD 2.7 trillion) on public works over the next ten years. The prospect of more aggressive monetary easing from the Bank of Japan, with its adoption of an inflation target of 2%, has resulted in a 20% depreciation of the yen in real effective terms and a surge in equity prices. This has boosted the near-term growth and inflation outlook. Japan has also formally joined talks on the Trans Pacific Partnership, part of its long-term growth strategy.

Opinion polls have been encouraging for the ruling government, as voters approve of its focus on the economy. The sharp rise in stock prices since the LDP's election victory suggests an improvement in business confidence. According to the latest *OECD Economic Outlook* (OECD, 2013),[1] output growth is likely to slow in 2014-15 due to fiscal consolidation but is projected to remain positive. The Economic Outlook also highlights that the planned hike in Japan's consumption tax rate to 8% in 2014 is an important first step towards achieving fiscal sustainability and should be followed by a second hike, to 10%, in 2015. The tax hike is seen as the first of many measures needed to achieve Japan's target of balancing the primary budget by fiscal year 2020.

Regarding foreign affairs, the prime minister has already travelled throughout Asia. Reinvigoration of Japan's Asian diplomacy has been driven by both economic and security concerns. Japanese companies are investing heavily in the growth prospects of Southeast Asia. In early 2014, the prime minister also visited three African countries (the first Japanese prime minister to spend time on the continent in eight years), calling Africa a new frontier of Japanese diplomacy.

(1) OECD (2013), "Japan", in OECD Economic Outlook (2013), Vol. 2013, Issue 2. OECD Publishing, Paris, www.keepeek.com/Digital-Asset-Management/oecd/economics/oecd-economic-outlook-volume-2013-issue-2/japan_eco_outlook-v2013-2-4-en#page1.

The DAC's main findings and recommendations

1 Towards a comprehensive Japanese development effort

Indicator: The member has a broad, strategic approach to development and financing for development beyond aid. This is reflected in overall policies, co-ordination within its government system, and operations

Main Findings

Japan is increasingly exerting global development leadership and influence in selected policy areas, such as health and disaster risk reduction, where it believes it can add value. Japan also takes a broad and strategic approach to development and financing for development, for example in its efforts on climate change. Its demonstration of leadership on these critical global development issues is commendable and will help further enhance its standing in the international arena.

Japan is strengthening policy co-ordination and the strategic aspects of its ODA, other official flows and private finance through the establishment of a Ministerial Meeting mechanism. It is also advancing its approach to policy coherence for national security in its new whole-of-government National Security Strategy that brings together the "three Ds" (development, diplomacy and defence), steered by the National Security Council.

With development given an elevated profile in its global engagement strategy, and with the planned revision of its development policy – the ODA Charter – in 2014, Japan has an opportunity to ensure development concerns are better understood and discussed across government. Japan does not currently have a clear approach to policy coherence for development, including means of monitoring and reporting across government, to ensure its development goals are supported by domestic and foreign policies which could affect the development prospects of developing countries.

Since the last peer review, Japan has strengthened its whole-of-government approach at country level. Country Assistance Policies establish whole-of-government priorities in partner countries. As observed during the field visits to Indonesia and Senegal, the in-country ODA Task Force – consisting of embassy staff and the Japan International Co-operation Agency (JICA) field office – is an effective mechanism for ensuring coherent and cohesive implementation of Country Assistance Policies.

Japan has expanded the ODA Task Force in 22 partner countries to include governmental and non-governmental actors beyond the embassy and JICA. It could use the expanded Task Force mechanism in more countries to further promote coherence and to facilitate more shared understanding of the purpose of ODA, including the role of private sector partnerships within it. Japan might benefit from developing guidelines or principles to guide this inclusive approach in the future, drawing on lessons from where it is working well.

Japan has for decades emphasised other tools and policies aside from ODA to promote development, closely linking aid with its trade and investment strategies, helping to mitigate and reduce investment risks, and enabling greater private sector flows within and to partner countries. Private flows to developing countries consistently remain the greatest source of financing from Japan.

Japan is using its financial instruments to respond to growing demand for private sector engagement in the development process of its partner countries. It brings an internally coherent approach to its engagement with partner countries by targeting sectors where development intersects with business opportunities. It is positive that Japan is beginning to share lessons and experience in using innovative financing tools with the wider development community.

At the same time, where ODA is catalysing private sector investments, Japan should ensure and maximise the inclusive and sustainable development impact of those investments. In Indonesia, for example, it was not clear what approaches were being deployed by the embassy and JICA to achieve this objective.

Recommendation

1.1. Japan should establish a prioritised agenda for ensuring domestic and foreign policy choices are informed by an assessment of development goals along with other goals. The planned revision of the ODA Charter could provide an opportunity to set this approach out clearly.

2 Japan's vision and policies for development co-operation

Indicator: Clear political directives, policies and strategies shape the member's development co-operation and are in line with international commitments and guidance

Main Findings

Japan draws on 60 years of experience as a valued development partner, with clear guiding principles. The overarching vision of Japanese development co-operation is "to contribute to the peace and development of the international community, and thereby help to ensure Japan's own security and prosperity" (Government of Japan, 2003).

Japan sees international development co-operation as being in its own long-term interests, and as an increasingly important component of its wider foreign policy and diplomatic efforts. It considers its development co-operation to be an important tool for building relationships with other countries, pursuing a "non-interference" approach while strongly promoting a philosophy of "self-help".

Japan consistently aligns its policies and support to its thematic priorities of human security, sustainable economic growth, and peace and security. The focus on growth and the private sector is accompanied by a renewed emphasis on ODA as an impetus to expand exports of Japanese technologies and use of Japanese expertise throughout the developing world.

Policy is set out in the ODA Charter, revised in 2003, and a series of medium-term and annual policy documents. Japan is updating the ODA Charter in 2014. This presents a good opportunity for Japan to enhance the impact, coherence and support for development co-operation, underpinned by a strengthened emphasis on commitments in relation to effective development co-operation and delivering results.

Along with its clear thematic focus, Japan has an impressive concentration of bilateral ODA amongst its top recipients. It is also an important contributor to multilateral organisations that it assesses as good performers in its priority areas. However, aid allocations are not guided by a set of criteria that systematically support how aid is distributed across policy priorities, countries, aid modalities and channels. The rationale for different allocation decisions is not clear. A more systematic approach would enable Japan to target and track resources against the results it wishes to achieve from its various forms of assistance. It would allow Japan to provide both its partners and its domestic constituencies with assurances and rationale for how aid is being used.

Poverty reduction is a priority objective for Japan. In the absence of criteria, it is not clear how poverty features in allocation decisions. Japan also appears to lack guidance on the relevance and application of poverty reduction objectives to all interventions, not just to its basic human needs activities.

Japan has taken steps to better integrate cross-cutting issues into its aid programme. There have been improvements in mainstreaming the environment. Japan remains focused on supporting self-help through well designed capacity development activities. It also recently set out an ambitious agenda focusing on gender equality and women's empowerment. Field visits provided evidence that Japan needs to review its staffing capacity in these areas, and to update guidance on integrating cross-cutting issues across the programme cycle for different funding modalities.

Recommendations

2.1. Japan should use the updating of its ODA Charter to emphasise its focus on meeting international development effectiveness commitments.

2.2. Japan should make clearer the rationale for allocating aid across countries, channels and instruments.

2.3. Japan should further develop guidance on how to meet poverty reduction objectives across its entire portfolio, including for its co-operation in middle income countries.

2.4. Japan should ensure it has updated guidance and increased capacity to deliver on its policy objectives for gender equality and women's empowerment.

3 Allocating Japan's official development assistance

Indicator: The member's international and national commitments drive aid volume and allocations

Main Findings

For the past five years, Japan's ODA has fluctuated around USD 10 billion (net). Fiscal and economic difficulties, together with reconstruction spending following the earthquake and tsunami in 2011, have made it increasingly difficult to secure a sustainable increase in the government's aid budget.

Japan is nevertheless committed to keeping its ODA level stable in dollar terms, despite a large depreciation of the yen. This commitment is impacting positively. In 2013, Japan's net ODA amounted to USD 11.8 billion, an impressive increase of 36.6% in real terms from 2012, due to debt forgiveness for Myanmar and increases in ODA loans. As a result, Japan moved up one place to become the fourth largest DAC donor, greatly improving its ODA to GNI ratio to 0.23% from 0.17% in the previous year. Japan is commended for this effort. To support its desire to be a global leader on development, Japan should sustain the increase from 2013 and commit to increasing its ODA volume further, towards the 0.7% target.

In order to deliver short-term increases and to respond to political priorities, Japan has effectively used its annual supplementary budget to avoid cuts in its ODA volume. However, given its ad hoc nature, growing reliance on the supplementary budget may not be a sustainable strategy and could lead to volatility. A commitment to increase ODA from the general budget would be more predictable for Japan's partners.

Japan has made good progress in increasing its ability, and that of its partners, to forward plan through five-year rolling plans for selected partner countries. Its approach to medium-term predictability is sensible, and provides clear and detailed forward implementation plans for most partner countries. It can continue improving its predictability, including through the adoption of the Busan common standards on aid information.

While Japan provides aid to over 140 countries in any given year, its aid is highly concentrated. 66% of its bilateral ODA goes to its top 20 recipients annually, mostly composed of middle-income Asian countries. Economic infrastructure support, funded predominantly by concessional loans, remains the mainstay of the Japanese programme in these countries. Japan was the largest bilateral donor in 16 countries and the second largest in another 28. It is also an important donor for a number of under-aided countries.

Although Japan continues to focus its aid in developing Asia, it has made a series of commitments to increase the share and volume of its aid to Africa, including through the Fifth Tokyo International Conference on African Development (TICAD V). About a quarter of Japan's gross bilateral ODA is allocated to Least Developed Countries (LDCs) as compared to the DAC average of 41%. In net terms, the share rises to approximately 50%. Japan is encouraged to continue scaling up its support to countries where assistance is most needed including Africa and LDCs, whilst retaining its strong presence in Asia.

Japan is a major player at the multilateral level, allocating sizable contributions to an average of 57 multilateral organisations and funds each year. Core funding, as a share of total multilateral spend, is higher than the DAC average. Japan recognises the comparative advantage of multilateral organisations, such as their expertise and neutrality. It tends to align with the strategic priorities of the organisations it supports, and actively engages with them in high level and strategic dialogue. Its multilateral partners perceive Japan's support as largely effective. Given the size and extent of its multilateral aid, however, Japan would gain greater influence and impact by outlining clearly the objectives of its engagement with multilateral organisations over the medium term. This should include a transparent approach to assessing the performance of those organisations.

Recommendations

3.1. Japan should develop a roadmap to increase ODA to make progress towards meeting the 0.7% ODA/GNI target.

3.2. Japan should continue to increase the share of ODA allocated to countries where assistance is most needed, including LDCs, bearing in mind international commitments.

4 Managing Japan's development co-operation

Indicator: The member's approach to how it organises and manages its development co-operation is fit for purpose

Main Findings

Organisational reforms in both the Ministry of Foreign Affairs (MOFA) (2009) and JICA (2008) have been firmly established and are delivering improvements in Japanese development co-operation, although there has not yet been a review of these reforms. MOFA's policy making and JICA's implementation roles and responsibilities are now clearly delineated. JICA is now enabled to manage single country envelopes, bringing together the three funding instruments (grants, technical co-operation and loans).

Japan has strengthened the field orientation of its development co-operation. ODA Task Forces are delivering positive co-ordination and coherence. ODA Task Forces are responsible for delivering Country Assistance Policies, underpinned by JICA country analysis papers. Japan issues five-year rolling plans for its country programmes.

However, Japan's processes and procedures remain centralised. Further delegation of decision making and financial authority, in both MOFA and JICA, would support Japan's efforts to become a more flexible, responsive and aligned partner. Japan also lacks a differentiated approach to fragile states, limiting its flexibility and continuity in how it responds to changes in context and to crises.

Japan is able to maintain a strong workforce to deliver its ODA. However, numbers of staff in field offices are fluctuating from year to year since the organisational reforms. This is at odds with the country focused approach. There are also specific technical skills, relevant to Japan's priorities (e.g. skills related to evaluation and cross cutting issues), which seem to be under-resourced at country level. Finally, the job profiles for staff working in fragile states are the same as those in non-fragile states. The lack of medium-term workforce planning constrains Japan's ability to address these challenges strategically, over time.

Regular training seminars and online materials are provided for both MOFA and JICA staff, including staff in country offices. For MOFA, these do not appear to offer opportunities to build in-depth technical and managerial competencies. Given that it is not a requirement for all MOFA diplomats in economic co-operation positions to be development professionals, these staff would benefit from sustained development awareness training. MOFA and JICA might consider pooling their resources to design and roll out training resources, beyond one-off seminars.

Some locally engaged staff have risen through the ranks into senior positions in JICA country offices. There is potential for these staff to serve as positive examples for the organisation, encouraging promotion of the contributions and skills of locally engaged staff. To this end, Japan should ensure locally engaged staff have timely access to corporate documents, guidance and training, in local languages.

Japan's business model for development co-operation is well suited to encouraging innovation. There are several examples of this working in practice, particularly through Tokyo-based organisational changes, schemes, funds and partnerships. Innovation might be further extended to country operations through creating incentives for innovation in programme design and implementation and introducing an approach to managing portfolio-wide risk.

Recommendations

4.1. Japan should conduct a review of its organisational reforms, with a view to making further improvements to the overall organisation and management of its development co-operation, including reviewing levels of decentralisation and delegated authority.

4.2. Japan should introduce medium-term workforce planning, for both MOFA and JICA.

4.3. Japan should develop further its programme of learning and development for staff, including a focus on policy and operational priorities.

5 Japan's development co-operation delivery and partnerships

Indicator: The member's approach to how it delivers its programme leads to quality assistance in partner countries, maximising the impact of its support, as defined in Busan

Main Findings

Japan has made efforts towards improving the predictability and effectiveness of development co-operation, accommodating different modalities while working within the constitutional constraints of a single-year budgeting system. As witnessed in Indonesia and Senegal, it deploys its different funding instruments appropriately and flexibly, according to the country context. Partners attest that it is reliable in disbursing as agreed and when agreed. Japan has also taken positive steps to harmonise and align at the country level and to move towards more programme-based approaches.

Japan has therefore shown how it can evolve its implementation in line with international development effectiveness commitments. However, it lacks a clear strategy for prioritising areas where progress against Busan commitments is insufficient.

Stronger efforts are needed to increase the use of country systems, for example. 63% of Japan's aid flows to governments were reported on partner countries' budgets, according to the 2014 Global Partnership monitoring survey. Where country systems are not robust, as in Senegal, Japan could identify the weaknesses of, and build capacity in, country systems jointly with other development partners. This would be consistent with its support to self-help in developing countries.

Japan reports that its ODA covered by the DAC Recommendation on Untying ODA is fully untied. However, in terms of its total bilateral ODA (excluding administrative and in-donor refugee costs), the share of untied aid in 2012 was 71%, below the DAC average of 79%. This reflects a steady fall in Japan's untying ratio since the highest level of 84% in 2008. Given its clear emphasis on deepening private sector engagement in its aid programme, Japan should find effective ways of promoting private sector engagement that are not linked to tying more of its ODA.

Japan could make risk management a more integral part of Japan's strategy, policy and operations (especially important for Japan's work in fragile states). This could allow Japan to bring more proportionality to its programme, differentiating procedures and delegated authority, according to different categories of risk. Japan's commitment to improve its efforts in fighting corruption would form part of such an approach.

Japan increasingly works jointly with other development partners to ensure aid effectiveness and to scale up development outcomes. The development partners in both Indonesia and Senegal, for example, widely appreciated Japan's active engagement with them. They also called for Japan to exert more leadership in convening, and be more open to collaborating with, development partners.

Japan has improved its engagement with Japanese NGOs since the last peer review, but its engagement with civil society in partner countries does not appear to be guided by clear policy or strategic objectives. Japan could strengthen the involvement of partner country NGOs in its development co-operation and support their capacity building.

Japan is a long-standing leader in supporting South-South co-operation, and its efforts in this area have been innovative and pioneering. It uses triangular co-operation strategically and effectively to leverage the knowledge and experience of its partner countries to achieve development results, in line with the Busan Partnership Agreement.

Japan's significant and welcome increase in budget for fragile states, and its commitment to the New Deal for Engagement in Fragile States, has not yet been matched by a flexible approach to working in these difficult environments. There is scope for Japan to adapt its plans and tools to situations of fragility and recovery from complex crises.

Recommendations

5.1. Japan should reverse the decline in the share of its aid that is untied.

5.2 Japan should introduce more comprehensive risk management procedures as part of its corporate governance and management, including for anti-corruption and fraud.

5.3. Japan should further engage with civil society in the countries where it works, based on a strategy and clear guidelines.

5.4. Japan should introduce a more flexible approach to strategy and programming in fragile states.

6 Results and accountability of Japan's development co-operation

Indicator: The member plans and manages for results, learning, transparency and accountability

Main Findings

Japan has tools and guidance in place to manage for development results at the level of individual activities. There is a gradual shift towards establishing indicators across the results chain in programming, including at outcome level.

However, most country assistance and sectoral policies currently lack measurable indicators. The introduction of such indicators would give Japan a stronger sense of what constitutes success and how to measure performance, drawing on data and systems from partner countries. This is also an essential prerequisite for creating a results-based management system and culture for Japanese development co-operation, which is currently lacking. Japan does not routinely use results to strategise, plan, budget and communicate.

Japan has a very well internalized approach to programme management, known as the P (Plan) – D (Do) – C (Check) – A (Act) framework. The role of evaluation across this cycle is clearly set out. Japan could enhance its results measurement approaches if it provided clearer guidance on the function and form of monitoring and review, as part of the programme management cycle, as it does for evaluation. There was a lack of clarity at field level on how the practical applications of monitoring, review and evaluation are distinct from each other, although the conceptual distinctions are well defined in MOFA's guidelines.

Japan has comprehensive evaluation policies and guidelines, incorporating the DAC Principles. MOFA's evaluation system is now strongly independent. JICA would benefit from being more selective in its evaluation coverage, based on an assessment of risk or a need to learn. The current approach of evaluating all interventions over USD 2 million is spreading JICA's limited resources too thinly, which could start to impact on the quality and usefulness of evaluations.

Japan has developed its evaluation feedback systems, which are positively impacting on the accountability for and transparency of evaluations. It publicly responds to evaluation recommendations through annual evaluation reports. Japan also proactively shares approaches and findings at partner country level. These advances are underpinned by MOFA and JICA leadership supporting, and stronger systems for, knowledge management.

Japan places a strong emphasis on building domestic support for ODA. As it marks the 60th anniversary of its Official Development Assistance, and in order to build on the public goodwill created by the international response to the Great East Japan Earthquake and tsunami, a more systematic, better resourced and better targeted approach to communications, based on the achievements of Japan's development co-operation, could enhance domestic development awareness and engagement.

Since 2011, Japan has made efforts to enhance transparency through the publication of more country-level project information. However, both MOFA and JICA have been overtaken by other organisations internationally that are publishing more comprehensive, accessible and timely information. Japan will need to keep pace with changes in the global transparency landscape if it is to comply with the Busan standard on transparency by 2015.

Recommendations

6.1. Japan should continue efforts to introduce performance indicators and measures in its country and thematic policies and programmes.

6.2. JICA should be more strategic in its evaluation coverage, based on criteria related to risk and knowledge management.

6.3. Japan should develop and adequately fund a strategy for improving communications to enhance domestic development awareness and engagement.

6.4. Japan should increase its efforts to implement the common transparency standard by publishing more timely, comprehensive and forward-looking information.

7 Japan's humanitarian assistance

Indicator: The member contributes to minimising the impact of shocks and crises; and saves lives, alleviates suffering and maintains human dignity in crisis and disaster settings

Main Findings

Japan remains a strong advocate of disaster risk reduction, with respect to advancing the international agenda and within its own programmes; other donors could learn from Japan's approach.

Japan has a highly respected disaster response system and is clearly a world leader in this area. There is close co-ordination with other donors for disaster response in Asia. The link between early warning and early response is clear and systematic. Japan is also working to increase the participation of affected women in disaster response programming. Whole-of-government disaster response systems appear to work well, and civil-military co-ordination mechanisms conform to international good practice despite a lack of active safeguards.

The overall humanitarian budget remains substantial, although it is declining. In 2012 Japan was the third largest DAC humanitarian donor, reporting commitments of USD 740 million. Its humanitarian budget comes from two sources – the regular budget, including unearmarked funding for UN agencies and the emergency response reserve, and the supplementary budget, voted each February and earmarked for specific "unforeseen needs", including responses to complex crises although these crises are mostly long-term events.

Japan is becoming a better partner to Japanese NGOs and international organisations, although there are still a number of areas for improvement, especially with respect to transaction costs and the predictability and flexibility of funding. Partners consider that Japan's humanitarian staff have an appropriate grasp of humanitarian issues, but they would prefer lower staff turnover rates to avoid the need to rebuild relationships regularly. Monitoring partner results and its own performance as a good humanitarian donor are not high priorities for Japan. Instead, monitoring focuses heavily on bilateral responses and on partner disbursement rates, driven in turn by the conditions of the supplementary budget.

There are clear commitments to transparency of the programme, but Japan could share more results information with the public and other key stakeholders.

Japan's new policy framework for humanitarian assistance covers complex crises and disasters, and complies with good practice, although this has not yet led to a fundamental change in how it approaches humanitarian aid. Policy commitments to complex crises in Africa add an extra dimension – and new challenges – to the programme.

It is clear that the increased focus on responses in Africa will require different tools and greater budget predictability. Sourcing the majority of the funds for complex crises from the supplementary budget results in tight earmarking, a lack of predictability and short-term timeframes – creating significant obstacles to effective funding in these difficult, long-term crisis situations. The decision-making process for allocating funds – especially on what and who to fund – is not clear for partners, and this reduces the predictability of Japan's humanitarian assistance. Limited earmarking helps some partners incorporate recovery aspects into their programmes. Japan would benefit from more special tools to support recovery in complex crises.

Recommendations

7.1. Japan should actively share its approach to disaster risk reduction and disaster response with other donors.

7.2. Japan should increase the predictability of its budget for humanitarian assistance to complex emergencies, and ensure that it has sufficiently flexible funding mechanisms for these rapidly evolving situations.

Report

Chapter 1: Towards a comprehensive Japanese development effort

Global development issues

Japan is adopting more proactive diplomacy and increasingly exerting global leadership and influence in selected policy areas, such as health and disaster risk reduction, where it believes it can add value. Its demonstration of leadership on these critical global development issues is commendable and will help further enhance its standing in the international arena. Japan has a broad and strategic approach to development and financing for development, as demonstrated by its efforts in the area of climate change.

Japan is exerting global leadership

Official development assistance (ODA) has been the cornerstone of Japan's foreign policy and continues to be the country's principal means of participating in globally shared efforts. Amid rapidly shifting dynamics in the global and regional economic environment, Japan has introduced more proactive economic diplomacy, with a positive impact on the profile of development.[1] The new National Security Strategy (GoJ, 2013a) places greater emphasis on the need for Japanese engagement at the global level. It sets out the benefits of incorporating development into a global engagement strategy for Japan, together with diplomacy and defence. Japan's security policy is now being pursued from the perspective of its proactive contribution to peace and stability in Asia and around the world. For example, Japan:

- plays an active role in the expansion of Association of Southeast Asian Nations (ASEAN)-driven multilateralism in East Asia, and in promoting regional security co-operation, especially in the maritime safety and anti-piracy areas
- supports peace and development efforts in Africa, recently committing USD 32 billion in public and private funds (Chapter 3) over the 2013-17 period to promote inclusive growth and human security in the region
- supports the Middle East peace process through the creation of a framework – the Conference on Co-operation among East Asian Countries for Palestinian Development (CEAPAD) – for discussing and co-ordinating support for the Palestinian Authority's nation-building efforts, mobilising East Asia's resources, expertise and experience with economic development.

Japan is increasingly exerting global leadership and influence in selected policy areas, such as disaster risk reduction and universal health coverage, where it believes it can add value. It has launched a series of new global initiatives in areas such as health, climate change finance (Box 1.2), women's empowerment and disaster risk reduction, all of which have the potential to enhance its influence and impact at the global level.

Policy coherence for development

Indicator: Domestic policies support or do not harm developing countries

Japan is strengthening policy co-ordination and the strategic aspects of its ODA, other official flows and private finance through the establishment of a Ministerial Meeting mechanism. However, it lacks a clear approach to policy coherence for development to ensure its domestic and foreign policies support development goals. The planned revision of the ODA Charter could provide an opportunity to set this approach out clearly.

Further effort is needed to ensure policy coherence for development

Serving its national interests is one of the key objectives of Japan's foreign and development policy. Japan believes that development co-operation can contribute to the stability of the region and the international community, which also serves the national security of Japan. To this end, it is strengthening and advancing its approach to policy coherence "for national security", in its new whole-of-government National Security Strategy that brings together the "three Ds" (development, diplomacy and defence), steered by the National Security Council.

Japan has endorsed the Ministerial Declaration on Policy Coherence (OECD, 2008). With development given an elevated profile in its global engagement strategy, Japan could make further effort to ensure development concerns are better understood and discussed across government, and that non-ODA policies (e.g. trade, agriculture, illicit flows) which could affect the development prospects of developing countries support development goals.[2]

Japan could use the planned revision of the 2003 ODA Charter (Chapter 2) as an opportunity to set out clearly a path for creating synergies between development and other domestic, foreign policy and national security objectives in a win-win scenario, so that all policies pull together to achieve development. This might build upon existing examples of efforts having been made to deliver policy coherence for development, such as Japan's Generalised System of Preferences (GSP) scheme and preferential treatment offered to Least Developed Countries (LDCs) (Box 1.1).

Box 1.1 Policy coherence for development in practice: Generalised System of Preferences

Trade can be a powerful engine for economic growth, poverty reduction and development (OECD, 2011). While trade alone cannot solve development problems, openness to trade and support for supply-side capacity are important elements of any coherent development strategy. In Japan there appears to be some evidence of coherence in the area of trade in practice. It grants preferential tariff treatment under the GSP scheme to 138 developing countries and 7 territories, although numerous agricultural, fishery and industrial products excluded from Japan's GSP scheme are export items with respect to which developing countries have a comparative advantage (WTO, 2013).

Japan also extends duty-free and quota-free treatment for almost all products (about 98% defined at the tariff line level) originating from 48 LDCs. Imports from LDCs increased in value terms by almost 31% between FY2008 and FY2010 (WTO, 2013). The table below presents the ten largest beneficiary countries of the Japanese GSP scheme. China, Japan's largest trading partner, is by far the biggest beneficiary of GSP treatment. Most GSP beneficiaries are also among the top recipients of Japanese ODA, namely Bangladesh, China, India and Sri Lanka (Table B.4), reflecting Japan's belief in ensuring coherence between aid and trade "so that they have the overall effect of promoting economic growth in developing countries" (GoJ, 2003).

Top GSP beneficiaries	Import value of GSP treatment USD million[1] (share total %)		Gross ODA, 2011-12, current USD million (share total %)	
China	9340	(73.3)	697	(4.6)
Myanmar	521	(4.1)	68	(0.4)
Bangladesh	498	(3.9)	326	(2.1)
South Africa	440	(3.5)	12	(0.1)
Brazil	345	(2.7)	160	(1.0)
Cambodia	269	(2.1)	159	(1.0)
India	243	(1.9)	1580	(10.3)
Mauritania	178	(1.4)	12	(0.1)
Peru	87	(0.7)	156	(1.0)
Sri Lanka	80	(0.6)	422	(2.8)

(1) Calculated using 2011 exchange rate: USD 1 = JPY 79.7.

Source: Based on Table II.2 in WTO (2013) and DAC statistics.

Japan needs systems for monitoring, analysis and policy feedback from a development perspective

Policy co-ordination appears to be a natural part of the Japanese government's decision-making processes, which tend to involve inter-ministerial co-ordination and policy arbitration among relevant ministries and agencies. Japan has efficient mechanisms in place to manage co-ordination within ODA policies, with the Ministry of Foreign Affairs (MOFA) as the main conduit for inter-ministerial co-ordination. For example, Japan is strengthening policy co-ordination and the strategic aspects of its ODA, other official flows (OOF) and private finance through, *inter alia*, the establishment of the Ministerial Meeting on the Strategy relating Infrastructure Export and Economic Co-operation. Although co-ordination issues with respect to domestic and foreign policies are also discussed at cabinet level (with the Cabinet Secretary playing a facilitator role in ensuring general policy coherence in government), there is no evidence to suggest that development concerns are addressed during these discussions in terms of both costs and benefits to inform policy decision-making processes.

While Japan recognises the importance of development education and engages in raising public awareness and building support for international co-operation, little has been done to improve awareness of the need to take account of the impact of Japanese domestic and foreign policies on the international development objectives committed to in the OECD Ministerial Declaration. Although some attempts have been made in the past to study the impact of Japan's agricultural trade policies on developing countries,[3] like many DAC members, Japan does not have the institutional mechanisms or capacity to systematically measure, monitor, analyse and report the impact of its domestic and foreign policies on development. Hence, it is difficult to determine what changes to these policies might make them more coherent with development objectives (see Box 1.2, using the example of climate change).

Box 1.2 Japan's new diplomatic strategy for responding to global climate change

Japan is a key country in climate change negotiations, and its leadership in this area is warranted. It also stands out among DAC donors in terms of climate change-related ODA. It was the largest donor to United Nations Framework Convention on Climate Change (UNFCCC) Fast Start Finance, contributing USD 13.5 billion or 39% of total climate finance (USD 35 billion) committed for the 2010-12 period. Over the same period, an additional USD 3.4 billion in climate finance from private sources was mobilised through the use of public financial instruments (co-financing, guarantees, risk insurance) provided by Japan's two export credit agencies: the Japan Bank for International Co-operation (JBIC) and Nippon Export and Investment Insurance (NEXI).

At the November 2013 UN Climate Change Conference in Warsaw, Japan announced a new initiative, Actions for Cool Earth, pledging JPY 1.6 trillion (approximately USD 16 billion) in public and private climate finance to developing countries over three years (2013-15). Delivering on this pledge would further enhance Japan's profile as a leading provider of international climate finance and advanced green technologies. In Warsaw, Japan also made an announcement replacing its previous greenhouse gas (GHG) emission target of 25% reduction by 2020 compared to the 1990 levels, with a new target of 3.8% reduction by 2020 compared to the 2005 levels. The change follows the Fukushima disaster, which is leading Japan to move away from nuclear energy and towards greater use of fossil fuels for its power sector. Japan continues to review its energy policy and energy mix. To maintain its position as a global leader in combatting climate change, Japan may want to consider how to better balance its approach to domestic and international climate policy action.

Engaging in partner countries: a co-ordinated government approach at partner country level

Indicator: Strategic framework, institutional structures and mechanisms facilitate coherent action

Since the last peer review, Japan has strengthened its whole-of-government approach at country level. Country Assistance Policies are the main co-ordination rallying point; ODA Task Forces in-country facilitate donor co-ordination and ensure ODA policies are executed coherently in the field. This is a good model. Japan could use the expanded Task Force mechanism in more countries to promote further coherence beyond MOFA and JICA.

Japan is taking a more co-ordinated approach at country level

Although Japan's programming remains centralised (Chapter 4), it has strengthened its whole-of-government approach at the partner country level. As observed in Indonesia and Senegal, the ODA Task Force in-country – consisting of embassy staff and the JICA field office – is an effective mechanism for ensuring coherent and cohesive Japanese assistance. The whole-of-government Country Assistance Policies (CAPs) serve as the main co-ordination rallying point. These country policy papers, informed by consultations and JICA's analytical work and delivered by ODA Task Forces, bring coherence and focus to Japan's country operations.

Japan has expanded the ODA Task Force in 22 countries to include governmental and non-governmental actors beyond MOFA and JICA.[4] It should deploy this approach in more countries to promote coherence further. In Indonesia, for example, while there is regular dialogue between Japan and other key official actors such as the Japan External Trade Organisation (JETRO) and Japan Bank for International Co-operation (JBIC), it is not clear what

approaches are being used towards, or if there are shared objectives for, co-ordination. An expanded Task Force in Indonesia would support greater coherence. Moreover, Japan might benefit from developing guidelines or principles to guide its whole-of-government approach in all fragile and non-fragile contexts in the future.

Financing for development

Indicator: The member engages in development finance in addition to ODA

Japan is demonstrating that it can contribute to development in partner countries using ODA and other financial resources. It has long been engaged in activities beyond ODA and has effective financial instruments to leverage private investments for developing countries. Where ODA is catalysing private sector investments, Japan should ensure and maximise the sustainable development impact of those investments.

Japan promotes ODA as a catalyst to increase private flows

Japan has for decades linked its aid programme with its trade and investment strategies, helping to mitigate and reduce investment risk and enabling greater private sector flows to and within partner countries. It has explored the ways in which ODA functions as a mechanism for enhancing the development efficiency of private enterprise. Studies have shown that development of roads, power generation and ports has to a certain extent created an investment environment favourable to the arrival of companies from Japan, and that it has provided a greater incentive for them to move in (Kimura and Togo, 2010; Kang et al., 2011). In this respect, Japan brings an internally coherent approach to its engagement with partner countries by targeting sectors where development intersects with business opportunities.

Japan reports non-ODA (other official and private) flows to the DAC, although transparency is limited because it does not report activity-level data. Gross other official flows have reached USD 12 billion, but private flows to developing countries consistently remain the greatest source of financing from Japan. Japan's gross ODA accounted for 60% of its total official flows, and 17% of the total financial outflows to developing countries in 2012. Gross flows from Japan's private sector, which include purchases of bonds, foreign direct investment and export credits, amounted to USD 78 billion in that year, more than four times the amount of ODA. While outflows from Japanese private philanthropic organisations are negligible compared to other sources of development finance, they resumed an upward trend in 2012 and reached USD 601 million.

Japan has innovative tools to leverage private flows for development

Japan has financial instruments to leverage private investments for developing countries. MOFA's 2010 ODA Review Final Report largely placed ODA within the framework of Japan's national growth strategy (GoJ, 2013c) and underscored the need to leverage other public and private resources, including through innovative financing mechanisms, to meet global development challenges (MOFA, 2010). For example, JICA resumed the private sector investment finance (PSIF) scheme (equity investments and loans) in 2012 to accelerate Japanese private firms' contributions to development through public-private partnerships (PPPs).[5]

Japan believes these instruments will help respond to growing demand for private sector engagement in the development process of its partner countries.

	With its considerable institutional knowledge and capacity, Japan is in a good position to engage on and influence international development finance issues to a much greater extent than it does currently. In this respect, it is positive that Japan is sharing the lessons and experience of using innovative financing tools, as well as its latest thinking and practice in this field, with the wider DAC.
Japan should be careful to protect and promote development objectives	As the review team observed in both Indonesia and Senegal, there is an opportunity, in different ways, to deepen this comprehensive approach to leveraging private flows. In Senegal, Japan could use its ODA in a catalytic way to leverage more private sector investment for that country's long-term benefit. This would clearly respond to demand from the Senegalese government. It would also complement the priority it already gives to developing human resources and skills in Senegal. It is encouraging that Japan appears to be going in this direction, with a new Ambassador appointed directly from the Japanese private sector. In Indonesia, it was not clear what approaches Japan uses to ensure and maximise the sustainable development impact of private sector investments that are catalysed by Japanese ODA. To this end, an expanded Task Force, including the private sector, might facilitate more shared understanding of the purpose of ODA in that country and the role of private sector partnerships within it.

Notes

1. For example, Prime Minister Shinzo Abe is the first Japanese prime minister to visit the ten Association of Southeast Asian Nations (ASEAN) countries within his first year in office. His visit to Africa in January 2014 was the first by a Japanese prime minister in eight years.
2. In June 2008, ministers from the OECD countries pledged to "continue our efforts to ensure that development concerns are taken into account across relevant policies inter alia through improved impact analyses and better policy co-ordination both at country level and within the OECD, taking into account in particular the impact on the international development objectives of our environmental, agricultural, fisheries, economic and financial policies, as well as our policies in the areas of trade, migration, security, energy, science and technology" (OECD, 2008).
3. The Ministry of Agriculture, Forestry and Fisheries commissioned a series of studies to look at coherence issues with respect to Japan's policy measures in the agriculture, trade and aid areas and their impact on developing countries, focusing on selected agricultural commodities: roses and tea (IDCJ, 2007), fruit and vegetables (OMIC, 2008), and vegetable oils/fats and spices (OMIC, 2009).
4. Currently Japan has expanded ODA Task Forces in 22 countries: Angola, Bangladesh, Cambodia, El Salvador, Fiji, Gabon, Ghana, Kenya, Jamaica, Mongolia, Morocco, Panama, Peru, Nepal, Rwanda, Solomon Islands, South Africa, Sudan, Tanzania, Tunisia, Uganda and Zambia.
5. The PSIF scheme was fully resumed in October 2012. JICA has so far committed to three projects:

	Project title	Country	Objective
1	Industrial Human Resources Development Project	Viet Nam (loan)	To construct a new school building for human resources training in the industry sector and improve the quality of training, thereby supporting human resources development and promoting foreign direct investment.
2	First Microfinance Bank Pakistan	Pakistan (equity)	To improve financial access by poor people, and improve their lives, by expanding the bank's outreach through strengthening capital and further developing its capacity.
3	Utility Management of Industrial Parks and Water Supply Project	Viet Nam (loan)	To construct and operate utility services (waste water treatment and electricity supply) to industrial parks for improving environmental management in order to attract foreign investors, thereby contributing to increased foreign direct investment and economic development of the region.

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Chapter 2: Japan's vision and policies for development co-operation

Policies, strategies and commitments

Indicator: A clear policy vision and solid strategies guide the programme

Japanese development co-operation is guided by a clear vision and principles. ODA is an important component of Japan's wider foreign policy and domestic interests. At the same time, Japan consistently aligns its policies and support to its priorities of human security, sustainable economic growth, and peace and security. Policy is set out in the ODA Charter, revised in 2003, and a series of medium-term and annual policy documents. Japan is in the process of updating the ODA Charter. This should allow it to strengthen its approaches to policy coherence for development, aid effectiveness and results-based management.

A clearly articulated philosophy and strategic orientation drive Japan's ODA

Japan draws on 60 years of experience as a valued development partner, with clear guiding principles. The overarching vision of Japanese development co-operation is "to contribute to the peace and development of the international community, and thereby help to ensure Japan's own security and prosperity" (GoJ, 2003). Japan sees international development co-operation as being in its own long-term interests and as an important component of its wider foreign policy. It considers its development co-operation an important tool for building relationships with other countries, pursuing a "non-interference" approach while strongly promoting a philosophy of "self-help".

The philosophy and principles of Japan's current ODA policy are set out in the ODA Charter (approved by the Cabinet in 1992 and revised in 2003) (GoJ, 2003). Further to the Charter, the 2005 Medium-Term Policy on ODA, "Enhancing Enlightened National Interest" (MOFA, 2005), expands upon three pillars of development co-operation: reducing poverty, investing in peace, and supporting sustainable growth. Finally, MOFA issues the 'Priority Policy for International Co-operation' annually. Priority issues are addressed in line with the following basic principles outlined in the ODA Charter: provision of support for the self-help efforts of developing countries, adoption of the "human security"[1] perspective, use of Japan's experience and expertise, and action in concert with the international community.

Japan has been prioritising its global and regional policy initiatives in accordance with these orientations and principles. Within the human security perspective, it launched the Strategy on Global Health Diplomacy in May 2013 to achieve universal health coverage (UHC) (GoJ, 2013a). Japan is demonstrating global leadership on universal health coverage in concert with other partners. With its unique experience and knowledge, it has focused on mainstreaming disaster risk reduction in development co-operation, including through discussions on the post-2015 framework. Japan continues to prioritise support to economic growth in developing countries, including support to infrastructure, and stimulating trade and investment. The Fifth Tokyo International Conference on African Development (TICAD V) held in 2013,[2] noted the importance of growth led by the private sector.

The focus on growth and the private sector is accompanied by renewed emphasis on ODA as an impetus to expand exports of Japanese technologies throughout the developing world in strategically important areas such as energy, transport infrastructure, and climate change mitigation and adaptation.[3]

Renewing the ODA Charter: bringing policy in line with practice, meeting international commitments, enhancing operations

Japan is currently updating its overarching ODA Charter[4]. Updating the Charter presents an opportunity to bring policy in line with practice, and to demonstrate how Japan plans to maximise its contribution to global development. It could provide Japan's development focus with strengthened impact, coherence and support, underpinned by international commitments and operational effectiveness. Therefore, it should:

- establish a prioritised commitment to Japan's policy coherence for development (Chapter 1)
- promote the use of ODA as a catalyst for other development finance, including from the private sector, towards achieving development goals
- articulate a clear rationale for how decisions will be made on the allocation of aid, and through which channels and instruments (Section 2.2)
- incorporate Busan and other international development effectiveness commitments (Chapter 5)
- prioritise a results orientation to Japanese development co-operation (Chapter 6).

An updated ODA Charter might also enable Japan to streamline current priority-setting practices. As noted in the last peer review, there is a potential disconnect between annual priority-setting through MOFA's 'Priority Policy for International Co-operation' on the one hand and the five-year cycles for mid-term policy/objectives and country assistance policies on the other. An updated ODA Charter, combined with regular mid-term policy perspectives, should reduce the need for annual policy priorities, which risk causing both planning complexities for JICA and confusion for partners. New political priorities or perspectives can continue to be reflected in sectoral or thematic strategies.

Decision-making

Indicator: The rationale for allocating aid and other resources is clear and evidence-based

Japan has an impressive top-end concentration of bilateral ODA. It is an important contributor to multilateral organisations that it assesses as good performers in its priority areas. However, there does not appear to be a systematic approach to how resources are allocated through these channels. The rationale for different allocation decisions is not clear.

There is no clear rationale guiding allocations

Japan's strategies and policies provide thematic focus and concentration, as noted above. However, allocations are not guided by a set of criteria that systematically support how aid is distributed across policy priorities, countries, aid modalities and channels. Rather, decisions are made on the basis of historical allocations and sometimes through a set of input targets. A more systematic and strategic approach to allocating aid need not become so rigid as to reduce the flexibility and responsiveness of Japan's assistance. It would, however, enable Japan to target and track resources against the results it wishes to achieve from its various forms of assistance. It would allow Japan to provide both its partners and its domestic constituencies with assurances and rationale for how aid is being used.

Bilateral ODA is concentrated at the top end

Japan has a bilateral programme in over 140 countries, in line with its stated use of ODA as a diplomatic tool. Despite this lack of overall geographical concentration, in 2011-12, 37% of Japanese bilateral ODA went to five recipient countries and 66% to the top 20 recipients. This level of concentration is well above the DAC average. Geographical selectivity is also provided through Japan's historical focus on Asia and its increasing focus on Africa (Chapter 3), including through regional mechanisms such as ASEAN and TICAD.

Japan lacks a transparent multilateral strategy

Whilst a strong contributor to the multilateral system, Japan does not have an explicit multilateral strategy or policy. It reported that it allocates multilateral aid taking into account alignment with foreign policy priorities, the influence and achievement of the organisations, their administrative and financial management capacity, and appeals. Assessments of multilateral performance are carried out but are not made public and are rarely discussed with the multilateral organisations. This limits the capacity of the multilaterals to respond to Japanese concerns or to undertake necessary reforms. Japan should be more transparent in its rationale for making decisions on allocations to multilateral organisations. Stronger co-ordination between MOFA and the Ministry of Finance (which leads with respect to multilateral development banks) might also be needed, so that consistent approaches to multilateral engagement are taken across the Japanese government.

Policy focus

Indicator: Fighting poverty, especially in LDCs and fragile states, is prioritised

Poverty reduction is a priority objective for Japan. Accordingly, it should explicitly add poverty to its criteria for selection of partner countries and interventions. Japan should further provide guidance on the relevance and application of poverty objectives to all interventions, not just basic human needs activities. It should be able to adapt its plans and tools to situations of fragility and complex crises.

Japan has taken steps to better integrate cross-cutting issues into its aid programme. There have been improvements in mainstreaming the environment. Japan remains focused on supporting "self-help" through well designed capacity development activities. It also recently set out an ambitious agenda for focusing on women. Japan needs to review its staffing capacity in these areas, and to update guidance on integrating cross-cutting issues across the programme cycle for different funding modalities.

Poverty remains a priority, but clearer guidance is needed

Poverty reduction remains a key objective of Japanese development co-operation, as set out in the ODA Charter (GoJ, 2003) and the ODA Review Final Report (MOFA, 2010). However, there does not appear to be specific guidance on designing, monitoring and evaluating interventions to maximise their contribution to poverty reduction. In Indonesia, for example, it was observed during the field visit that Japan could make stronger poverty reduction linkages across the portfolio, particularly in its significant infrastructure and private sector programming. The 2010 ODA Review envisaged that all activities, not just basic human needs interventions but also those relating to economic growth, would have a poverty dimension (MOFA, 2010). Guidance from MOFA to JICA and whole of government partners is needed to make this a reality. Furthermore, Japan should ensure that the focus on mutual benefits is not at the expense of the core focus on poverty reduction and the development objectives of its ODA.

Selection criteria for partner countries are unclear, but there is a welcome increase in funding to fragile states

In the absence of criteria for allocating aid, it is unclear to what extent factors of poverty, fragility and/or conflict are incorporated in the selection criteria for partner countries or in decisions on where to concentrate the largest proportion of bilateral funding. LDCs receive a relatively low, although rising, share of gross Japanese ODA (Chapter 3).

By 2011, however, there had been a significant and welcome increase in Japan's support to fragile states, which together make up more than 40% of the grant portfolio (MOFA, 2013). The National Security Strategy commits Japan to be a "proactive contributor to peace", including through dispute settlements, peace building in Afghanistan, furthering human security, and contributions to the development and consolidation of peace in Africa (GoJ, 2013b).

Japan is a global leader in disaster risk reduction and recovery, but would benefit from more

The National Security Strategy commits Japan to facilitate a smooth transition, and this is certainly carried out in disaster response, where Japan uses innovative approaches to ensure a fast start to recovery (7.1.2). Japan also makes good use of its extensive knowledge and long history of disasters, including the 2011 Great East Japan Earthquake and tsunami, to drive the global agenda on disaster risk reduction and comprehensively incorporate disaster risk reduction elements across all its programming. In the case of

special tools to support recovery from complex crises	complex crises, however, Japan would benefit from more special tools to support recovery, although earmarking only to the country (and not project) level helps some partners incorporate recovery aspects in their programmes. Nevertheless, humanitarian partners report that it is difficult to engage with development funding channels inside MOFA, complicating access to longer-term recovery funding.
New policy commitments to fragile states, but no fundamental change in the approach	Japan's National Security Strategy calls for stronger links between peacekeeping deployments and ODA, mainly through a human security lens, with support to democratisation, development of legal systems, human rights and empowerment of women, including in conflict prevention (GoJ, 2013b). Japan has signed up to the New Deal for Fragile States (IDPS, 2011), but this has not yet fundamentally changed the way it plans and delivers assistance in fragile contexts. However, it has agreed to work with other members of the International Network on Conflict and Fragility (INCAF) to implement reforms in pursuit of its New Deal commitments.[5] Outlining a clear reform plan would be a useful start. JICA has revised its guidelines on peace building since the last peer review. These follow the Fragile States Principles (FSP),[6] which is good practice, and focus on four pillars: reconstructing social capital, economic recovery, rebuilding governance, and enhancing security (JICA, 2011).
Advances in mainstreaming cross-cutting issues, but scope for further integration	Japan has taken steps to better integrate cross-cutting issues into the programme since the last peer review. It has maintained its strong financial commitments on the environment and slowly increased those on gender equality. Environmental and social safeguards were introduced in July 2010 (MOFA, 2010). Comprehensive environmental and social screening procedures have been introduced for all projects, as well as graduated responses depending on levels of risk.[7] However, as observed during the field visits, challenges in mainstreaming cross-cutting issues remain. There was no specific environmental or gender expertise in the two country offices that were visited. Sensitisation through training on gender issues also appeared limited. In the absence of in-country or regional expertise, there is a risk that Japan is missing opportunities to further mainstream the environment and gender equality across its country strategies and portfolio as well as through its policy dialogue. Effective organisational and programmatic mainstreaming of cross-cutting issues would be expected to align with the programme management cycle. For Japan, this is the well-established and internalised "P (Plan) D (Do) C (Check) A (Act)" approach (Chapter 6). However, guidelines in relation to PDCA do not appear to provide instructions or practical guidance on integrating cross-cutting issues at different stages in the cycle (JICA, 2013a). For example, there is no mention of the need for indicators to be disaggregated by sex, or for evaluations to cover cross-cutting issues such as the environment. Japan should review its staffing capacity in these areas and ensure strong integration of cross-cutting issues in core business practices.

Strong commitments to climate and the environment

Japan has a long history of commitment to addressing environmental issues in its development co-operation. This commitment is enshrined in all strategic and policy documents. Japan also increasingly engages with other partners on environment and climate related issues. Japan (JICA) is one of four members of the DAC's Environment and Development Network (ENVIRONET) bureau and an active participant in ENVIRONET meetings.

Climate change and climate finance initiatives are described in Chapter 1. Japan was the top bilateral DAC donor for the environment in 2010-12, with 45% of its ODA portfolio targeting activities related to the environment and/or implementation of the three Rio Conventions. In 2010-12, Japan was the highest bilateral DAC donor to activities specifically targeting climate change mitigation and adaptation, and/or biodiversity conservation, and the second highest donor to desertification-related activities.[8]

Translating a step change in gender equality and women's empowerment policy into practice

At the UN General Assembly in 2013, Prime Minister Abe emphasised Japan's intention to enhance co-operation with the international community and assistance to partner countries for women's empowerment and gender equality.[9] The Japanese initiative focusing on women's empowerment, women's health care and women's rights with respect to peace and security is referred to as "a society in which all women shine".

In focusing on these three pillars, Japan will implement ODA in excess of USD 3 billion over three years from 2013. Assuming that this is in addition to continued mainstreaming across all sector activities, it marks a significant prioritisation given that Japan's aid flows in support of gender equality, as a share of total bilateral sector allocable aid, have been relatively low (although increasing) in recent years in comparison with those of other donors.[10]

MOFA has not updated its gender policy since it was approved in 2005 (MOFA, 2005). The policy was evaluated in 2012 (MOFA, 2013a). Echoing the observation above on programme cycle management processes, the evaluation recommended that Japan "continue to focus on reviews of the processes of appraisal, planning, implementation and evaluation of development assistance projects from the perspective of gender. Even for those projects that may seem to have little to do with gender equality, gender equality viewpoints should be integrated and adopted" (MOFA, 2013a: 23). Self-reporting to DAC Gendernet by both MOFA and JICA in 2013 suggests that there are no detailed reporting requirements and indicators for gender equality.

The evaluation also highlighted the lack of expertise on gender equality. MOFA has country gender focal points in 100 embassies, but they tend to be junior staff with little to no gender expertise. Similarly, JICA has limited capacity: its Office for Gender Equality and Poverty Reduction functions as an advisory office providing technical input at operational level. The Office has seven staff, with only one permanent senior adviser on gender and one visiting senior adviser. Combined with the lack of expertise in country offices, this would appear to be insufficient capacity to drive gender mainstreaming across JICA and ensure compliance with guidelines.

To address these challenges in current practice, and to fulfil the policy aspirations of the Prime Minister, MOFA and JICA should consider developing revised policy and guidelines on gender equality and women's empowerment. These should establish clear measures of success, implementation plans for

delivery, and updated guidance on mainstreaming. Japan should increase the gender expertise it has available to deliver this.

A self-help philosophy is driving capacity development goals

Based on impressions from the field visits to both Indonesia and Senegal, Japan's model of technical co-operation is robust, responsive to need, and well executed. Behind this model is a focus on long-term investments in capacity, human resource development and the transfer of knowledge. This is consistent with Japan's focus on supporting self-help, which partly drives its development co-operation as articulated in the ODA Charter (GoJ, 2003).

JICA provides multi-tiered assistance for human resources development, organisational strengthening, policy formulation, and institutional development in developing countries by utilizing the knowledge, experience and technologies of both Japan and developing countries. In addition to technical co-operation projects, it has a large body of Japanese experts dispatched to partner countries. JICA also invites competent personnel in developing countries, who are responsible for social and economic development, to Japan as training participants. They participate in training programs in Japan to acquire the knowledge and technologies needed in their countries. In 2012, the number of technical training participants was 26 081, while JICA dispatched 9 325 experts, 9 021 study team members, 948 Japan Overseas Co-operation Volunteers and 329 other volunteers (JICA, 2013b).

As observed in Chapter 4, by mixing and maximising synergies between technical co-operation and other funding modalities, Japan will be able to further mainstream capacity development throughout its portfolio. That will support strengthened capacity development activities alongside loan and grant operations. It will also introduce a more time-bound and results-oriented focus to technical co-operation projects, with more clearly defined exit strategies.

Notes

1. Human security is defined as focusing on individual people and on building societies in which everyone can live with dignity by protecting and empowering individuals and communities that are exposed to actual or potential threats (GoJ, 2005). Since the 1990s human security has been a central concept for Japan, which contributes to achieving the Millennium Development Goals (MDGs). Japan is leading international advocacy with respect to this concept.
2. Japan's Assistance Package for Africa announced at TICAD V: www.mofa.go.jp/files/000005505.pdf.
3. The government's Infrastructure Systems Export Strategy (GoJ, 2013b), as well as the Cabinet-approved Japan Revitalisation Strategy (GoJ, 2013c), set out a clear goal of tripling the total value of orders for infrastructure systems received by Japanese companies to some JPY 30 trillion by 2020.
4. The Minister for Foreign Affairs, Fumio Kishida, on 28 March 2014, announced that the government would revise the ODA Charter. A panel of experts has been convened to advise the Minister, including academics, a NGO representative, a journalist, a business specialist and others. They had their first meeting on 31 March 2014. The public are to be consulted.
5. Commitment made at the International Network on Conflict and Fragility (INCAF) Director Level Meeting in November 2012.
6. The Fragile States Principles (FSPs) are available at www.oecd.org/dacfragilestates/.
7. The safeguards policy has made environmental impact assessments, resettlement action plans and indigenous action plans mandatory for projects rated A – 'likely to have significantly adverse impacts on the environment or society' – depending on the nature of the impact. Results of these assessments are disclosed, as is subsequent monitoring. In 2012, 22% of JICA loans were rated A (JICA, 2013b).
8. Japan's ODA to environment: annual average 2010-12, bilateral commitments (USD billion, in constant 2011 prices):

	Marker	Principal (USD billion)	Significant (USD billion)	Total (USD billion)	% of total ODA committed by Japan
	Total environment*			7.7	45
	Environment	3.4	3.7	7.1	41
Rio Markers	Mitigation	4.7	0.2	4.8	28
	Adaptation	0.7	1.6	2.3	13
	Total climate (mitigation + adaptation – overlap)			6.6	38
	Biodiversity	0.9	0.2	1.0	6
	Desertification	0.3	0.1	0.4	2

9. The Prime Minister's speech can be found at: http://japan.kantei.go.jp/96_abe/statement/201309/26generaldebate_e.html
10. Japan's ODA to gender equality:

	2009	2010	2011	2012
% gender equality focus of screened sector allocable aid	12	11	18	21
Significant, USD million constant prices	1 220	1 404	1 997	2 537
Principal, USD million constant prices	124	97	59	213

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Chapter 3: Allocating Japan's official development assistance

Overall ODA volume

Indicator: The member makes every effort to meet ODA domestic and international targets

Japan is committed to keeping the ODA level stable in dollar terms despite a large depreciation of the yen. This is impacting positively. In 2013, its net ODA amounted to USD 11.8 billion, an impressive increase of 36.6% in real terms from 2012, due to increases in debt forgiveness and ODA loans. Japan should be commended for this effort. Japan is now the fourth largest DAC donor, and its ODA to GNI ratio also improved to 0.23% in 2013 from 0.17% in 2012. By effectively using its annual supplementary budget, Japan was able to avoid cuts in its ODA volume. However, growing reliance on the supplementary budget may not be a sustainable strategy and could lead to volatility. To support its desire to be a global leader on development, Japan should, as its economy improves, increase ODA volume towards the 0.7% target.

Japan is committed to maintain its ODA levels in dollar terms despite the weak yen, but should seek to increase ODA volume further as its economy improves

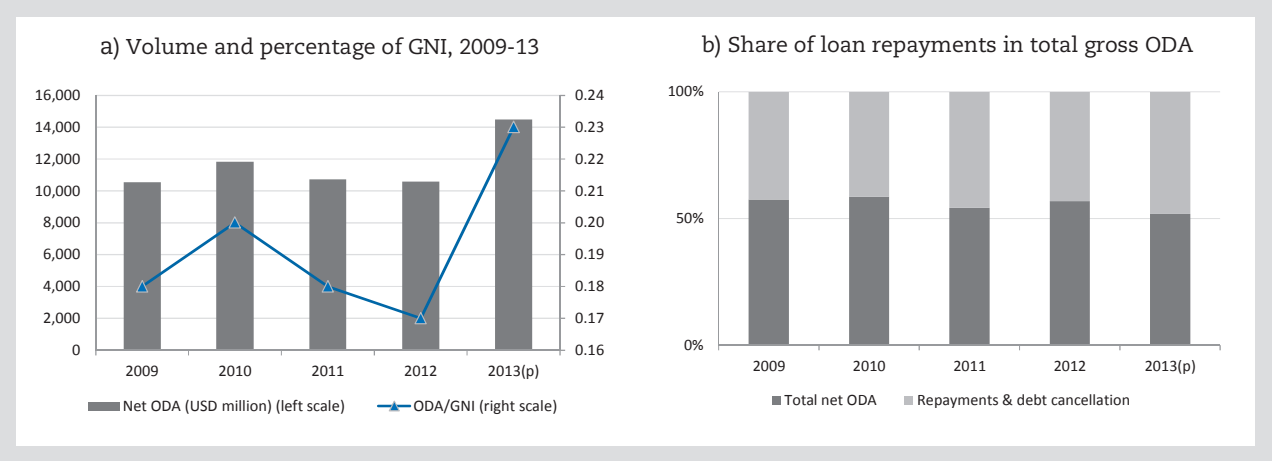
For the past five years, Japan's ODA suffered from domestic economic stagnation, fluctuating around the USD 10 billion mark. Current fiscal and economic difficulties, together with reconstruction spending following the disasters in 2011, have made it increasingly difficult to secure a sustainable increase in the government's aid budget.[1] Japan is nevertheless committed to keep its ODA levels stable in dollar terms – although the weak yen means it now has to secure a substantively larger budget allocation just to maintain the same ODA level in dollar terms.

According to the preliminary data for 2013, Japanese net ODA increased almost 37% (the highest increase among the DAC) to USD 11.8 billion, pushed up by debt cancellation (for Myanmar) and increases in bilateral lending (Figure 3.1a). As a result, Japan moved up one place to become the fourth largest DAC donor, greatly improving its ODA to gross national income (GNI) ratio to 0.23% from 0.17% in the previous year. The DAC welcomes this large increase in ODA and encourages Japan to ensure that levels are maintained and increased in future years, even in the absence of debt cancellations. An explicit commitment from Japan to increase ODA volume, with a clear timeline for achieving this, would help it make progress towards meeting the UN target of 0.7% ODA/GNI.

Increasing use of the supplementary budget means Japan's future aid flows are potentially unpredictable

In order to deliver short-term increases and to respond to political priorities, MOFA has made increasing use of its annual supplementary budget.[2] The supplementary budget accounted for less than 1% of MOFA's total ODA budget in 2000-01, whereas the share today stands at around 26%. Although use of the supplementary budget has allowed Japan to secure short-term increases, given its *ad hoc* nature this approach may not be a sustainable strategy for maintaining or increasing the ODA budget. It could cause volatility and a lack of predictability over future aid flows, reversing gains in this area, and make planning difficult. Predictability is better served by securing increases in ODA from the general budget.

Figure 3.1 Japan's net ODA



Note: 2013 based on preliminary data

Source: DAC statistics

Bilateral ODA allocations

Indicator: Aid is allocated according to the statement of intent and international commitments

Japanese aid is concentrated. The bulk of Japan's bilateral ODA goes to its top 20 recipients annually, composed of mostly middle income Asian countries. Economic infrastructure support, funded predominantly by loans, remains the mainstay of the Japanese programme in these countries. Although Japan continues to focus its aid in developing Asia (which received 70% in 2012), it has made a series of commitments to increase the share and volume of its aid to Africa. About a quarter of Japan's gross bilateral ODA is allocated to LDCs as compared to the DAC average of 41%. Japan is encouraged to continue scaling up its support to countries where assistance is most needed, including Africa and LDCs – while retaining its strong presence in Asia – by increasing its overall ODA envelope.

Japan's ODA is concentrated and consistent in terms of country allocations

While Japan provides aid to over 140 countries in any given year, its ODA is highly concentrated (Table 3.1). It has consistently provided sizeable amounts to countries of economic and strategic importance. As Table 3.1 shows, a large proportion of Japan's bilateral aid is allocated to its top 20 recipients, composed of mostly middle income Asian countries (66% in 2011-12, compared to the DAC average of 52%). These countries are also home to large numbers of people in poverty. The top recipients of Japan's ODA by type of assistance are presented in Table 3.2.

Japan disburses aid in all regions, spreading about a fifth of its ODA thinly across 120 or more partner countries. For example, the share of Japanese aid allocated to the bottom 50 recipient countries in 2011-12 accounted for a mere 1.53% (with 8.51% for the bottom 100 countries). However, according to MOFA (2014), Japan was the largest bilateral donor in 16 partner countries and the second largest in another 28. It is also an important donor for a number of potentially under-aided countries (the so-called "aid orphans") such as Gambia and Madagascar.[3] Japan could share with the DAC its experience with working in under-aided countries and the implications of donor allocation decisions on such countries.

Table 3.1 Percent share of bilateral ODA to top recipients over time

	2001-05 average (148 recipients)	2006-10 average (147 recipients)	2011-12 average (143 recipients)
Top 5 recipients	39%	39%	37%
Top 10 recipients	56%	55%	52%
Top 15 recipients	64%	63%	61%
Top 20 recipients	69%	68%	66%
All recipients	90%	88%	86%
Unallocated	10%	12%	14%

Source: DAC statistics

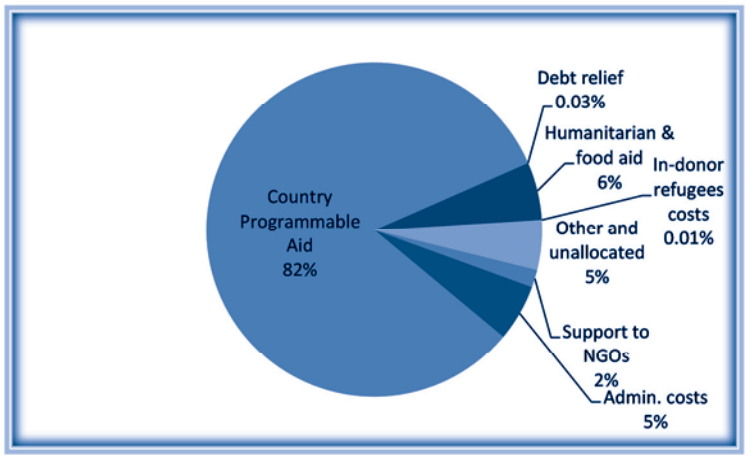
Asia continues to be the top destination for Japan's ODA, but there is increasing emphasis on Africa

Japan's bilateral programme is characterised by a high proportion of country programmable aid (CPA). Its CPA amounted to USD 12.05 billion in 2012 and is equivalent to 82% of its gross bilateral ODA, a much higher share than the DAC average of 54% (Figure 3.2). Asia, as a regional group, continues to receive the largest share of Japanese CPA, 77.7% in 2012 (compared to 15.4% to sub-Saharan Africa). The top five recipients of Japanese CPA were Viet Nam, India, Indonesia, Afghanistan and China, in that order. Japan has also typically focused a lot of its attention on middle income countries, largely due to much of its aid being directed towards infrastructure assistance, which tends to be a priority for bigger economies. By income group, lower middle income countries accounted for the largest share (56% - see table B.3) in 2012.

However, in recent years Japan has taken steps to increase the share and volume of its aid to the Least Developed Countries (LDCs), especially in Africa.[4] It delivered on its 2008 pledge to double aid (excluding debt relief) to sub-Saharan Africa to USD 1.8 billion by 2012: the region received USD 1.86 billion in bilateral ODA in 2012. Today just over a quarter of Japan's gross bilateral ODA allocable by country is disbursed to the LDCs, nearly doubling from a decade ago. If calculated in net terms, around a half of Japan's net ODA benefits LDCs. Japan is encouraged to continue to scale up its support to Africa and the LDCs, while also retaining its strong presence in Asia. This will mean increasing its overall ODA envelope supported by a clear set of criteria guiding allocations (Chapter 2).

ODA loans are a major feature of Japanese development co-operation. The grant share of Japan's total ODA (on commitments basis) was 54%, whereas that of committed ODA loans was 76%, above the average for the ten loan-giving DAC members (Table 3.2). The use of loans reflects the fact that Japan finds it easier to mobilise resources for loans than for grants, but it also reflects Japan's emphasis on building partner countries' self-reliance.[5] Japan's bilateral aid to most of its largest recipients is in the form of loans (Table 3.3). However, the number of new ODA loan projects has not grown significantly in recent years, partially because of Japan's attention to debt sustainability. The shift has instead led to increased use of grants. In 2011-12 Japan disbursed, on average, 60% of its total gross ODA as bilateral and multilateral grants. This trend is also closely linked to Japan's increasing focus on sub-Saharan Africa and South Asia.

Figure 3.2 Composition of Japan's gross bilateral aid programme in 2012



Source: DAC statistics

Japan has taken actions to meet the DAC Recommendation on Terms and Conditions of Aid

Japan has taken actions to ensure its ODA portfolio meets the requirements of the DAC Recommendation on the Terms and Conditions of Aid, as recommended in the last peer review. Its ODA grant element in 2011 was 89.2%, above the DAC norm of 86% (Table 3.2). While its ODA loans are highly concessional (with an average grant element of 75%), Japan lowered the preferential interest rates (0.01-0.6%) of its loans further for strategically important areas (i.e. environment, human resources development, disaster prevention and health) to make these loans more attractive to borrowing countries, particularly those in the middle income category. Japan has also introduced a "currency conversion option" for its ODA loan scheme. From January 2014, borrowing countries can repay originally yen-denominated ODA loans in US dollars. By offering greater flexibility to borrowing countries, Japan hopes to enhance further the user-friendliness of its ODA loans.

Table 3.2 Financial terms of ODA commitments (excluding debt reorganisation), 2011-12 (%)

	Grant element of total ODA (Norm: 86%)	Grant share of:		Grant element of ODA loans	Grant element of ODA to LDCs	Grant element of bilateral ODA to LDCs
		Bilateral ODA	Total ODA			
Japan	88.8	43.1	54.3	75.5	98.4	97.7
Total DAC	95.2	79.9	85.4	64.2	99.3	98.9

Source: DAC statistics

Table 3.3 Top recipients of Japan's net ODA (excluding debt relief) by aid flow in 2012 (USD million)

Grant aid[1]		Technical Co-operation		ODA loan		ODA gross loan	
Afghanistan	789.96	Viet Nam	148.27	Viet Nam	1,478.05	Viet Nam	1,866.99
Tanzania	88.68	China	131.68	India	647.06	India	1,484.02
Cambodia	83.14	Indonesia	131.61	Iraq	338.24	Indonesia	672.01
Pakistan	83.07	Philippines	85.49	Bangladesh	248.26	Bangladesh	392.29
Ghana	82.76	Afghanistan	83.62	Azerbaijan	152.64	China	390.76

(1) Grant aid figures exclude technical co-operation

Source: MOFA (2014), DAC statistics

Sector allocations are in line with Japan's policy priorities

While Japan works in a wide range of sectors, the mainstay of Japanese ODA remains support to developing countries' economic infrastructure, for which it allocates more than 40% of its total bilateral ODA, provided mostly as loans (Table B.5). This approach is based on Japan's own post-war experience with building its economic foundation to spur industrialisation. In that regard, the added value of its engagement in infrastructure development is not only measured by its financial contribution, but also by the experience and knowledge it shares with other donors and the developing world. Japan is also strengthening support, both hard and soft, to build global resilience to disasters (Box 3.1). Its support to social sectors (25%) and humanitarian action (5%) has also been increasing over the years.

Japan is the largest bilateral donor to infrastructure, water and sanitation, and industry and trade sectors. It is also the second largest donor to agriculture and food security. These allocations are broadly consistent with the sector priorities defined in MOFA's policy papers (Chapter 2).

Box 3.1 Japan's strengthened focus on disaster risk reduction

While the Great East Japan Earthquake and tsunami was a major national disaster, it provided some important lessons from a development perspective. Immediately after it occurred in March 2011, emergency support and donations flowed to the affected areas from countries around the world including developing countries. This experience had an impact on the mind-set of the Japanese people, instilling in them, to some extent, a renewed sense of trust and solidarity with the world and greater appreciation of the role ODA plays in strengthening that trust and solidarity.

It also stimulated Japan further to share its disaster risk mitigation experience and knowledge with other countries. For example, the government made "resilience and risk reduction" one of the central themes of the 2014 OECD Ministerial Council Meeting, which Japan chaired. In addition, Japan will host the Third World Conference on Disaster Risk Reduction in Sendai in 2015, with the aim of agreeing on a post-2015 framework for disaster reduction to scale up disaster risk reduction efforts across the world.

Multilateral ODA channels

Indicator: The member uses the multilateral aid channels effectively

Japan is a major player at the multilateral level, allocating sizable contributions each year. It recognises the advantages of multilateral organisations, such as their expertise and neutrality, and actively engages with them in high level and strategic dialogue as well as making significant core contributions. Given the size and extent of its multilateral aid, Japan would gain from outlining clearly the objectives of its engagement with multilateral organisations over the medium term.

Japan is a major player in the multilateral system; it could strengthen its strategic approach to multilateral aid and factor in potential synergies

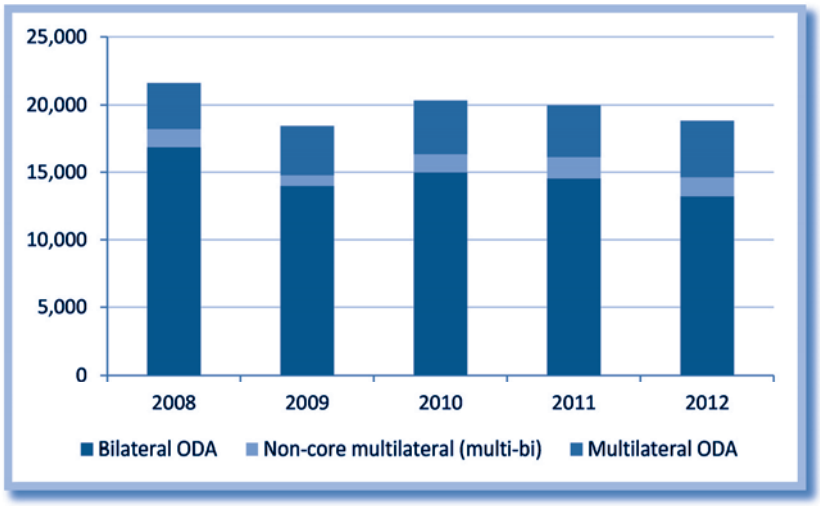
As noted in Chapter 2, Japan does not have a clearly defined multilateral strategy. However, the general division of its ODA between the bilateral and multilateral channels has remained constant, with the former accounting for around 80% of total gross disbursements in recent years (Figure 3.3). Although historically bilateral aid dominates Japan's development assistance programme, the significant size of its contributions – USD 4.2 billion in 2012 (USD 5.6 billion including multi-bi) – means that it continues to be a major player at the multilateral level. For example, it pledged 44% of the USD 4.6 billion replenishment fund concluded under the Asian Development Fund XI in 2011 (OECD, 2012b).

In 2010-12 Japan made financial contributions to an average of 57 multilateral organisations and funds, of which 37 received contributions in each of those years (MOFA data). It makes financial contributions to trust funds established in each of the multilateral development banks. Through its contribution to such trust funds, Japan supports small not-bankable poverty reduction projects, as well as capacity building.

Japan's support to multilateral organisations is perceived by its multilateral partners as largely effective, with regular high-level dialogue and active engagement on boards. Japan tends to align with the strategic priorities of the organisations it supports and pays careful attention to their core budgets (Figure 3.4). Core budget (un-earmarked) as a share of Japan's total use of the multilateral system (76%) is higher than that of other DAC members (69%) (OECD, 2013a; Table A.1). In 2012 Japan disbursed 77.5% of its gross ODA through the bilateral channel, of which 9.4% was disbursed as non-core multilateral ODA (or multi-bi) (Figure 3.3). However, behind these average figures are wide variations in the proportion of Japan's core/non-core contributions across its multilateral partners. For example, as Table 3.4 shows, Japan provides almost exclusively core contributions to the Asian Development Bank (94%), where its influence is large, while it provides 100% non-core to human rights agencies (OHCHR for example).

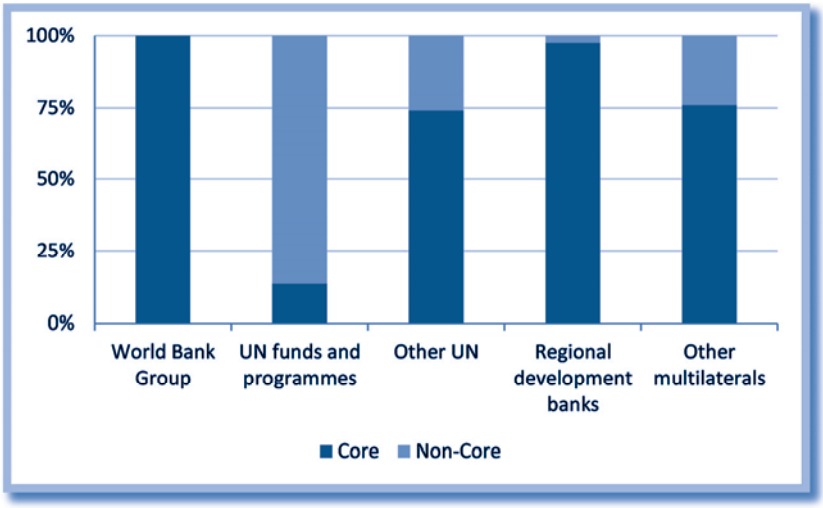
Given the size and the extent of its multilateral aid, and as recommended in 2010, Japan would gain from outlining clearly the objectives of its multilateral aid over the medium-term (a multilateral strategy) and its approach to monitoring and assessing the use of Japanese contributions (2.2.3). This would enable Japan to implement multilateral aid in accordance with its overall development co-operation strategy, factoring potential synergies (including with the bilateral programme) into the decision-making process. Such a strategic framework would also in turn provide Japan's multilateral partners with more clarity and predictability, and would give Japan more leverage in these organisations.

Figure 3.3 Total gross ODA, disbursements, constant 2011 USD million



Source: DAC statistics.

Figure 3.4 Core and non-core allocations to multilateral organisations



Source: Calculated based on Table B.26 in OECD (2013a).

Table 3.4 Share of multilateral non-core contributions in 2012

OHCHR	100%	UNICEF	91%	UNFPA	30%	Asian Development Bank (AsDB)	6%
UNOCHA	100%	UNHCR	88%	UNESCO	30%	WHO	3%
WFP	96%	UNDP	81%	ILO	27%		
UNRWA	92%	FAO	51%	World Bank	8%		

Source: OECD (forthcoming).

Notes

1. Following the Great East Japan Earthquake and tsunami in March 2011, the government took the decision to redirect available public resources towards reconstruction efforts. In response to the government's proposal to cut the 2011 supplementary budget for ODA by 20%, the Special Committee on ODA within the upper house of the Japanese Diet adopted a resolution calling for the government to "make efforts towards the sustained promotion of strategic and selected forms of ODA", particularly in light of the support received from the international community (including many recipient countries of Japanese aid) at the time of the disasters in the Tohoku region.

2. Earmarked contributions for specific projects or multilateral funds.

3. See the list of potentially under-aided countries in OECD (2013b).

4. At the Fifth Tokyo International Conference on African Development (TICAD-V) in June 2013, Japan announced its Assistance Package for Africa, promising up to JPY°3.2 trillion (approximately USD 32 billion) in public-private initiatives including JPY 1.4 trillion (approximately USD 14 billion) in ODA, to the region in the five years from 2013 to 2017 for supporting programmes in strategic areas such as trade, infrastructure and private sector development, food security, environment and climate change, disaster prevention, education, health, good governance, and peace-building. The progress against the implementation of the TICAD-V pledges will be reviewed annually at the occasion of TICAD's annual follow-up ministerial meetings.

5. Japan uses ODA loans to "cover the transition period leading towards development projects that can be funded by the private sector, as well as to promote the inflow of private funds" (JICA, 2013).

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Chapter 4: Managing Japan's development co-operation

Institutional system

Indicator: The institutional structure is conductive to consistent, quality development co-operation

Organisational reforms in both MOFA and JICA in 2008 and 2009 have been firmly established and are delivering improvements in Japanese development co-operation. There is now a clearer division of labour between MOFA and JICA. Reforms have enabled more of a country-based approach. However, processes and procedures remain centralised. Greater delegation of authority would create efficiencies. For fragile states, Japan needs stronger business continuity practices. To this end it could usefully conduct a review of organisational reforms to assess where there is scope to improve Japan's overall operational effectiveness.

Organisational reforms in Japan are well established and delivering stronger institutional co-ordination and division of labour

Major organisational reforms in MOFA (2009) and JICA (2008) have been well executed, are complementary, and are continually improving the delivery of Japanese development co-operation.

Following its reorganisation in 2008, JICA is now responsible for implementing more than 60% of total bilateral ODA, using a country-based approach in which grants, loans and technical co-operation are brought together into a single country envelope. This has led to a more strategic and integrated approach, focused more on country priorities than on instruments. JICA has been able to streamline its procedures steadily for different funding instruments.

The 2008 reorganisation was further reinforced through the release of the ODA Review Report in 2010 (MOFA, 2010). This report highlighted the scope for JICA to enhance its programme and project planning capacity, build flexible implementation structures, reduce costs, improve management and transparency, and connect diverse stakeholders. These operational priorities are well reflected in JICA's mid-term and annual plans (JICA, 2013) and are externally evaluated regularly.[1]

There is a clear and well understood division of labour between MOFA and JICA, in accordance with an Action Plan for clarifying the division of roles (approved in August 2011). MOFA has consequently been able to enhance its policy making capabilities and JICA its implementation capabilities. Since the last peer review, for example, MOFA has reduced the percentage of all grants that it manages directly from 30% in 2008 to 13.4% in 2012. In addition, the ODA roles and functions of the Ministry of Finance (MOF) and the Ministry of Economy, Trade and Industry (METI) are clearly established and well co-ordinated.

Japanese co-operation has a stronger field orientation, but further to go in delegating authority and streamlining procedures

ODA Task Forces continue to enable MOFA and JICA to jointly strategise, formulate programming options, and review progress and bottlenecks. In both Indonesia and Senegal, staff and partners consider the ODA Task Force a useful mechanism for decision-making and co-ordination. There are now 80 ODA Task Forces (MOFA, 2013), compared to 79 at the time of the last peer review (OECD, 2010). Japan should continue to create these mechanisms in all countries where MOFA and JICA both operate.

The field orientation of Japanese development co-operation is improving. As stated in Japan's response to the 2012 OECD Decentralisation Survey, the share of field staff increased from 55% in 2008 to 64% in 2012 (22 field staff per country office on average), including locally engaged staff (OECD, 2012). In 23 countries to date, Country Assistance Policies have been informed by JICA Country Analysis Papers of the development context and needs. ODA Task Forces draft the five-year rolling plans for co-operation programmes, in consultation with recipient countries and other donors, for MOFA to approve. These are positive trends with respect to Japan's structures and systems, which enable it to be more responsive to needs and to be a better partner.

However, processes and procedures remain strongly centralised in Japanese development co-operation. The delegation of financial authority in JICA increased only marginally from a ceiling of USD 241 546 in 2008 to USD 268 000 in 2012 (OECD, 2012). The introduction of Country Assistance Policies and more programme-based approaches offer MOFA and JICA an opportunity to reflect on the level of authority delegated to field offices and to upgrade the skills of staff, including local staff, to meet emerging policy and procedural priorities. This would increase the efficiency and effectiveness of Japan's decision-making and operations, in line with the Busan commitment.

Furthermore, Japan's approach, structure and systems are the same in fragile contexts as in other partner countries. This can make it challenging to adapt to an evolving context, especially as rigid contracting procedures mean projects cannot be altered once the contract has been signed. Security is also an issue; Japan requires all nationals to evacuate in the event of insecurity, leading to JICA staff, contractors and Japanese NGOs effectively suspending or abandoning projects whenever the situation deteriorates. A business continuity plan for times of crisis, which might include greater use of locally engaged staff or of the multilateral system for example, would be a useful next move for Japan.

Japan should review the impact of reforms

Five years on from major institutional reforms, now is an opportune moment for MOFA and JICA leadership to review and evaluate their impact. There might be scope to further refine working arrangements and procedures to maximise the consistency, effectiveness and efficiency of their respective contributions. Areas of review could include issues discussed elsewhere in this review, such as the hierarchy of policy and planning documents (Chapter 2), delegation of authority (above), approaches to risk management (Chapter 5), and co-ordination of engagement with NGOs (Chapter 5).

Innovation and behaviour change

Indicator: The system supports innovation

Japan's business model for development co-operation is well suited to encouraging innovation. There are several examples of how this works in practice, particularly through Tokyo-based organisational changes, schemes, funds and partnerships. Innovation might be further extended to country operations through creating incentives for innovation in programme design and implementation and introducing an approach to managing portfolio-wide risk.

Japan has innovative initiatives, without the incentives and culture of risk taking

Japan continues to demonstrate innovation, both in how it establishes its organisational structure and in specific programme initiatives.

JICA has established, reorganised or strengthened several new departments over the last five years to respond to emerging trends and priorities. These include the Private Sector Partnership and Finance Department,[2] Office for the Great East Japan Earthquake Disaster,[3] Office for Global Issues and Development Partnership, and JICA Research Institute.[4] For example, the Private Sector Partnership and Finance Department, established in April 2013, strengthens JICA's capacity to support the private sector and catalyse investments, in line with the private sector policy focus of Japanese ODA.

Japan has established a number of innovative schemes, funds and partnerships. Two examples are highlighted in Box 4.1. Japan effectively utilises its own comparative advantage and expertise with these schemes, while increasingly looking to partner with others to maximise their potential scale and impact. The same applies to the increasing number of Public Private Partnerships that Japan is facilitating.[5]

While innovations and change are emerging from Tokyo, at country level a perceived "fear of failure" culture might serve to inhibit innovation. MOFA and JICA management could do more to incentivise innovation in programming design and implementation, as part of an overall risk management approach (Chapter 5).

Box 4.1 Partnering in innovation

In April 2013, the Global Health Innovative Technology Fund (GHIT Fund), a new model of funding for global health research and development, was established in Tokyo. The GHIT Fund is a non-profit organisation focused on the discovery and development of new health technologies, including drugs, vaccines and diagnostics for infectious diseases prevalent in developing countries. The first product development fund of its kind in Japan, it is supported by the Japanese government, the United Nations Development Programme (UNDP), Japan's leading pharmaceutical companies, and the Bill & Melinda Gates Foundation. http://ghitfund.org/

The Science and Technology Research Partnership for Sustainable Development (SATREPS) promotes international joint research in which both Japanese research institutions and those of developing countries work together based upon the social needs in the developing countries. Its aims are to obtain new knowledge and to utilise research outcomes for the benefit of society, with a view to resolving global issues such as environment and energy, biological resources, disaster prevention, and infectious diseases. In conjunction, It also aspires to improve the development of human resources and the self-reliant research capability of developing countries, and to build a framework for sustainable activities to

contribute to solutions for global issues. SATREPS is carried out through the collaboration of four Japanese institutions: MOFA, JICA, the Ministry of Education, Culture, Sports, Science and Technology (MEXT) and the Japan Science and Technology Agency (JST). JICA provides technical co-operation with the developing countries targeted for projects. It also provides support to Japanese research institutions for research costs outside of the targeted countries, including within Japan. www.jica.go.jp/english/our_work/science/satreps.html

Human resources

Indicator: The member manages its human resources effectively to respond to field imperatives

Japan is able to maintain a strong workforce to deliver its ODA. However, numbers of staff in field offices are not increasing. This is at odds with the country focused approach. There are also specific technical skills, relevant to Japan's priorities that seem to be under-resourced. Japan could develop and implement a medium-term workforce plan to address these challenges and the perceived high staff workloads. This plan should also assess training needs, staffing in fragile states, and better use of locally engaged staff.

Japan needs to focus on and plan for getting the right skills in the right places

Japan has significant and steady levels of human resources available to deliver its aid programme (see Annex D for MOFA and JICA organograms). As of March 2014, MOFA had approximately 290 staff working in its ODA related Divisions. In 2009, JICA had 1 714 permanent or contracted staff, of which 416 were located in-country offices. In that year it recruited 50 new staff and had 38 exits. By 2013, JICA had 1888 staff. It recruited 103 new staff in that year. Exits are still being calculated, but in 2012 there were 97. In 2013, 401 staff were posted in overseas offices, including 149 to 26 fragile states. JICA also hires a number of technical experts and policy advisors, and has a sizable volunteer programme.[6]

Given the emphasis that has been given to a country orientation, it is perhaps surprising not to see clear increases over time in JICA staff posted to country offices since the reforms of 2008.[7] Placement of staff to senior economic co-operation posts in Embassies can be driven by language considerations rather than necessarily by expertise in development co-operation. Many specialist skills are only located in Tokyo and are in short supply (see 2.3.5 for example). A medium-term workforce vision or plan would enable MOFA and JICA to establish targets for decentralising staff and to plan for the skills and competencies needed to deliver the aid programme effectively over a period of time.

Japan does not have a different job profile for staff who will work in fragile contexts, nor does it provide additional training for working in these difficult contexts, aside from personal security training. There are some incentives to make these hardship postings more attractive, however, including post allowances, additional leave entitlement and shorter cycles in-country. Japan could draw lessons from its operations in Afghanistan, particularly regarding job profiles, staff skills and incentive packages. Exit interviews of outgoing staff could also provide useful information for the design of more effective human resources policies for challenging environments.

MOFA and JICA conduct training seminars online, regionally or in Tokyo. JICA carries out pre-departure training for staff posted to overseas offices on a monthly basis. MOFA conducts ODA-TF Remote Seminars for overseas offices on five themes a year, as well as annual training programmes for staff in

charge of economic co-operation in embassies. However, these appear to be more in the form of information sharing exercises. It is unclear what training is offered by MOFA for building more in-depth technical or managerial competencies. Resources also need to be invested in ensuring career diplomats obtain on-going grounding in development co-operation. MOFA and JICA might usefully consider how to pool training resources.

The seniority of a locally engaged staff in the JICA Indonesia office is a positive example to the rest of the organisation. Continued efforts to make training available and accessible, across both MOFA and JICA, may further reinforce the value being attached to and derived from locally engaged staff's contribution and skills. Making information more quickly available to local staff, in the official working language of the partner country, would also help maximise their contribution. It is encouraging that JICA is now working on developing guiding principles for the human resources development of local staff. MOFA might also consider developing such guiding principles.

The JICA reforms have resulted in considerable additional responsibilities. While Japan Bank for International Co-operation (JBIC) staff appear to have been well assimilated into the new JICA, concerns were expressed about staff workload. Cuts in administrative costs may be compounding the situation. Acting on observations in this chapter with respect to delegation of authority, continual simplification of procedures, staff training and the contribution of local staff, if combined with a medium-term workforce plan, would help to ease pressure on staff, particularly at headquarters. This would also have a (potentially sizable) economic benefit by reducing staff overtime payments.

Notes

1. An Advisory Committee on Performance Evaluation gives advice to JICA about (i) the accountability of JICA's draft Annual Performance Report and its self-assessment of annual performance; and (ii) the relevance of JICA's draft mid-term plan and its indicators. The committee consists of two academic experts on public management and meets annually before the external evaluation of JICA by MOFA's Evaluation Committee for Incorporated Administrative Agencies. In addition, the members of the committee visit project sites in partner countries and JICA's domestic offices to make recommendations to JICA on the improvement of its operations.
2. Private Sector Partnership and Finance Department: www.jica.go.jp/english/news/press/2013/130401_01.html.
3. The Office for Great East Japan Earthquake Disaster:

   www.jica.go.jp/about/report/2012/ku57pq00000sc3za-att/53.pdf.
4. JICA Research Institute: http://jica-ri.jica.go.jp/.
5. More information on JICA's public-private partnerships can be found at: www.jica.go.jp/english/our_work/types_of_assistance/partnership/index.html.
6. JICA's volunteer programs support activities by citizens who wish to co-operate in the economic and social development as well as the reconstruction of developing countries. Upon their return to Japan, the volunteers, having developed a global perspective, are expected to be a valuable presence in Japanese society. In 2012, a total of 948 people were sent overseas under the Japan Overseas Co-operation Volunteers Programme, with a cumulative total of 37 899 people dispatched to 88 countries since the program was inaugurated in 1965. In 2012, 264 people were sent overseas under the Senior Volunteers Programme. To date, a total of 5 138 people have been dispatched to 71 countries (JICA, 2013b).
7. In 2013, 401 staff were posted to overseas offices compared to 416 in 2009, 383 in 2010, 402 in 2011, and 384 in 2012 (figures provided by JICA).

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Chapter 5: Japan's development co-operation delivery and partnerships

Budgeting and programming processes

Indicator: These processes support quality aid as defined in Busan

Japan has taken positive steps to harmonise and align at the country level and to move towards more programme-based approaches. However, a clear strategy for prioritising aid effectiveness and Busan commitments would help focus efforts on the areas where it needs to make the most progress, particularly the use of country systems and the untying of aid. Risk is analysed in some aspects of Japan's aid programme, but there does not appear to be a comprehensive risk assessment and management process.

Japan works to improve predictability within the constraints of the annual budgeting cycle

Japan's annual budgeting cycle does not allow for multi-year predictability, and the growing use of supplementary budget is making future flows rather volatile (Chapter 3). However, Japan has worked to make its development co-operation more predictable and effective, accommodating different modalities while working within the constitutional constraints of a single-year budgeting system.

As shown in Chapter 3, Japan has also made good progress in increasing its ability, and that of its partners, to forward plan through using a medium-term rolling plan for each country. The in-year predictability of Japanese aid has improved, according to the first monitoring survey of the Global Partnership (OECD/UNDP, 2014). The 2013 data show that Japan disbursed 98% of its aid in keeping with agreed schedules. During the field visits, partners confirmed that Japan is reliable in disbursing as agreed, when agreed.

Earmarking funds for specific issues or political initiatives – as was done in 2013[1] – can encourage repackaging or double counting of existing projects and programmes to allow them to contribute to future spending targets. Japan should instead aim to increase its overall ODA, based on a clear and strategic allocation and forward spending plan. Such an allocation model would result in greater predictability and efficiency (Chapters 2 and 3).

Japan's assistance is aligned to partner country strategies

Japan's support is aligned to partner country priorities and effectively draws upon its own experience. Its approach to identifying projects based on partner country requests has helped it to ensure alignment. In Senegal, the review team observed how a strong convergence between Japan's own policy priorities, as articulated in its Country Assistance Policy (CAP), and those of the Senegalese government has enabled Japan to deliver a more focused programme, with a poverty reduction orientation. Similarly, Japan's activities in Indonesia clearly demonstrate its willingness to align its projects with the Indonesian government's priorities, as outlined in that country's strategy and planning documents.

Japan currently does not have the instruments to deliver cross-border regional objectives, although it sets out such objectives in CAPs for several of its partner countries including Senegal. For example, as several neighbouring

	countries are covered from Senegal by both MOFA and JICA, there could be good opportunities to take a more regional approach, and to implement regional programmes in addition to bilateral ones.
Japan uses its aid instruments effectively to match partners' needs and capacity, but use of country systems should be its default approach	Japan makes good use of instruments, consisting of grants, technical co-operation and concessional lending, to match partner countries' needs and capacity. There are welcome flexibilities within instruments, as seen, for example, in Japan's loan modality in Indonesia. The skills and expertise Japan brings through its programming is responsive to need. In particular, its model of technical co-operation is robust and widely valued by its partners (Chapter 2). Project-based assistance continues to be Japan's preferred approach for delivering aid. Still, it is exploring ways to move away from stand-alone projects towards a more holistic approach, for example by integrating project aid in programme-based approaches (as the review team observed in the education and health sectors in Senegal and in the Metropolitan Priority Area for Investment and Industry Master Plan in Indonesia). Japan has also more than doubled bilateral aid channelled through general budget support (grants and loans), from USD 67 million in 2011 to USD 167 million in 2012. While the proportion of its budget support remains small, this illustrates how its implementation is able to evolve in line with aid effectiveness principles. Japan should continue to review and incentivise the flexible combination of and synergies between the three funding schemes (loans, grants and technical co-operation). More programme-based approaches could facilitate the complementary use of a mix of instruments towards common goals. This is also a lesson from some evaluations of Japan's country assistance (see, for example, Cuba in MOFA, 2013c: 15). More efforts are also needed to increase the use of country systems wherever possible: 63% of Japan's aid flows to governments were reported on partner countries' budgets, according to the Global Partnership monitoring survey (OECD/UNDP, 2014). This proportion was only 6% in Senegal. Where country systems are not robust, as in Senegal, Japan should identify the weaknesses of, and build capacity in, country systems jointly with other development partners. This would be consistent with its support to self-help in developing countries.
Japan should look for opportunities to reverse the decline in untied aid	Japan reports that 100% of its ODA covered by the 2001 DAC Recommendation on Untying ODA is untied. The DAC average is 90%. In terms of Japan's total bilateral ODA (excluding administrative and in-donor refugees costs), the share of untied aid in 2012 was 71%. This is below the DAC average of 79%. It also reflects a steady fall in Japan's untying ratio since its highest level of 84% in 2008. Japan does not report the tying status of its technical co-operation. If technical co-operation were excluded from the calculation, the share of untied aid in 2012 would have been 86%. Japan argues that tying its ODA contributes to transferring Japan's technology, knowledge and experiences. For DAC members as a whole, aid untying has held up well, even increasing since 2010 despite growing pressure on aid budgets. In respect of the commitments made in Accra and Busan to untie more aid, Japan is one of two DAC members that have interpreted these as limited only to ODA covered by the Recommendation. It thus considers it fully meets the Accra/Busan commitments. In addition, following the review of the extension of the coverage of the Recommendation to the non-LDC Heavily Indebted Poor

Countries (HIPC) in late 2013, Japan was the only DAC member that did not agree to a further five year extension of that provision and now therefore reserves the right to use tied aid as part of its ODA to this group of countries.

While reporting of the tying status of technical co-operation is not mandatory, most DAC members do so, either fully or almost fully. Japan's lack of reporting hinders a more accurate calculation of the tying status of its own aid as well as more accurate comparisons with other DAC members. Moreover, for the purposes of monitoring the Untying Recommendation, all donors agreed to report the tying status of technical co-operation to the countries covered by it, although this does not oblige members to untie it. Again Japan has not complied and is encouraged to do so. In addition, Japan reports aid that must be procured through Japanese prime contractors as untied, whereas some other DAC members report this type of aid as tied. A discussion in the DAC is needed to establish how the tying status of such aid should be reported. The above issues were all raised in the previous peer review of Japan with, however, no further progress to date.

As the review team observed in Tokyo and Indonesia, there is a clear emphasis on deepening private sector engagement in Japan's aid programme (Chapter 1). As Japan rolls out new private sector strategies and instruments, it should do so in line with commitments made in Accra and Busan on untying more aid. Given expanded interest in the DAC on how to partner more effectively with the private sector, Japan could usefully learn from and contribute to a wider DAC discussion on the costs of tying and benefits of untying aid channeled through instruments that DAC donors are increasingly deploying and study more effective ways of using ODA to support private sector development in partner countries.

Japan does not attach conditions

Japan transparently negotiates agreements with partners. In doing so, it does not appear to attach any pre-conceived conditions, results based or otherwise. This reflects its distinct approach to development co-operation built around the principles of self-help and non-intervention (Chapter 2).

Risk management should be made a more integral part of Japan's aid strategy

Risk is analysed in some aspects of Japanese development co-operation. However, there does not appear to be a comprehensive risk assessment and management process in its aid strategy. For example, JICA's country analytical work, which forms the basis of each CAP, does not appear to include comprehensive assessment of risk. Japan could make risk management a more integral part of Japan's strategy, policy and operations (especially important for Japan's work in fragile states). This could allow Japan to bring more proportionality to its programme, differentiating procedures and delegated authority, according to different categories of risk.

Japan adheres to the 1996 DAC recommendation on anti-corruption and is a State Party to the OECD Anti-Bribery Convention. In the wake of a 2008 bribery case linked to a major ODA-financed infrastructure project in a developing Southeast Asian country, Japan has made broader structural reforms related to ODA, including the strengthening of JICA's Rules on Sanctions against Persons Engaged in Fraudulent Practices in Projects of ODA Loan and Grant Aid and the MOFA Guidelines for Measures against a Person Engaged in Fraudulent Practices in Japanese Official Development Assistance Projects by increasing applicable periods of debarment for foreign bribery. Foreign bribery contact points have also been assigned in both MOFA and JICA headquarters and overseas offices.

Despite these measures, allegations of foreign bribery by Japanese companies and citizens in ODA-funded contracts continue to arise, including recent reports that a representative from a Japanese firm confessed to paying kickbacks to foreign public officials in a developing Southeast Asian country to win ODA-funded construction projects worth more than USD 41 million. These reports have not been confirmed by the Japanese authorities. This new allegation provides further cause for Japan to prioritise risk management in its public procurement policy and to ensure that its aid programmes include appropriate risk reduction and due diligence measures. Moreover, Japan's record on enforcing foreign bribery cases has been assessed as insufficient by the Working Group on Bribery in the most recent evaluation of Japan's implementation of the Anti-Bribery Convention implementation report (OECD, 2011). In order to demonstrate its commitment to fighting corruption, Japan should build upon the experience gained in the 2008 bribery case, which resulted in convictions of the Japanese offenders and the debarment of the company convicted of foreign bribery.

Partnerships

Indicator: The member makes appropriate use of co-ordination arrangements, promotes strategic partnerships to develop synergies, and enhances mutual accountability

Japan is open to dialogue and is working with other development partners to ensure aid effectiveness and to scale up development outcomes. It is actively engaging with private sector actors in key priority sectors. Japan is a long-standing leader in supporting South-South co-operation. It uses triangular co-operation strategically and effectively to leverage the knowledge and experience of its partner countries to achieve development results. It has also improved its engagement with Japanese NGOs since the last peer review, but its engagement with civil society in partner countries does not appear to be guided by clear policy or strategic objectives. Japan should strengthen the involvement of partner country NGOs in its development co-operation and support their capacity building.

Japan is working better with other partners and should continue on this path

Japan increasingly works jointly with other development partners to ensure aid effectiveness and to scale up development outcomes. For example, in Indonesia, where donor co-ordination is strongly led by the Indonesian government but appears fragmented, it is positive that Japan has entered into co-financing arrangements with other development partners, namely France, the World Bank and the Asian Development Bank. These appear to be well harmonised and efficient partnerships, using country systems. In Senegal, Japan has partnered with the government in designing small-scale pilots in the education sector and leveraged finance from the World Bank to support subsequent scale-up.

At bilateral level, Japan has formed strategic partnerships with various leading donors. Most recently, JICA and the Agence Française de Développement agreed to deepen their collaboration in food security in Africa, climate change and the post-2015 development agenda. Japan and the United States have also agreed on a joint global co-operation partnership and established a Japan-US senior-level development dialogue mechanism.

The development partners in both Senegal and Indonesia widely appreciated Japan's active engagement with them, and called for Japan to exert more leadership and openness in convening and collaborating with development

partners. Japan could, for example, offer leadership to the donor community in developing sector-wide approaches in both countries, particularly in sectors where it is the lead donor. It could also be more open to supporting projects and programmes initiated or led by other partners.

Consistent engagement in mutual accountability mechanisms is needed

There are a few examples of Japan actively supporting mutual accountability, such as the Tokyo Mutual Accountability Framework which it played a key role in establishing in order to help Afghanistan achieve its development goals (see 5.3.2). In Indonesia, Japan has signed up to a mutual accountability framework, known as the Jakarta Commitment, with the Indonesian government and other donors to help Indonesia implement aid effectiveness principles at national level (Annex C). Japan should consistently engage in joint efforts to promote mutual accountability. For example, in Senegal it has opted not to participate in the government-donor Health Compact, although health is one of Japan's priority sectors for Senegal and one in which it is following a programme-based approach.

Japan is a leader in triangular co-operation and is actively seeking strategic partnerships with a wide range of partners

As recent OECD studies (OECD, 2013a and 2013b) show, Japan has been at the forefront of South-South and triangular co-operation, which is now guided by its Implementation Guideline for Triangular Co-operation (MOFA, 2013b). It is in a leading position in terms of engaging the emerging Asian donors (e.g. Asian Development Forum)[2] and has strengthened its ties with emerging donors in Latin America.[3] For example, since the signing of the Japan-Indonesia Partnership Agreement in 2008, Japan has been helping to nurture Indonesia's long-term ambition and capacity to become a provider of South-South co-operation through knowledge sharing (JICA, 2013).

Japan's efforts in this area have been innovative and pioneering, and are in line with the ambitious commitments on triangular co-operation stipulated in paragraph 31 of the Busan Partnership Agreement. A recent evaluation of Japan's past triangular co-operation highlights emerging challenges and lessons in this area (Box 5.1), which Japan could usefully share with other donors.

Box 5.1 Evaluation of Japan's triangular co-operation

In 2013, MOFA commissioned an independent evaluation of its triangular co-operation activities, selecting Malaysia and Zambia as case study countries. According to the report (NRI, 2013), the effectiveness of results achieved through Japan's past triangular co-operation is sufficiently high. It is consistent with Japan's overall development co-operation strategy and international trends, as well as the policies and needs of its partners – both the provider of South-South co-operation (Malaysia) and the beneficiary country (Zambia).

The evaluation found triangular co-operation to be "a valuable means through which Japan can increase its intellectual contribution to the international community" (MOFA, 2013c). However it also found that Japan's relationship with its partner countries is lacking in strategic elements and needs to be better aligned with its diplomatic policy. Key recommendations included: i) agree a common definition of triangular co-operation that is shared across the whole of government; ii) take a more strategic approach to designing and implementing triangular co-operation projects, taking into account aid effectiveness as well as Japan's foreign policy and national interest; iii) increase the operational flexibility of Japan's triangular co-operation; iv) ensure mutually beneficial co-operation relationships with strategically important emerging donor countries through the use of ODA; and v) elevate and adequately fund triangular co-operation as a key foreign policy tool to help promote and lift Japan's profile in the international arena.

Japan needs to be more strategic in its approach to working with civil society, especially partner country NGO

Japan has improved its engagement with Japanese NGOs since the last peer review, featuring them more prominently in its ODA programme, and should guard against rolling back on this engagement. A substantial engagement with Japanese NGOs could include an exchange of policy directions, drawing on civil society's knowledge and experience. MOFA and JICA could also draw more on NGOs' capacity to improve awareness and promote the concept of global citizenship in Japan.

Japan identifies partner country NGOs as an essential local partner. It has taken actions to maintain enduring relationships and intensify co-operation with these NGOs through, among other things, organising capacity development seminars for them. Local NGOs appreciate Japanese support and efforts to sustain relationships with them. JICA, for example, established a dedicated NGO Desk within its country office in Indonesia to establish ties and foster good relations between Japanese and Indonesian NGOs[4].

Since the last peer review, Japan has taken some positive steps to simplify funding procedures for Japanese NGOs, such as abolishing the requirement to submit daily reports and detailed information about experts engaged. It has also introduced a longer-term and more flexible funding scheme, providing Japanese NGOs with up to JPY 300 million (approximately USD 3.8 million) per project over three years.

However, there does not appear to be clear policy or strategic objectives guiding Japanese engagement with partner country civil society. The review team received the impression that local civil society is not consulted on Japan's strategy and programming, and that dialogue is limited. In addition, for small amounts of money there appear to be high transaction costs and a lack of predictability about how the small grants schemes for local NGOs are managed and co-ordinated. A single-year funding commitment also hampers the sustainability of NGO activities. Finally, MOFA (at embassy level) administers grants for projects implemented by partner country NGOs, while JICA, as indicated above, facilitates dialogue and collaboration between Japanese and partner country NGOs. However, it is not clear how JICA and MOFA are working together in their engagement with local civil society and looking for possible synergies between their NGO support programmes.

Fragile states

Indicator: Delivery modalities and partnerships help ensure quality

Japan's significant and welcome increase in budget for fragile states has not yet been matched by a flexible approach to working in these difficult environments.

A strong focus on context analysis and planning in fragile states, but at the expense of flexibility

Japan reports that it builds its fragile state country assistance policies (1.3.1) around the peace building and state building goals, but it is not clear how this occurs in practice. Instead, Japan uses the same system as in other partner countries, taking the context as the starting point, as required under the Fragile States Principles, and working in areas where it feels it has a comparative advantage. The emphasis is on predictability, with a strong focus on planning (strategies are backed up with annual rolling plans). However, strong predictability comes at the expense of flexibility and realistic expectations, with deviations from set plans and commissioned projects being

	almost impossible despite the fluid nature of these difficult environments. Japan could work with other donors, as it has agreed,[5] to develop internal guidance on how to integrate country-specific peace building and state building goals into its country assistance policies.
Active co-ordination with other donors and the government in Afghanistan, but not in other fragile states	Japan has experience working with multi-donor trust funds in Afghanistan[6] and plays a leading role in the Tokyo Mutual Accountability Framework (mutual commitments between the Afghan government and the international community to support development and governance goals)[7]. It also reports that it supports the Somalia Compact, but it has not yet made any funding pledges to back this support. In other fragile states Japan will share its final country assistance policy with the governments once completed; they are not consulted in the strategic planning process. Working with other donors, for example in the Somali context, to develop a joint risk management framework (thereby enabling support for pooled mechanisms and for developing targets to build national systems) would be a useful next step. Japan might also consider drawing on and adapting its experience of supporting private sector engagement for fragile states.
Some simplified procedures in fragile contexts, but mostly work in parallel projects	Japan works through its own projects in most fragile contexts, and its concerns about fiduciary risk and absorption capacity lead to a preference for Japanese systems for delivery. JICA is the implementing partner of choice, although international partners will be used when JICA staff are unable to work due to heightened security risk. Some tools have been introduced to speed up funding and procurement, including MOFA's grant aid for reconstruction, which features faster disbursements, and JICA's fast track system, which allows simplified procurement of goods and services (including recruitment of technical experts/consultants) for disaster recovery and peace building (MOFA, 2013a). However, Japan needs to take care that its focus on risk mitigation does not prevent it from engaging in programmes that have the potential to deliver substantial benefits, even if these results are not guaranteed or risk free.

Notes

1. Japan announced a series of new commitments in 2013: a USD 14 billion assistance package for Africa over the 2013-17 period (TICAD-V in June); USD 3 billion to support women's empowerment and gender equality over the 2013-15 period (UN General Assembly in September); USD 16 billion in climate finance over the 2013-15 period (Warsaw Climate Change Conference in November); and USD 20 billion to support ASEAN economic integration over the next five years (ASEAN-Japan Commemorative Summit Meeting in December). These commitments, however, are not distinct in that the money committed could potentially be counted several times.

2. The Asian Development Forum is a regional forum, established in 2010, for engaging in dialogue on emerging development issues for the Asia region, mutual co-operation methods, and the region's role in international society. The Fourth Asian Development Forum was hosted by the Government of Indonesia on 13-14 March 2013 in Jakarta. Ten Asian countries (Bangladesh, Cambodia, China, Indonesia, Japan, Korea, Lao PDR, Philippines, Thailand and Viet Nam), the World Bank, the Asian Development Bank and UNDP took part in the meeting. The previous three meetings were held in Seoul in 2010, Tokyo in 2011 and Bangkok in 2012.

3. According to the Memorandum, JICA has signed Partnership Programme Agreements to deliver triangular co-operation with 12 countries: Argentina, Brazil, Chile, Egypt, Indonesia, Jordan, Mexico, Morocco, the Philippines, Singapore, Thailand and Tunisia. Under these agreements, Japan and each partner country jointly implement various development co-operation activities for any given third country (MOFA, 2013a).

4. At the time of writing, JICA has set up NGO Desks to support the activities of Japanese NGOs operating in developing countries in 21 of its overseas offices: 12 in Asia (India, Indonesia, Cambodia, Sri Lanka, China, Nepal, Bangladesh, Philippines, Viet Nam, Malaysia, Myanmar and Lao PDR); 5 in Africa (Ghana, Kenya, Zambia, Senegal and Tanzania); and 4 in Central and Latin America (Argentina, Paraguay, Brazil and Bolivia).

5. Commitment made at the International Network on Conflict and Fragility (INCAF) Director Level Meeting in November 2012.

6. For example, the Afghanistan Reconstruction Trust Fund (www.artf.af/) and the Law and Order Trust Fund for Afghanistan: www.af.undp.org/content/afghanistan/en/home/operations/projects/crisis_prevention_and_recovery/lotfa/.

7. The Tokyo Mutual Accountability Framework (TMAF) establishes an approach based on mutual commitments by the government and the international community to help Afghanistan achieve its development and governance goals. The international community pledged to improve aid effectiveness and provide USD 16 billion in development assistance through 2015 to respond to Afghanistan's predicted budget shortfall following military transition. In return, the Afghan government committed to important economic and governance reforms, including holding credible elections, tackling corruption, improving financial transparency and promoting human rights, including the rights of women and girls:

   www.MOFA.go.jp/region/middle_e/afghanistan/tokyo_conference_2012/tokyo_declaration_en2.html.

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Chapter 6: Results and accountability of Japan's development co-operation

Results-based management system

Indicator: A results-based management system is in place to assess performance on the basis of development priorities, objectives and systems of partner countries

Japan should build on results measurement and management practices at activity level to create a results-based management system and culture. To be able to use results to strategise, plan and budget, it will need to continue efforts to introduce a consistent approach to establishing indicators and setting targets against programme, thematic and country priorities. By doing so, Japan will have a stronger concept of what constitutes success and how to measure performance, drawing on data and systems from partner countries. To this end, it will need to differentiate its approaches to monitoring, review and evaluation, and ensure staff are able to implement these approaches to measuring results through adequate training and resources.

Japan needs a results-based management system and culture

Leadership, strategy, systems and incentives are needed to drive a results-based culture throughout Japanese development co-operation and with respect to staff. A stronger results-based management approach would enable Japan to measure performance and success, and to learn and adapt based on experience.

Japan has systems and tools in place to manage for development results at the level of individual activities. Each activity follows the P (Plan) D (Do) C (Check) A (Follow up) cycle, introduced in 2005 (Figure 6.1). Each uses either the logical framework or project design matrix approach to measure and manage results (MOFA, 2013). The ODA Review Report of 2010 commits Japan to define and disclose concrete outcome targets for each programme or project (MOFA, 2010). During field visits, there was evidence that these approaches are being well internalised by staff and utilised for both projects and programmes.

However, as with other donors, not all projects and programmes appear to have indicators that cover the entire results chain. Measurable indicators and results targets are absent from most of Japan's thematic policy priorities. Moreover, results are not prioritised and measured in country strategies. The lack of measurable indicators in the Country Assistance Policy (CAP) was a key impression from both the Senegal and Indonesia field visits. This limits the extent to which Japan can define success and measure the overall impact and performance of its contribution to partner country development priorities. The third-party evaluation of Japan's assistance to Nepal, for example, also recommended that the CAP include quantitative assistance targets and baseline data "from the perspective of enhancing the strategy and concreteness of the assistance strategy" (MOFA, 2013b: 15).

Japan does not have a systematic approach to results-based management. In the absence of indicators and targets, it is unclear how management is using results information for system-wide strategic planning, performance measurement, risk mitigation and public communications. Japan therefore

needs to introduce measurable objectives, indicators and results targets in its programmes, and country and thematic policies, drawing on the indicators of partners where possible. Progress against these objectives, indicators and targets should be measured regularly. As noted during the last peer review, performance information should be used by the management of both MOFA and JICA, and collectively, to manage risk and to make planning and budgeting decisions.

Results measurement approaches are clear on paper, but greater staff clarity, awareness and capacity are required

Japan has a comprehensive approach to evaluating results. Figure 6.1 below illustrates how this approach is well integrated into the overall PDCA cycle and differentiated according to funding instruments. Japan also has a stated commitment to align with partner countries' own data and systems where possible. Evidence that this was being applied in practice was seen in Indonesia.

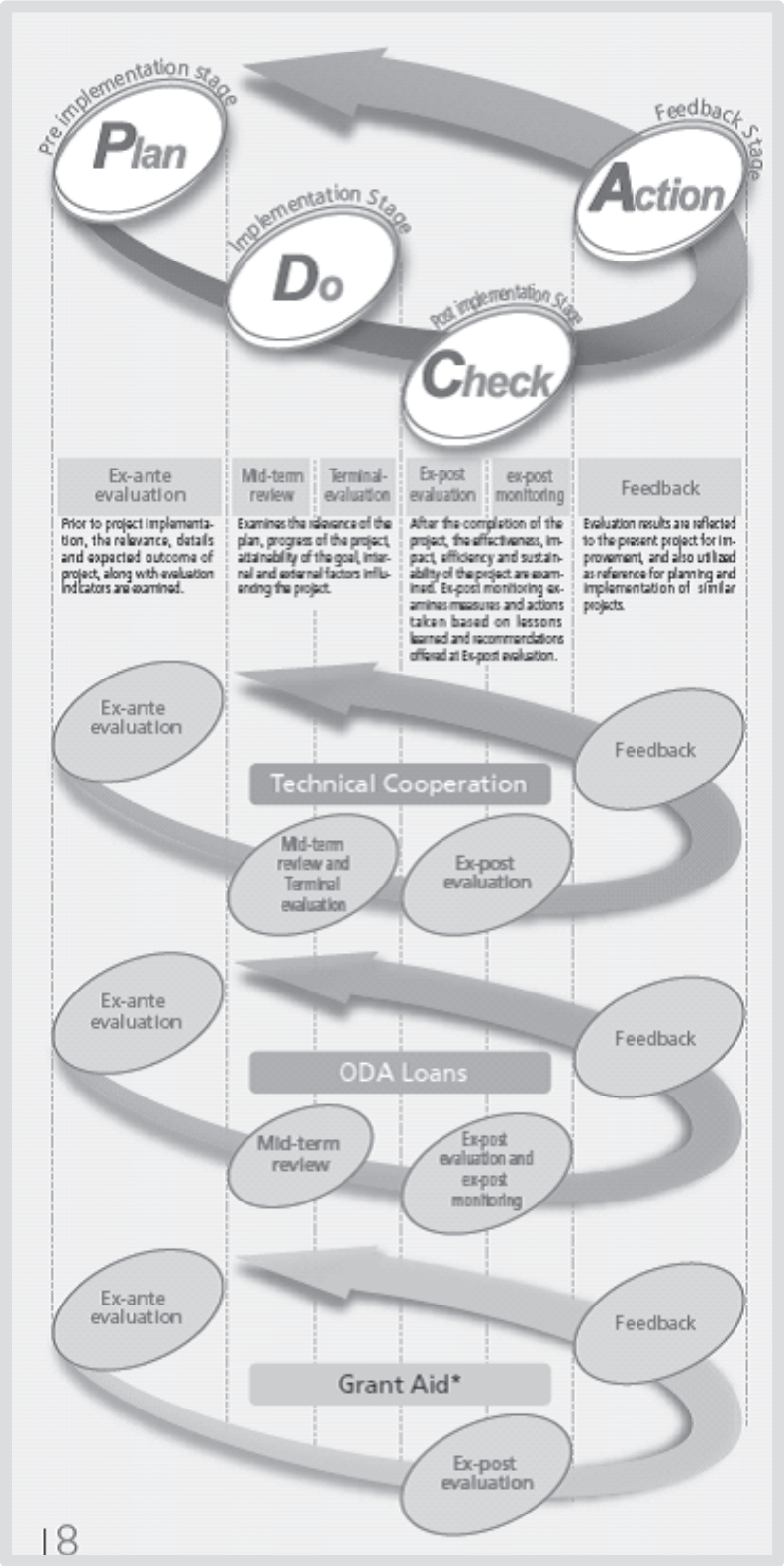
Japan could enhance its results measurement approaches if it provided clearer guidance on the function and form of monitoring and review, as part of the programme management cycle, as it does for evaluation. There was a lack of clarity at field level on how the practical application of monitoring, review and evaluation are distinct from each other, although the conceptual distinctions are well defined in MOFA's guidelines (MOFA, 2013a).

In order to ensure consistent and streamlined application of monitoring, review and evaluation procedures, Japan will need to increase the awareness and capacity of all staff, particularly at field level. This conclusion is echoed in a JICA evaluation of baseline studies for technical co-operation projects, which identified the need to "increase awareness and knowledge of indicators among staff members and experts, and to incorporate information about results-based management and the revision of indicators into various seminars" (JICA, 2013b: 44).

Seeking more appropriate indicators and results for fragile contexts

Japan's programme is focused on delivering concrete outputs; this is also the case in fragile contexts. Visibility, "diplomacy with a Japanese face", is also very important in-country. This is reportedly due to the need to be accountable to the Japanese taxpayer. Pressure to deliver highly visible outputs drives the way the programme is planned and delivered. Staff confirm that it is easier to design and implement a bridge building programme, for example, than to work on soft issues such as land rights. Japan acknowledges that this is a problem, and is currently working on developing more appropriate indicators for fragile contexts; this is encouraging. JICA has a new guideline for evaluating programmes in fragile contexts, which also includes projects aimed at conflict prevention (MOFA, 2013). Japan could also explore ways to develop local monitoring capacity in fragile contexts, and perhaps engage in joint monitoring of results where this option is available.

Figure 6.1 Japan's PDCA cycle



Source: JICA, 2010

Evaluation system

Indicator: The evaluation system is in line with the DAC evaluation principles

Japan has comprehensive evaluation policies and guidelines, incorporating the DAC Principles. More independence has been injected into MOFA's evaluation system. JICA would benefit from being more strategic in its evaluation coverage, based on an assessment of risk or a need to learn, and from an imperative to use the findings of evaluations. Both MOFA and JICA need to enhance the skills of staff to design, conduct and use evaluations. Japan should also continue and enhance its efforts to develop evaluation capacity among partners.

Evaluation is in line with the DAC Principles and with strengthened independence

The approach to evaluation of MOFA and JICA is guided by sound policy and guidelines, in line with the DAC Principles for Evaluation of Development Assistance (JICA, 2010 and MOFA, 2013a). MOFA carries out policy and thematic evaluations, while JICA carries out project, programme and thematic evaluations (including a small number of impact evaluations).

As recommended during the last peer review, Japan has strengthened the independence of the evaluation function in MOFA by moving it inside the Minister's Secretariat as a Division headed by an evaluation specialist recruited from outside MOFA. An Advisory Committee on Evaluation was also established in 2010, including experts from international organisations, academia, NGOs, media and the private sector. This committee is intended to enhance the quality of JICA's evaluations, strengthen the feedback on evaluation results and better ensure evaluation accountability.[1]

Prioritisation, more resources and deeper skills would maximise the value and use of evaluations

A more strategic approach to what to evaluate, based on an assessment of risk or a need to learn, would allow Japan to get the most out of its evaluations. To this end, evaluations would need to be well resourced, managed by appropriately trained staff,[2] and form part of an overall learning culture across both MOFA and JICA.

For example, JICA currently evaluates all interventions over USD 2 million. This amounts to approximately 180-200 ex-post evaluations a year, with only ten dedicated staff working on ex-post evaluations in Tokyo. There is some investment in training these staff, but there is a lack of in-depth evaluation expertise. With the lack of prioritisation, and limited in-house expertise, the value of evaluation for organisational learning and decision-making inevitably weakens. It may also become more challenging to guarantee the consistent quality of all evaluation work. The introduction of criteria for prioritising its evaluation activity might help JICA address these challenges. This was also a recommendation of the Advisory Committee on Evaluation.[3]

MOFA, on the other hand, with a declining evaluation budget and staff constraints, is more selective. The unit conducts eight to ten policy level evaluations a year, as part of an annual evaluation plan that selects target countries, priority issues, aid modalities and sectors as well as types of evaluations.[4] These are all commissioned to external experts. This selectivity encourages stronger use of evaluation findings. However, MOFA should carefully consider whether it is giving sufficient coverage across the portfolio to support organisational learning and improvement.

To improve the quality and impact of evaluation, both MOFA and JICA should continue to increase the frequency and coverage of the training they offer to staff to improve their understanding of, engagement with and use of evaluation (as noted also in 6.1.2). This should be a priority, as the trend of increasing use of internal evaluations (e.g. 73 out of a total of 180 in FY2011, led by field staff) looks set to continue.

A positive focus on evaluation partnerships and capacity

Japan provides strong examples of developing evaluation partnerships and capacity development initiatives. Joint ex-post-evaluations were conducted on 11 loan projects with Vietnam in 2007-10 and on 15 loan projects with the Philippines in 2007-11. Joint ex-post evaluations were also conducted with India and Indonesia in 2006. There have been partner country-led evaluations of Japanese ODA to the education sector in Mozambique (2011) and to the water sector in Senegal (2010). MOFA holds annual ODA Evaluation Workshops, inviting government officials and experts from Asian and Oceanic countries, with the expressed purpose of developing evaluation capacities in those countries. The last one was held jointly with the Government of the Philippines in Manila in November 2012.[5]

Building on this long tradition, Japan could seek to increase those practices targeted specifically at evaluation capacity development. It was observed in Senegal, for example, that there was a clear demand from country partners for Japan to support much needed evaluation capacity building.

Institutional learning

Indicator: Evaluation and appropriate knowledge management systems are used as management tools

Japan has developed its evaluation feedback systems, which are positively impacting on accountability for and the transparency of evaluation. It publicly responds to evaluation recommendations through annual evaluation reports. Japan also proactively shares approaches and findings at partner country level. These advances are underpinned by leadership supporting, and stronger systems for, knowledge management.

Japan has good evaluation feedback mechanisms, transparency and dissemination

Japan has created a number of evaluation feedback mechanisms that are enhancing accountability and transparency. These include the Advisory Committee, the Internal ODA Evaluation Feedback Meeting, and the Development Project Accountability Committee.[6] There is also an annual Inter-Ministerial Liaison Meeting on ODA Evaluation to ensure mutual learning and accountability on ODA across the whole of government.

MOFA management issues responses and "countermeasures" to all policy evaluation recommendations. Many (but not all) recommendations from evaluations now specify which divisions are responsible and on what timeframe. Since 2010, MOFA's response measures and follow-up efforts are published in the Annual Report on ODA Evaluation (MOFA, 2013b). JICA's public Annual Evaluation Reports also synthesise lessons learned from ex-post evaluations, and transparently discusses projects that are "cited as having issues in ex-post evaluation" (JICA, 2013b), including actions planned in response to recommendations, and a "review of suspended Japanese ODA loan projects". This is an extremely comprehensive and transparent effort

with respect to reporting on evaluations.

The annual ODA Evaluation Workshop and country-level "seminars on the evaluation of Japanese ODA projects" engage partners and other stakeholders in evaluation results and lessons, leading to the impression reported by partners during the field visits that Japan has become more proactive and effective in sharing information. For example, Japan engages development partners in annual reviews of its country programme in Senegal.

Japan is showing advances in knowledge management

Both MOFA and JICA place a strong emphasis on knowledge management. There is a JICA database in which evaluation findings are categorised by sector. JICA has developed an online "Knowledge Site".[7] It is also currently designing 19 knowledge networks that will facilitate stronger transfers of knowledge and lesson learning. With a stronger results-based management system and clearer prioritisation of evaluations, these knowledge management initiatives have the potential to be used increasingly as management tools for future planning and decision-making.

Communication, accountability, and development awareness

Indicator: The member communicates development results transparently and honestly

Japan places a strong emphasis on shoring up domestic support for ODA. It needs to take a strategic approach to achieving this goal and provide adequate resources. Japan should emphasise its unique contribution to development results as it reaches out to different Japanese stakeholders. It will need to build on its recent efforts to become a more transparent donor, in line with the Busan standard on transparency.

Japan needs a well-resourced communications strategy

As Japan marks the 60th anniversary of its Official Development Assistance, and in order to build on the public goodwill created by the international response to the Great East Japan Earthquake and tsunami, a more systematic, better resourced and better targeted approach to communications, based on the achievements of Japan's development co-operation, could enhance domestic development awareness and engagement.

Japan regularly conducts opinion polls on public perceptions of its aid programme, the latest of which was in 2013. Public support for an increase in ODA rose from 18.7% in 2004 to 31.5% in 2010. However, it fell to 27.4% in 2011. In 2011, nearly 75% of people indicated some support for ODA, either through maintaining current levels or increasing them, against 20% who wished to see ODA reduced or abolished.[8] Despite these steady trends, the ODA Review of 2010 was partly initiated in recognition of the fact that "Japan's ODA has not gained sufficient sympathy from the public" (MOFA, 2010). The emphasis from that review, and practical actions since, represent an attempt to increase the accountability, visibility and national interest messaging around ODA.

A number of innovative and varied initiatives, including with civil society, are cited in the Memorandum for engaging the public. The JICA Global Plaza, for example, was established in Tokyo in April 2006 as a hub for "citizen participation in international co-operation" with the aim of improving public awareness.[9] MOFA and JICA also jointly run the ODA *mieru-ka (*"visualising") initiative to increase the visibility of Japanese aid and to consolidate available online information.[10] It currently covers approximately 1800 projects, comprising recent technical co-operation (over USD 2 million), loans and grants.

However, these initiatives are not brought together by a strategy that seeks to target different audiences with different messages or approaches. MOFA's communications budget has been cut by a quarter compared to ten years ago. JICA's communications budget is also gradually decreasing. Both have a small number of staff working on communications, largely without any specialist communications skills.

Furthermore, in line with the observations concerning results-based management, communications materials such as the MOFA ODA White Paper, JICA Annual Report and MOFA and JICA Annual Evaluation reports (JICA, 2013b, 2013c; MOFA, 2013a, 2013b) do not in the main communicate headline results. They are more focused on priority areas by theme, region or country, and on reporting inputs and activities.

Continued efforts are needed towards transparency

Since 2011, Japan has endeavoured to enhance transparency through the publication of more country-level project information. However, both MOFA and JICA have been overtaken by other organisations that have started publishing more comprehensive, accessible and timely information in useful machine-readable formats. Japan will need to keep pace with changes in the global transparency landscape if it is to comply with the Busan standard by 2015.

Notes

1. Minutes from meetings of the Advisory Committee on Evaluation can be found at: www.jica.go.jp/english/our_work/evaluation/advisory/index.html.
2. JICA has 23 staff in its evaluation unit, with a budget of USD 9 million. There are only four or five in-house evaluation experts. There are nine staff in the MOFA evaluation unit, half of whom are diplomats rather than evaluation experts. There is a budget of USD 1.6 million.
3. See page 47 of JICA's Evaluation Guidelines (JICA, 2010).
4. MOFA evaluations in 2012: Country assistance (Cuba, Malawi, Nepal, the Palestinian Authority); Priority issue (gender and triangular co-operation); Aid modality (Japan disaster relief team); Sectoral (health sector in Cambodia) (MOFA, 2013b).
5. Documentation from ODA Evaluation Workshops can be found at: www.mofa.go.jp/policy/oda/evaluation/seminars_and_workshops/.
6. The Development Project Accountability Committee was established in 2011. It meets once every two months. MOFA and JICA have open discussion with six external experts from NGOs, the business sector, the academic sector and the press before feasibility studies of each new grant aid or loan aid project are implemented. Perspectives of the experts and past experiences are incorporated in the implementation of new projects, thus strengthening the effectiveness and transparency of the PDCA cycle.
7. JICA's Knowledge Site: http://gwweb.jica.go.jp/km/FSubject1601.nsf/NaviSubjTop?OpenNavigator.
8. For more information on the public opinion surveys, see: http:www8.cao.go.jp/survey/h25/h25-gaiko/zh/z24.html and http://www8.cao.go.jp/survey/h23/h23-gaiko/2-2.html (Japanese only).
9. JICA Global Plaza: www.jica.go.jp/hiroba/english/.
10. "ODA *mieru-ka* site": www.jica.go.jp/oda/ (Japanese only).

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doi: 10.1787/9789264098305-en.

Chapter 7: Japan's humanitarian assistance

Strategic framework

Indicator: Clear political directives and strategies for resilience, response and recovery

Japan remains a global leader in disaster risk reduction, with respect to advancing the international agenda and its own programmes; other donors could learn from Japan's approach in this area. Its new policy framework for humanitarian assistance covers complex crises and disasters, and complies with good practice, although this has not led to a fundamental change in how Japan approaches humanitarian aid. Policy commitments to complex crises in Africa add an extra dimension – and new challenges – to the programme. The overall budget remains substantial, although it is declining. Despite continuing good practice in disaster recovery, Japan needs more special tools to support recovery from complex crises.

A new policy, and greater awareness of the humanitarian programme

Japan has finalised a new humanitarian policy (MOFA, 2011) that covers both disaster and conflict situations and applies the Principles and Good Practice of Humanitarian Donorship (GHD, 2003), implementing the 2010 peer review recommendation. This new policy, together with the traumatic 2011 Great East Japan Earthquake and tsunami, have helped raise awareness of Japan's humanitarian programme across MOFA, but has not fundamentally changed the way that Japan approaches its humanitarian programme. The National Security Strategy (Japan, 2013) also makes several references to humanitarian assistance, including disaster risk reduction (7.1.3) and disaster response (7.3.2), areas where Japan builds on its domestic experiences and demonstrates strong international leadership. Moreover, Japan has made policy commitments to Africa through the Tokyo International Conference on African Development (TICAD) (Chapters 1 and 2). This has led to more funding for complex crises in Africa (7.2.1), both these areas – complex crises and Africa – bringing new challenges for Japan. Partners were not consulted on the humanitarian policy.

Effective support to disaster recovery, but no special arrangements for complex crises

Japan's new policy commits it to facilitate a smooth transition, and this is certainly the case in disaster response, where it uses innovative approaches to ensure a fast start to recovery. Tools include a contingent credit line called SECURE (Standby Emergency Credit for Urgent Recovery), which gives governments immediate access to funds after a natural disaster (when liquidity constraints are usually the highest), based on pre-existing agreements. Japan also sends recovery experts with its first response teams when disasters occur (Box 7.1), which is good practice. In the case of complex crises, however, Japan would benefit from more special tools to support recovery, although earmarking only to the country (and not project) level helps some partners incorporate recovery aspects in their programmes. However, humanitarian partners report that it is difficult to engage with development funding channels inside MOFA, complicating access to longer-term recovery funding.

Global leadership and influence in disaster risk reduction

Japan makes good use of its extensive knowledge and long history of disasters, including the devastating 2011 Great East Japan Earthquake and tsunami, to drive the global agenda on disaster risk reduction and comprehensively incorporate risk reduction elements across all its programming. The National Security Strategy commits Japan to international leadership on disaster management, consolidating its international commitments to human security.[1] On the global stage, Japan champions the Hyogo Framework for Action (UN, 2005) and will host the third United Nations World Conference on Disaster Risk Reduction in Sendai, where the global community will agree the post-2015 framework for disaster risk reduction (Box 3.1). Risk reduction is also an important pillar of Japan's own co-operation programme. Dedicated risk reduction programmes are funded through concessional loans, grants and public private partnerships, supported by JICA technical experts, to facilitate the sharing of Japan's superior experience and knowledge in this area. Other development projects are systematically disaster proofed, using tools such as JICA's disaster risk assessment and adhering to JICA's disaster management policy (JICA, 2012), which outlines the link between resilient societies and sustainable development. Risk reduction targets all layers of society, from governments down to local authorities and communities. Japan clearly has good experience to share with other donors in this important area.

A substantial but decreasing budget, with increased earmarking and less predictability

Japan's humanitarian budget comes from two sources: the regular budget, including un-earmarked funding for UN agencies and the emergency response reserve; and the supplementary budget, voted for in many cases in February and earmarked for specific "unforeseen needs", ironically including complex crises despite these crises being mostly long-term events. The overall humanitarian budget volume (regular plus supplementary) is decreasing due to the difficult domestic fiscal situation, the impact of the 2011 disaster and devaluation of the yen (Chapter 3). Indeed, many partners have seen their allocations drop by around 40% in 2013-14. Humanitarian aid also has tied components including, for example, the requirement to purchase some Japanese food commodities (Chapter 5). However, the budget remains substantial; Japan was the third largest DAC humanitarian donor in 2012, reporting commitments of USD 740 million.[2]

Effective programme design

Indicator: Programmes target the highest risk to life and livelihood

Overall funding criteria have shifted to mirror new policy commitments, including to Africa; however, the decision-making process – especially on what and who to fund – could benefit from greater transparency. There is a direct link between disaster early warning and early response. Japan is also working to include affected women in disaster response programming more systematically. Both these areas are less developed, however, in complex emergency situations.

National interest and policy commitments, backed up by embassy input, drive decision-making – but the process could be more transparent	Policy instruments and national interest guide Japan's humanitarian criteria. The Tokyo International Conference committed Japan to increase its focus on Africa; the Security Strategy highlights the need to address the situation in Syria as part of Middle East stability, which is necessary for energy security; and there are disaster risk reduction commitments. The humanitarian policy prioritises timely and efficient delivery through the "most appropriate" package of bilateral and multilateral contributions. In practice, input from local embassies is very important when deciding who, what and where to fund. Partners report that the number of Japanese staff in their organisation, and the number of senior-level visits to Japan, also seem to be important factors in funding negotiations. Japan must also take care that its desire to keep its citizens safe does not prohibit Japanese humanitarian professionals from working in active conflict environments. Partners agree that a more transparent funding decision process would provide greater predictability and thus improve impact on the ground.
Early warning leads to early disaster response	Japan monitors disaster early warning systems closely, and its embassies also maintain a crisis watching brief. In disaster situations this leads directly to rapid response (Box 7.1). As is the case with other donors, links to early funding for complex crises are not clear.
Learning lessons about beneficiary participation	Lessons from domestic crisis response – particularly related to the 2011 triple disaster – have shown Japan the need to include women more systematically in disaster response programming. Overall, bilateral response is good; an evaluation of Japan's Disaster Relief Teams (JDRTs) noted their close relationship with people affected by disasters and recommended that this continue (MOFA, 2012). In other situations (i.e. complex crises) Japan promotes participation by affected communities through its partners' programmes (MOFA, 2013).

Effective delivery, partnerships and instruments

Indicator: Delivery modalities and partnerships help deliver quality assistance

Japan has a highly respected disaster response system and is clearly a world leader in this area. There is close co-ordination with other donors for disaster response in Asia. Japan is also becoming a better partner to Japanese NGOs and international organisations, although there are a number of areas for improvement, especially with respect to transaction costs and the predictability and flexibility of funding. Sourcing the majority of the funds for complex crises from the supplementary budget results in tight earmarking, unpredictability and short-term timeframes – creating significant obstacles to effective funding in these difficult situations. It is clear that the increased focus on humanitarian response in Africa will require different tools and greater budget predictability.

Tight earmarking, lack of predictability and short-term timeframes are significant obstacles to effective response to complex crises

Much funding for complex crises comes from the supplementary budget, which is highly political with conditions that result in tight project earmarking, unpredictability, and short-term timeframes.[3] International good practice shows that multi-annual funding works best for these long-term crisis situations. However, Japan has yet to make any multi-annual commitments. Instead there is pressure on partners to disburse their budgets by each December, a condition of the supplementary budget allocation. Conditions are strict; if projects cannot be completed within the allotted time frame, international organisations must either return funds or in some cases may ask for a grant extension. There is some core funding to United Nations agencies, but the amounts are small and declining. All this creates significant obstacles to the effective funding of complex crisis response, which is unfortunate given Japan's new policy commitments to crises in Africa. Shifting funding for these complex crises to the regular budget could be a useful next step.

A highly respected disaster response system

Japan has a highly respected disaster response system and the right tools and partnerships to ensure rapid and appropriate crisis response. Funding comes from a reserve taken from the regular budget, with additional funds through JICA and the Ministry of Defence for the JDRTs,[4] which are recognised as world class (MOFA, 2012). NGO partners access rapid response funds prepositioned with the Japan Platform umbrella body (7.3.3), with pledges possible in 72 hours – much quicker than using MOFA's standard NGO grant process. Other grants, for international organisations, are made available in response to flash appeals. Grants and loans are also provided directly to affected governments to support recovery efforts. In addition, Japan meets its humanitarian policy commitment to fund the Central Emergency Response Fund, with modest annual contributions of around USD 3 million. Finally, it manages six warehouses of in-kind relief supplies around the world. These tools were all used successfully to support the response to Typhoon Haiyan in the Philippines (Box 7.1).

Box 7.1 Japan's response to Typhoon Haiyan

Typhoon Haiyan was an exceptionally powerful tropical cyclone that devastated parts of Southeast Asia, particularly the Philippines, on 8 November 2013. Over 11 million people were affected, with many left homeless.[1]

Japan was ready to respond well before Typhoon Haiyan struck, based on information received through international early warning systems. Japanese experts (through JICA) were immediately seconded to United Nations Disaster Assessment and Co-ordination (UNDAC); they were en route to the Philippines before the typhoon made landfall. Japan then contacted operational partners; Japanese NGOs were asked to email emergency proposals through the Japan Platform umbrella body, and international agencies were offered funding support. Approval for Japanese NGO projects was provided in under three days, and USD 20 million was allocated to international partners in support of the Flash Appeal, mostly for short-term projects.

On the bilateral side, Japan offered its Search and Rescue and Medical Teams to the Philippines government. Following approval, the Medical Team, comprising volunteer hospital staff on standby around Japan, was flown to the affected area and was on the ground in less than 24 hours. Japanese staff working on development projects advised the incoming disaster teams and helped with the subsequent handover to local authorities. The Self Defense Forces also responded with aircraft and medical teams, which focused on transportation of relief goods and affected people, vaccination and other disease prevention tasks. The Ministry of Infrastructure provided telecommunications experts to restore important communications services, and the Coast Guard was dispatched to repair offshore electricity plants. A Japanese infrastructure expert was sent to advise counterparts in the Philippines government on infrastructure rehabilitation. Japan also provided stocks from its warehouse in Singapore to the Philippines government, which organised their distribution to affected communities.

(1) More information on Typhoon Haiyan is available at http://reliefweb.int/disaster/tc-2013-000139-phl.

Source: Peer review team discussions with Japan in Tokyo.

Japan is becoming a better partner, but there are a number of areas for improvement

Japan has made progress on the partnership front since the last peer review, but a number of areas for improvement remain. International organisations report that staff in permanent missions and MOFA are very supportive, facilitating the overall relationship. However, a number of unusual requirements lead to high transaction costs, which Japan could endeavour to reduce. These include the requests for some UN agencies to have an office in Japan, and for regular (at least annual) senior-level UN official visits to Japan, and continued pressure on agencies to hire Japanese nationals as staff. On the funding side, partners report a lack of predictability and no budget envelope indications, a drop in core funding, and pressure to disburse grants rapidly, linked to the requirements of the supplementary budget process (7.3.1). Partners are also required to submit individual project proposals in the Japanese (rather than agency) format. Earmarking has improved, however, with some earmarks now at the country rather than sector and project level. Finally, there is a high level of requests for supplementary information. MOFA says that international organisations have not raised issues concerning the administrative burden with them.

The Japanese Platform umbrella body groups Japanese humanitarian NGOs, representatives of the private sector and MOFA staff for regular dialogue and rapid response funding. This could be a model for public-private partnership in humanitarian assistance, although partners regret the limited input from the private sector on humanitarian issues.

Close donor co-ordination in Asia

The humanitarian policy states that Japan will make efforts to build a close-knit network of donors. Japan reports close co-ordination with China and Korea, and notes its special relationship with the United States for disaster relief, reconfirmed in 2013. It also regularly attends regional disaster response simulations with ASEAN countries.

Organisation fit for purpose

Indicator: Systems, structures, processes and people work together effectively and efficiently

Whole-of-government systems appear to function adequately, and civil-military co-ordination appears to conform to international good practice despite a lack of active safeguards. Partners consider staff to have an appropriate understanding of humanitarian issues, but would prefer lower staff turnover rates to avoid the need to regularly rebuild relationships.

MOFA is the lead government actor

In Tokyo, MOFA takes the lead in humanitarian assistance, centralising and sharing information and requesting support from other government departments. In the field, the ODA Task Force (Chapter 1) does not play a role in emergency response but will help with priority-setting for post-disaster recovery.

No concerns exist about civil-military co-ordination

The 2010 peer review recommended that Japan promote dialogue between humanitarian and defence actors to uphold the impartiality of Japanese humanitarian assistance. Although there has not been any active dialogue, the new humanitarian policy recognises international good practice in civil-military co-ordination (IASC, 2008; OCHA, 2007), and commits Japan to participate in international dialogue and joint training. Japan also insists that all deployments of the Self Defence Forces are made following a request from MOFA and are under civilian command. Thus, although there are no systematic safeguards in place, no concerns were raised during this peer review about the principled nature of Japan's civil military response system.

Some concerns related to staff turnover

Humanitarian staff include the secretariat of the Japanese Disaster Relief team, housed at JICA, a core team of 16 staff at MOFA, and staff who liaise with international organisations, seconded from the Ministry of Justice to Permanent Missions. Some training is available, mostly in disaster response. Partners are satisfied that staff understand humanitarian issues but are concerned at the frequent turnover, which requires regular rebuilding of relationships, including the understanding of individual agencies' processes and mandates.

Results, learning and accountability

Indicator: Results are measured and communicated, and lessons learnt

Monitoring partner results and its own performance as a good humanitarian donor are not high priorities for Japan. Instead, monitoring focuses heavily on bilateral responses and on partner disbursement rates, driven in turn by the conditions of the supplementary budget. There are clear commitments to transparency of the programme, but more could be done to share results with the public and other key stakeholders.

No plans to monitor performance as a donor	The Japanese Disaster Relief Team's performance was evaluated in 2012 (MOFA, 2012) and the recommendations are currently being implemented. The peer review team was also made aware of discussions on a proposed evaluation of Japan as a humanitarian donor in 2014. A first step to support such an evaluation in the future would be the identification of verifiable indicators for its humanitarian objectives and strategies in a similar fashion as described in Chapter 6.
Monitoring focuses more on disbursements than results	There is a significant administrative burden on partners, which are required to submit individual project reports and provide regular updates on their disbursement rates. It appears that Japan monitors disbursements more closely than actual results achieved through its humanitarian funding. Partners are also required to provide photographs of Japanese funded projects. Japan could usefully recalibrate its monitoring to focus more clearly on results and less on disbursements.
Committed to transparency, Japan could be more proactive in sharing results	The humanitarian policy commits Japan to make humanitarian assistance more transparent and to be fully accountable to the public, including through sharing the results of programme monitoring and making other relevant information available. MOFA publishes the results of evaluations on its websites and holds regular seminars on humanitarian assistance with international organisations, JICA and NGOs (MOFA, 2013). The humanitarian policy and details of recent grant decisions are available on the ministry's website, but MOFA could be more proactive about sharing the results of its humanitarian programme.

Notes

1. Refer to UN General Assembly resolution A/66/L.55/Rev.1.
2. Figure reported as commitments in USD current prices.
3. The supplementary budget is proposed in December, approved in February, and must be fully disbursed by December of the same year.
4. There are four teams able to meet requests from disaster affected countries: (i) the Search and Rescue Team, with International Search and Rescue Advisory Group (INSARAG) heavy classification; (ii) the Medical Team; (iii) the Expert Team, which provides technical advice or guidance on emergency response measures and post-disaster recovery; and (iv) the Self Defence Force Unit. The teams are managed by JICA. More information is available at www.jica.go.jp/english/our_work/types_of_assistance/emergency.html.

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Annex A: Progress since the 2010 DAC Peer Review recommendations

Key Issues: Strategic orientations

Recommendations 2010	*Progress in implementation*
Update its policy framework, to refer specifically to Japan's commitment to aid and development effectiveness and to policy coherence for development. The process could also be used to increase the substantive engagement of members of the Diet (parliamentarians) and other stakeholders.	**Not implemented**
Adapt its development co-operation to suit situations of conflict, fragility and poor governance, using written strategies drawing on Japan's own experience and the lessons collected by the wider donor community.	**Not implemented**
Take a more systematic approach to considering environmental issues in non-environmental expenditure through (i) consolidating screening process to ensure opportunities and challenges are identified and followed up; and (ii) greater use of SEAs (Strategic Environmental Assessment) in the formulation and assessment of development policies, plans and programmes.	**Implemented**

Key Issues: Development beyond aid

Recommendations 2010	*Progress in implementation*
Use a policy statement on policy coherence for development to raise awareness, and improve the understanding of the concept amongst government ministries and agencies, the Diet and the wider public. It can then use its existing inter-ministerial co-ordination mechanisms to implement and monitor this policy statement.	**Not implemented**
Strengthen capacity within the government for monitoring, analysing and reporting coherence issues and make more use of independent analytical capacity (research institutes, universities) for exploring the development impact of Japanese policies. Japan should share its lessons from progress in this area with other DAC members.	**Not implemented**

Key Issues: Aid volume, channels and allocations

Recommendations 2010	*Progress in implementation*
Set a timeline for increasing volumes to regain ground lost over the previous decade and make progress towards meeting the UN target of 0.7% ODA/GNI and other existing commitments. To support this Japan should obtain political backing for an indicative multi-year framework for all of ODA and broadly how it will be allocated.	**Not implemented**
Review its ODA portfolio to ensure that it meets the requirements of the DAC Recommendation on the Terms and Conditions of Aid in all future years.	**Implemented**
Agree a formal strategy for multilateral aid to help to guide allocation decisions. Give more weight to core funding of those multilaterals which are effective and aligned to Japan's own priorities rather than earmarked funding and the use of separately administered funds.	**Implemented**

Key Issues: Organisation and management

Recommendations 2010	*Progress in implementation*
Review the horizontal and vertical divisions of labour within the system, i.e. whether MOFA can delegate more implementation responsibilities to JICA, and whether they can both delegate more decision-making authority to the field.	**Implemented**
Harmonise and streamline its procedures across the three main channels or schemes: grants, loans and technical co-operation. Within the grant scheme, Japan should further harmonise and streamline the procedures for sub-schemes, most notably its various NGO funding procedures.	**Partially implemented**
Invest in increasing staff capacity – particularly through training – to ensure field teams have the competence and support to manage all three channels and to find synergies among them. Ensure training and documents are accessible to all key people in the field, including non-Japanese speakers.	**Partially implemented**

Key Issues: Aid effectiveness and results

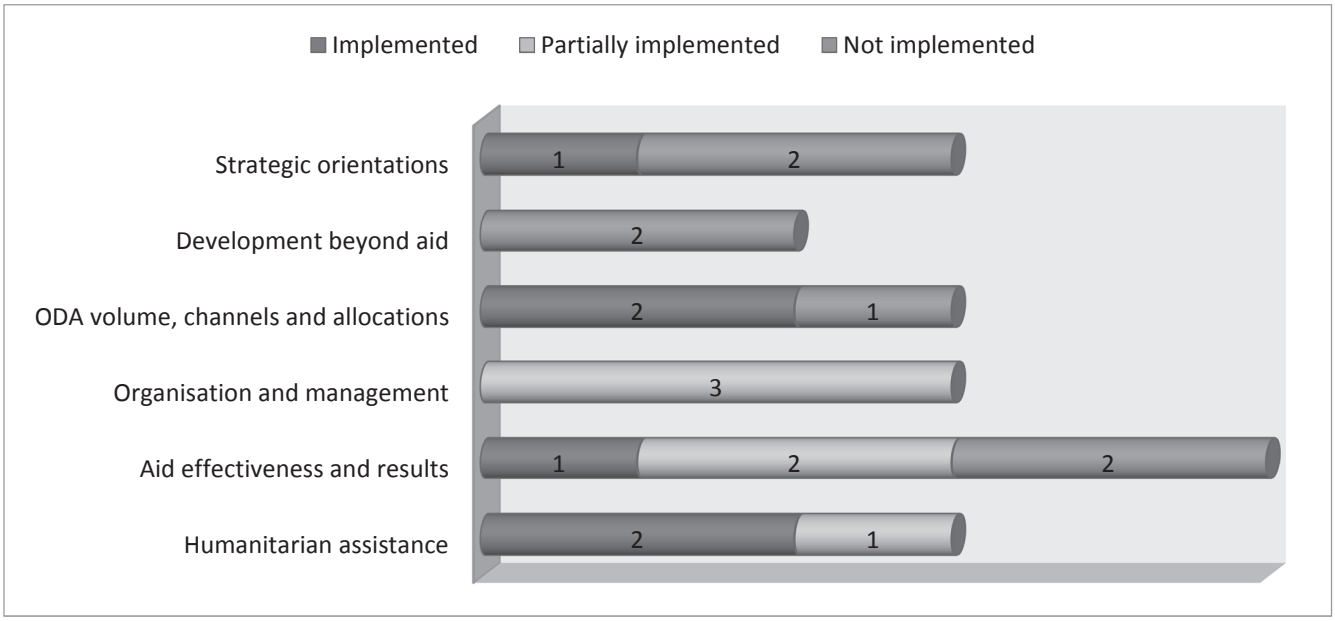
Recommendations 2010	*Progress in implementation*
Apply more systematically its successful approach to co-ordinating and aligning projects within partner-led programmes, i.e. situate more of its projects within partner programmes and consider using pooled funds where appropriate. It should also increase the proportion of aid which is provided on partners' national budgets and share indicative funding figures for future years.	**Partially implemented**
Continue to make progress in untying aid and improving transparency by (i) reporting the tying status of all of ODA, including technical co-operation; and (ii) ensuring its procurement guidelines make clear whether primary contractors may act as agents only or also as managers or suppliers – in the latter case, such aid should be reported as tied.	**Not implemented**
Draw up a clear strategy for supporting NGOs, including (i) harmonised and simplified NGO funding schemes and (ii) how Japan will continue to increase its dialogue and engagement with both Japanese and partner country NGOs.	**Partially implemented**
Relocate the evaluation function in MOFA to ensure its independence and equip it with the tools and authority to ensure appropriate coverage and standards of all aid-related evaluations, including those led by other ministries.	**Implemented**
Write and adequately fund a strategy, preferably whole-of-government, to increase public awareness of development and to support a more proactive approach to communication and the engagement of all major stakeholders.	**Not implemented**

Key Issues: Humanitarian assistance

Recommendations 2010	*Progress in implementation*
Ensure that its humanitarian assistance procedures are in line with the GHD principles.	**Implemented**
Produce a policy statement on the objectives of humanitarian action in conflict situations to complement the *Initiative for Disaster Reduction through ODA* and to clarify the distinctive goals of humanitarian action – as opposed to developmental peace building assistance – in these difficult contexts.	**Implemented**
Further promote the dialogue among humanitarian and defence actors in order to uphold the impartiality of Japanese humanitarian action.	**Partially implemented**

* Two recommendations from the 2010 peer review (capacity development and climate change) relate to "special topics". These are excluded in the above table, as they are not being monitored in the current peer review framework.

Figure A.1 Japan's implementation of 2010 peer review recommendations



Annex B: OECD statistics on official development assistance

Table B.1 Total financial flows

USD million at current prices and exchange rates

Net disbursements

Japan	1998-2002	2003-2007	2008	2009	2010	2011	2012
Total official flows	**12 951**	**9 094**	**7 615**	**17 732**	**14 720**	**13 736**	**15 997**
Official development assistance	**11 088**	**9 952**	**9 601**	**9 467**	**11 058**	**10 831**	**10 605**
Bilateral	8 589	7 135	6 823	6 176	7 337	6 943	6 402
Multilateral	2 499	2 817	2 777	3 290	3 720	3 888	4 202
Other official flows	**1 863**	**- 858**	**-1 986**	**8 266**	**3 662**	**2 905**	**5 393**
Bilateral	1 897	- 692	-2 581	6 712	3 178	3 267	6 206
Multilateral	- 35	- 167	594	1 554	485	- 362	- 813
Net Private Grants	**217**	**355**	**452**	**533**	**692**	**497**	**487**
Private flows at market terms	**- 102**	**10 042**	**23 738**	**27 217**	**32 837**	**47 594**	**32 494**
Bilateral: *of which*	2 266	11 120	24 784	25 230	31 845	48 013	33 734
Direct investment	5 367	12 568	25 710	19 440	21 650	40 315	31 215
Export credits	-1 446	948	-4 878	-1 220	2 767	1 853	-3 951
Multilateral	-2 367	-1 078	-1 046	1 987	992	- 419	-1 241
Total flows	**13 066**	**19 491**	**31 805**	**45 482**	**48 249**	**61 828**	**48 977**
for reference:							
ODA (at constant 2011 USD million)	*14 190*	*13 037*	*11 881*	*10 625*	*11 921*	*10 831*	*10 713*
ODA (as a % of GNI)	*0.26*	*0.22*	*0.19*	*0.18*	*0.20*	*0.18*	*0.17*
Total flows (as a % of GNI) (a)	*0.30*	*0.43*	*0.63*	*0.88*	*0.86*	*1.02*	*0.80*
ODA to and channelled through NGOs							
- In USD million	318	321	248	294	335	369	503
- In percentage of total net ODA	3	3	3	3	3	3	5
- DAC countries' average % of total net ODA	*8*	*8*	*7*	*8*	*10*	*13*	*13*

a. To countries eligible for ODA.

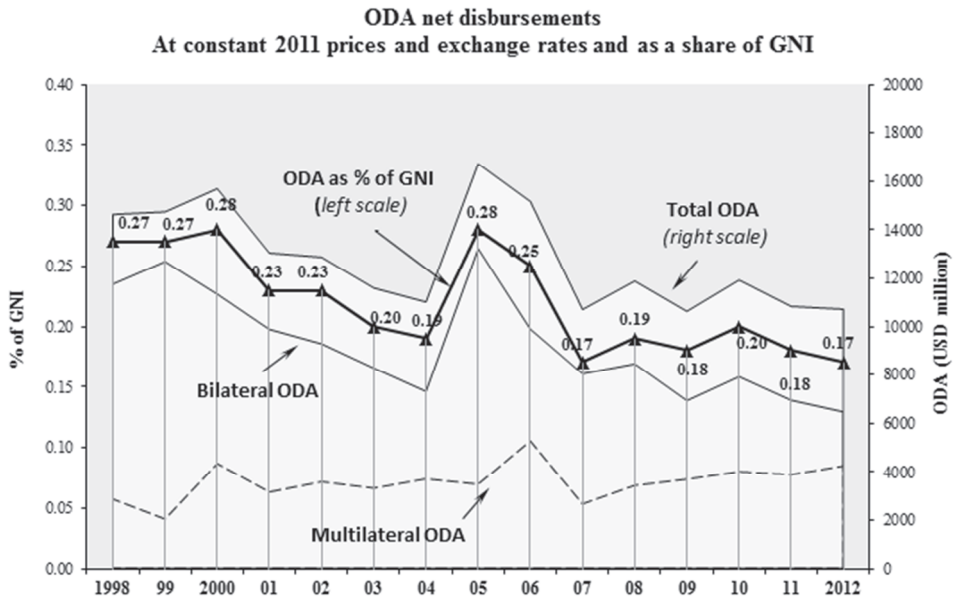
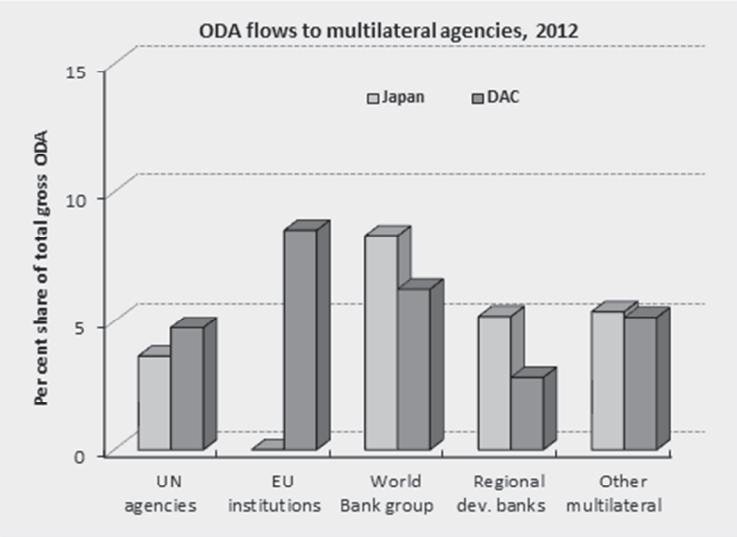
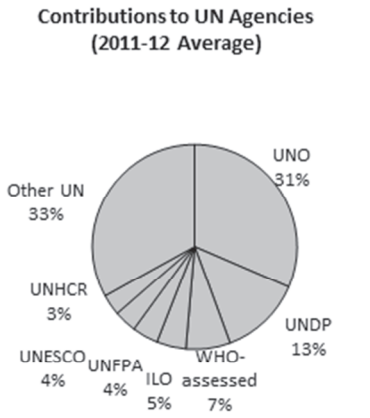


Table B.2 ODA by main categories

Disbursements

Japan	Constant 2011 USD million					Per cent share of gross disbursements					Total DAC 2012%
	2008	2009	2010	2011	2012	2008	2009	2010	2011	2012	
Gross Bilateral ODA	**18 188**	**14 771**	**16 327**	**16 104**	**14 608**	**84**	**80**	**80**	**81**	**77**	**73**
General budget support	316	1 066	501	67	167	1	6	2	0	1	1
Core support to national NGOs	152	138	152	97	115	1	1	1	0	1	1
Investment projects	9 577	9 451	8 937	8 391	8 324	44	51	44	42	44	11
Debt relief grants	3 467	77	23	1 445	5	16	0	0	7	0	2
Administrative costs	1 164	812	789	783	802	5	4	4	4	4	5
Other in-donor expenditures	6	5	5	4	4	0	0	0	0	0	3
Gross Multilateral ODA	**3 437**	**3 693**	**4 011**	**3 888**	**4 245**	**16**	**20**	**20**	**19**	**23**	**27**
UN agencies	746	743	597	594	686	3	4	3	3	4	5
EU institutions	-	-	-	-	-	-	-	-	-	-	9
World Bank group	1 551	1 576	2 082	1 744	1 566	7	9	10	9	8	6
Regional development banks	719	843	996	1 057	979	3	5	5	5	5	3
Other multilateral	422	530	336	494	1 015	2	3	2	2	5	5
Total gross ODA	**21 625**	**18 464**	**20 338**	**19 992**	**18 854**	**100**	**100**	**100**	**100**	**100**	**100**
Repayments and debt cancellation	**-9 744**	**-7 839**	**-8 417**	**-9 161**	**-8 140**						
Total net ODA	**11 881**	**10 625**	**11 921**	**10 831**	**10 713**						
For reference:											
Free standing technical co-operation	*2 413*	*2 581*	*2 878*	*2 747*	*2 873*						
Net debt relief	*2 155*	*59*	*198*	*98*	*0*						
Imputed student cost	-	-	-	-	-						
Refugees in donor countries	*0*	*0*	*0*	*1*	*1*						





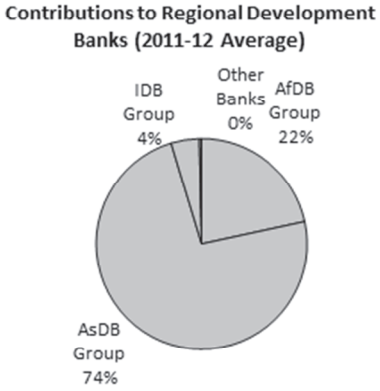
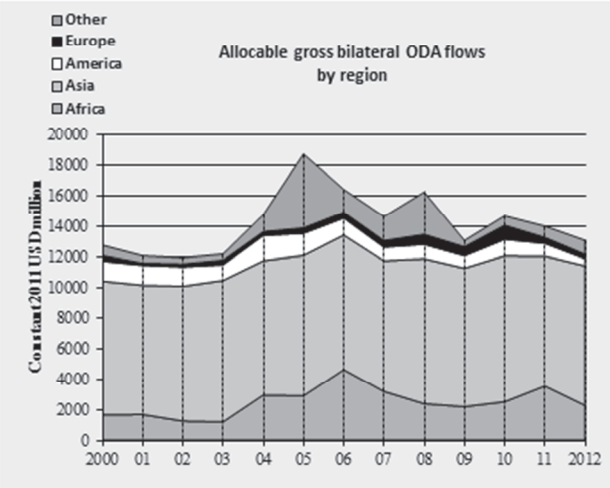
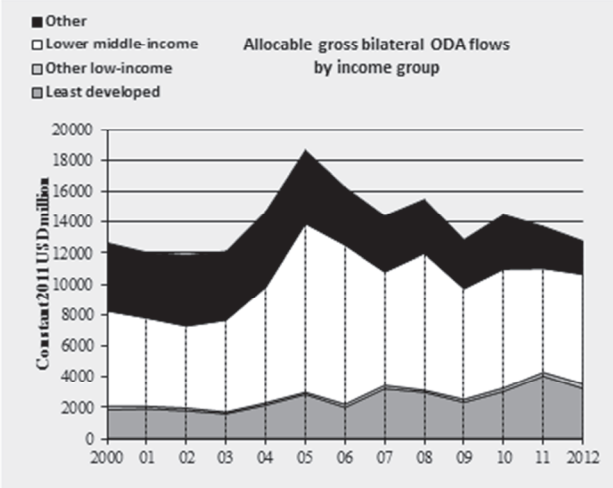


Table B.3 Bilateral ODA allocable by region and income group

Gross disbursements

Japan	Constant 2011 USD million					Per cent share					Total DAC
	2008	2009	2010	2011	2012	2008	2009	2010	2011	2012	2012%
Africa	2 364	2 169	2 492	3 518	2 254	15	17	17	25	17	**43**
Sub-Saharan Africa	1 708	1 630	1 904	3 040	1 818	11	13	13	22	14	**37**
North Africa	513	423	513	334	391	3	3	4	2	3	**4**
Asia	9 478	9 056	9 541	8 495	9 121	58	69	65	61	70	**34**
South and Central Asia	3 954	2 959	3 945	3 966	4 185	24	23	27	28	32	**20**
Far East	5 469	6 065	5 541	4 435	4 811	34	47	38	32	37	**14**
America	951	822	1 084	837	478	6	6	7	6	4	**10**
North and Central America	348	355	509	241	202	2	3	3	2	2	**4**
South America	592	455	560	583	268	4	3	4	4	2	**5**
Middle East	2 560	263	403	548	748	16	2	3	4	6	**7**
Oceania	207	146	212	183	154	1	1	1	1	1	**2**
Europe	643	577	910	386	285	4	4	6	3	2	**3**
Total bilateral allocable by region	**16 202**	**13 033**	**14 643**	**13 967**	**13 040**	**100**	**100**	**100**	**100**	**100**	**100**
Least developed	2 972	2 326	3 036	4 049	3 225	19	18	21	30	25	**41**
Other low-income	130	183	218	245	304	1	1	2	2	2	**4**
Lower middle-income	8 886	7 211	7 734	6 737	7 127	57	56	53	49	56	**36**
Upper middle-income	3 485	3 119	3 480	2 668	2 102	23	24	24	19	16	**18**
More advanced developing countries	2	2	5	-	-	0	0	0	-	-	-
Total bilateral allocable by income	**15 475**	**12 842**	**14 473**	**13 699**	**12 758**	**100**	**100**	**100**	**100**	**100**	**100**
For reference:											
Total bilateral	18 188	14 771	16 327	16 104	14 608	*100*	*100*	*100*	*100*	*100*	***100***
of which: Unallocated by region	*1 987*	*1 738*	*1 684*	*2 136*	*1 568*	*11*	*12*	*10*	*13*	*11*	***24***
of which: Unallocated by income	*2 713*	*1 929*	*1 854*	*2 405*	*1 850*	*15*	*13*	*11*	*15*	*13*	***32***





1. Each region includes regional amounts which cannot be allocated by sub-region. The sum of the sub-regional amounts may therefore fall short of the regional total.

Table B.4 Main recipients of bilateral ODA

Gross disbursements

Japan	2001-05 average			Memo:		2006-10 average			Memo:		2011-12 average			Memo:
	Current USD million	Constant 2011 USD mln	Per cent share	*DAC countries' average %*		Current USD million	Constant 2011 USD mln	Per cent share	*DAC countries' average %*		Current USD million	Constant 2011 USD mln	Per cent share	*DAC countries' average %*
China	1 406	1 827	12		Indonesia	1 282	1 561	9		Vietnam	1 693	1 704	11	
Indonesia	915	1 191	8		China	1 178	1 467	9		India	1 580	1 588	10	
Iraq	839	1 063	7		India	1 081	1 289	8		Indonesia	918	922	6	
Philippines	737	961	6		Vietnam	950	1 147	7		Afghanistan	812	816	5	
India	735	963	6		Iraq	757	978	6		China	697	699	5	
Top 5 recipients	**4 632**	**6 005**	**39**	**34**	**Top 5 recipients**	**5 247**	**6 442**	**39**	**30**	**Top 5 recipients**	**5 700**	**5 730**	**37**	**29**
Thailand	728	948	6		Philippines	664	825	5		Congo, Dem. Rep.	655	655	4	
Vietnam	542	702	5		Nigeria	446	604	3		Pakistan	438	439	3	
Sri Lanka	281	365	2		Turkey	414	493	3		Philippines	423	425	3	
Bangladesh	260	339	2		Sri Lanka	332	407	2		Sri Lanka	422	424	3	
Ghana	233	291	2		Bangladesh	327	411	2		Iraq	376	378	2	
Top 10 recipients	**6 677**	**8 651**	**56**	**47**	**Top 10 recipients**	**7 430**	**9 181**	**55**	**45**	**Top 10 recipients**	**8 013**	**8 052**	**52**	**40**
Malaysia	218	281	2		Afghanistan	300	345	2		Bangladesh	326	328	2	
Pakistan	204	269	2		Malaysia	243	308	2		Thailand	292	293	2	
Zambia	186	240	2		Tanzania	211	279	2		Turkey	231	232	2	
Peru	163	212	1		Thailand	175	218	1		Malaysia	201	202	1	
Brazil	155	203	1		Pakistan	170	208	1		Kenya	193	195	1	
Top 15 recipients	**7 603**	**9 857**	**64**	**56**	**Top 15 recipients**	**8 529**	**10 538**	**63**	**54**	**Top 15 recipients**	**9 256**	**9 301**	**61**	**47**
Bolivia	147	184	1		Peru	156	189	1		Brazil	160	160	1	
Honduras	136	176	1		Morocco	134	162	1		Cambodia	159	160	1	
Tanzania	121	157	1		Egypt	132	159	1		Peru	156	156	1	
Cambodia	107	140	1		Cambodia	123	151	1		Egypt	155	156	1	
Tunisia	102	133	1		Kenya	105	130	1		Azerbaijan	146	147	1	
Top 20 recipients	**8 215**	**10 647**	**69**	**59**	**Top 20 recipients**	**9 179**	**11 330**	**68**	**59**	**Top 20 recipients**	**10 031**	**10 080**	**66**	**52**
Total (148 recipients)	**10 685**	**13 859**	**90**		**Total (147 recipients)**	**11 933**	**14 689**	**88**		**Total (143 recipients)**	**13 163**	**13 228**	**86**	
Unallocated	1 185	1 542	10	20	Unallocated	1 638	2 004	12	27	Unallocated	2 118	2 128	14	34
Total bilateral gross	**11 870**	**15 401**	**100**	**100**	**Total bilateral gross**	**13 571**	**16 693**	**100**	**100**	**Total bilateral gross**	**15 282**	**15 356**	**100**	**100**

Table B.5 Bilateral ODA by major purposes

at constant 2011 prices and exchange rates

Commitments - Two-year average

Japan	2001-2005 average		2006-10 average		2011-12 average		2011-12
	2011 USD million	Per cent	2011 USD million	Per cent	2011 USD million	Per cent	Total DAC per cent
Social infrastructure & services	**3 485**	**21**	**4 395**	**24**	**4 169**	**25**	**41**
Education	1249	8	999	6	858	5	8
of which: basic education	178	1	119	1	145	1	2
Health	433	3	374	2	578	4	5
of which: basic health	124	1	227	1	304	2	4
Population & reproductive health	16	0	43	0	102	1	7
Water supply & sanitation	1259	8	2 333	13	1 937	12	5
Government & civil society	282	2	443	2	506	3	13
of which: Conflict, peace & security	2	0	179	1	105	1	2
Other social infrastructure & services	246	1	204	1	188	1	2
Economic infrastructure & services	**4920**	**30**	**6 340**	**35**	**6 762**	**41**	**16**
Transport & storage	2771	17	4 048	22	4 644	28	7
Communications	187	1	94	1	132	1	0
Energy	1905	12	2 023	11	1 944	12	6
Banking & financial services	32	0	34	0	29	0	2
Business & other services	26	0	141	1	13	0	1
Production sectors	**1566**	**9**	**1 678**	**9**	**1 565**	**9**	**8**
Agriculture, forestry & fishing	1221	7	1 034	6	745	5	5
Industry, mining & construction	252	2	480	3	684	4	2
Trade & tourism	92	1	164	1	137	1	1
Multisector	**613**	**4**	**1 108**	**6**	**1 819**	**11**	**10**
Commodity and programme aid	**122**	**1**	**926**	**5**	**513**	**3**	**3**
Action relating to debt	**4 501**	**27**	**2 318**	**13**	**48**	**0**	**3**
Humantarian aid	**373**	**2**	**460**	**3**	**821**	**5**	**8**
Administrative costs of donors	**907**	**5**	**921**	**5**	**793**	**5**	**6**
Refugees in donor countries	-	-	**1**	**0**	**1**	**0**	**4**
Total bilateral allocable	**16 485**	**100**	**18 148**	**100**	**16 493**	**100**	**100**
For reference:							
Total bilateral	*17 259*	*85*	*18 851*	*85*	*8 723*	*67*	*73*
of which: Unallocated	*773*	*4*	*703*	*3*	*191*	*1*	*1*
Total multilateral	*3 063*	*15*	*3 411*	*15*	*4 278*	*33*	*27*
Total ODA	***20 321***	***100***	***22 262***	***100***	***13 002***	***100***	***100***

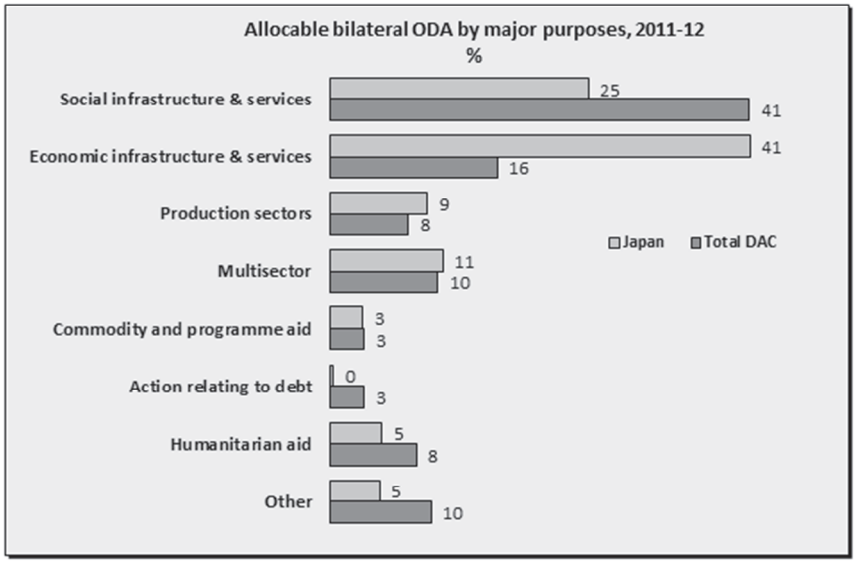


Table B.6 Comparative aid performance

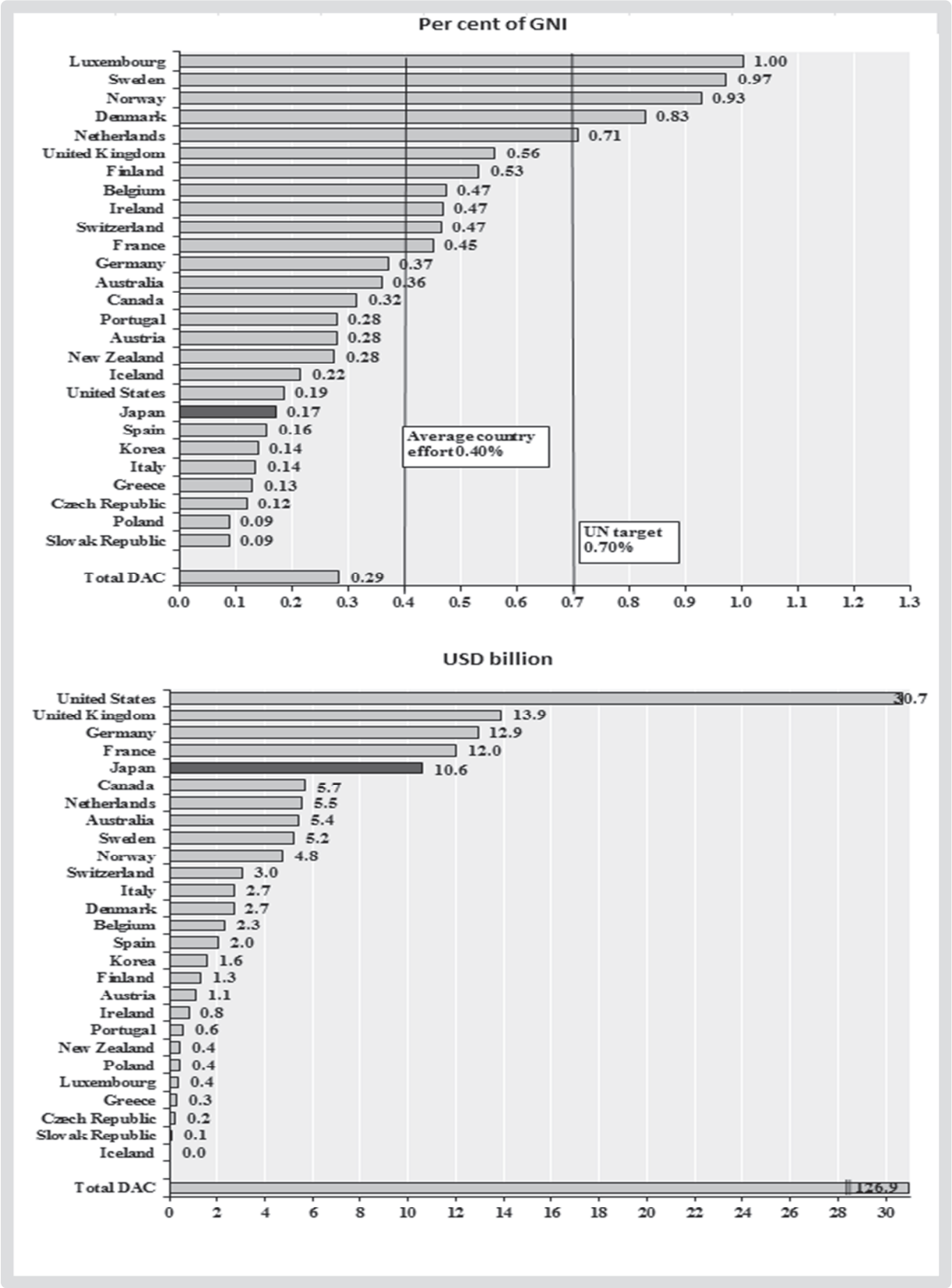
Net disbursements

	Official development assistance 2012 USD million	Official development assistance 2012 % of GNI	Official development assistance 2006-07 to 2011-12 Average annual % change in real terms	Grant element of ODA (commitments) 2012 % (a)	Share of multilateral aid 2012 % of ODA (b)	Share of multilateral aid 2012 % of ODA (c)	Share of multilateral aid 2012 % of GNI (b)	Share of multilateral aid 2012 % of GNI (c)	ODA to LDCs Bilateral and through multilateral agencies 2012 % of ODA	ODA to LDCs Bilateral and through multilateral agencies 2012 % of GNI
Australia	5 403	0.36	6.9	99.8	15.6		0.06		30.3	0.11
Austria	1 106	0.28	-9.6	100.0	51.6	26.7	0.14	0.07	22.0	0.06
Belgium	2 315	0.47	3.0	99.7	38.1	18.7	0.18	0.09	30.4	0.14
Canada	5 650	0.32	3.2	100.0	28.3		0.09		34.4	0.11
Czech Republic	220	0.12	2.9	100.0	69.8	16.2	0.08	0.02	26.7	0.03
Denmark	2 693	0.83	0.5	100.0	28.6	19.7	0.24	0.16	37.3	0.31
Finland	1 320	0.53	5.9	100.0	39.5	25.3	0.21	0.13	33.7	0.18
France	12 028	0.45	2.0	79.5	34.1	16.7	0.15	0.08	21.1	0.10
Germany	12 939	0.37	2.1	88.4	33.7	14.9	0.13	0.06	28.4	0.11
Greece	327	0.13	-6.4	100.0	67.2	4.9	0.09	0.01	15.3	0.02
Iceland	26	0.22	-5.8	100.0	18.8		0.04		45.1	0.10
Ireland	808	0.47	-3.6	100.0	33.7	17.9	0.16	0.08	51.7	0.24
Italy	2 737	0.14	-3.5	99.4	77.2	21.8	0.11	0.03	25.6	0.04
Japan	10 605	0.17	-3.6	88.5	39.6		0.07		43.8	0.08
Korea	1 597	0.14	21.5	94.2	25.9		0.04		36.2	0.05
Luxembourg	399	1.00	0.2	100.0	30.7	22.8	0.31	0.23	36.5	0.37
Netherlands	5 523	0.71	-1.2	100.0	30.2	19.2	0.21	0.14	21.1	0.15
New Zealand	449	0.28	2.7	100.0	19.5		0.05		32.0	0.09
Norway	4 753	0.93	1.9	100.0	25.9		0.24		29.1	0.27
Poland	421	0.09	3.1	..	73.5	5.8	0.07	0.01	18.5	0.02
Portugal	581	0.28	6.7	84.6	31.6	5.1	0.09	0.01	30.4	0.09
Slovak Republic	80	0.09	1.5	100.0	76.2	8.3	0.07	0.01	19.3	0.02
Spain	2 037	0.16	-8.5	100.0	51.6	4.6	0.08	0.01	23.7	0.04
Sweden	5 240	0.97	2.3	100.0	30.6	24.0	0.30	0.23	29.4	0.29
Switzerland	3 045	0.47	5.4	100.0	19.7		0.09		23.3	0.11
United Kingdom	13 892	0.56	5.7	100.0	37.3	24.0	0.21	0.13	33.2	0.19
United States	30 687	0.19	4.4	100.0	17.0		0.03		37.2	0.07
Total DAC	**126 881**	**0.29**	**1.9**	**94.6**	**30.2**		**0.09**		**31.9**	**0.09**
Memo: Average country effort		0.40								

Notes:

a. Excluding debt reorganisation.
b. Including EU institutions.
c. Excluding EU institutions.
.. Data not available.

Figure B.1 Net ODA from DAC countries in 2012



Annex C: Field visits to Indonesia and Senegal

As part of the peer review of Japan, a team of examiners and the OECD Secretariat visited Senegal in December 2013 and Indonesia in February 2014. The team met Japanese development co-operation professionals, partner country civil servants, regional authorities, parliamentarians, other bilateral and multilateral partners, representatives of civil society organisations and the private sector.

Towards a comprehensive Japanese development effort

Japan is a valued and effective development partner

Japan is a valued development partner in both Indonesia and Senegal. It is demonstrating that it can contribute to development in partner countries, using both ODA and other resources. This support is well aligned with the priorities of those countries and well organised.

Japan has employed economic diplomacy as a central instrument of its foreign policy and quest for national security since the post-war period. Globalisation and shifting power balances have encouraged Japan to adopt more proactive diplomacy in Asia and around the world. ODA, a key diplomatic tool for Japan, plays an integral part in this context as the review team observed during its visits to both Indonesia and Senegal.

Indonesia: a strategic partner for Japan

Japan has a close and long-standing relationship with Indonesia, Southeast Asia's biggest economy and its only G20 member. Japan sees "stability of Indonesia is indispensable to the stability and prosperity of the whole of Asia, including Japan" (MOFA, 2012a) and has close relations with the country in a wide range of areas, including through signing of the Japan-Indonesia Economic Partnership Agreement in 2007. Japan is the largest trade partner in both export and import for Indonesia. Japan is also Indonesia's largest source of foreign direct investment.[1]

Japan has significant private sector interests in Indonesia. There are over 1000 Japanese-affiliated companies operating in Indonesia, employing some 300 000 workers.[2] Indonesia is also an important supplier of energy and other natural resources to Japan. It is in the interest of Japan to support Indonesia create a better business and investment environment and achieve economic growth. As the largest donor to Indonesia, Japan strategically uses its ODA as a catalyst to leverage private sector investments, particularly in the area of infrastructure development co-operation (Box C.1).

There is regular dialogue between Japan and other actors such as Japanese private sector, JETRO and JBIC. It is not clear, however, what approaches Japan uses to ensure and maximise the sustainable development impact of private sector investments that are catalysed by Japanese ODA. Indonesia would appear to be well suited to the Expanded ODA Task Force mechanism, which is inclusive of Japanese non-governmental actors, in the interest of ensuring stronger private sector awareness of and engagement with the goals and objectives of ODA.

Box C.1 Japan's support to infrastructure development in Indonesia

In 2010, Japan and Indonesia agreed to implement a comprehensive infrastructure development plan to establish the Metropolitan Priority Area for Investment and Industry (MPA) in Jakarta Metropolitan Area by 2020. JICA funded the MPA Master Plan study which laid out the overall plan on infrastructure development (at an estimated total cost of JPY 3.4 trillion, of which roughly one trillion yen to be financed by ODA) and specified 45 priority infrastructure projects (including 18 fast track projects to be implemented by the end of 2013). The plan is built on the PPP concept and includes various JICA projects: the North-South line by the Jakarta Mass Rapid Transit System (country's first subway); the Java-Sumatra Interconnection Transmission Line to supply electricity to the metropolitan area; and the improvement of the Pluit pump station facilities to contribute to flood control in Jakarta. Feasibility studies are also under way to formulate projects on the development of Cilamaya Port as a new port on the eastern side of the metropolitan area and the improvement of roads, railways and wastewater systems in the metropolitan area. The private sector was very much involved in the designing of the Master Plan - a joint venture consisting of 11 Japanese companies and consulting firms participated in the study as team members.

Senegal: a regional hub for Japan

In contrast to Indonesia, Japan's engagement in Senegal appears to be of a more diplomatic than economic nature. While Japan regards Senegal as one of its key strategic partners in the region and for its Africa policy (MOFA, 2012b), there is very little Japanese investment in the country. There were eight Japanese-affiliated companies operating in Senegal. However, given its natural advantages such as geography (as an important hub for regional trade and economic activities in West Africa) and a stable security situation, Japan is putting more emphasis on creating a beneficial climate for investment and business in Senegal and for stimulating private investment from Japan to West Africa.

To this end, the Japanese government appointed a former head of the French branch of Mitsui & Co. Ltd., one of Japan's biggest conglomerates, as its new Ambassador to Senegal in September 2013. This decision might be seen as an indication of Japan's intention to boost economic diplomacy in the country, including through the use of ODA and through leveraging private investments.

Japan's policies, strategies and aid allocations

Japan's long-standing relationships and support

Japan has a close and long-standing relationship with Indonesia and has provided development co-operation since the 1950s. Japan provided on average USD 1.3 billion as ODA between 2010 and 2011, and is the largest donor (in gross terms) in the country. Indonesia in turn is the second largest recipient of Japanese aid (after India). While Japan works in a wide range of sectors, the mainstays of Japan's ODA to Indonesia remains hard infrastructure assistance, funded predominantly by loans (88%). Between 2009 and 2012, Japan allocated more than USD 600 million in programme loans to Indonesia for its climate change programme, and more than USD 200 million towards the country's infrastructure reform sector programme. Japan actively engages with the private sector (both local and Japanese) and supports business development opportunities. Japan also actively supports Indonesia's South-South efforts through triangular co-operation.

Japan has provided development co-operation to Senegal since 1976. It is an

important donor, ranking 6th largest in the country. It has provided on average USD 69 million as ODA between 2010 and 2011, and its support mainly focuses on hard infrastructure assistance; building productive capacity; health and education. Japan's aid programme in Senegal typically consists of project-type interventions and using a mix of grants and technical co-operation. There are no loan operations in Senegal. Senegal is designated as the hub for Japan's triangular co-operation efforts in the West Africa region. Japan also actively supports business development opportunities for the poor.

Japan is achieving strong alignment with partner country priorities

In both countries, Japan responds well to the country context and plans, whilst effectively and efficiently deploying its own comparative advantage.

Japan respects the Government of Indonesia's leadership and ownership, and positions itself accordingly. It has built, and maintains, strong relationships with a variety of actors. It is prominent in sectors where it has a comparative advantage, such as infrastructure and disaster management. In these sectors, Japan brings both policy advice and programme assistance. Support is strongly aligned to Government priorities and effectively draws upon Japan's own experience. It was not clear, however, how Japan systematically designs, monitors and evaluates its operations in Indonesia to maximise their impact on poverty reduction, even though Japan's analysis of the country context highlights the growing challenge of inequality and continued poverty. This draws attention to the lack of guidance on poverty reduction in Japanese development co-operation.

There is a strong convergence between Japan's own policy priorities, as reflected in the corporate policy documents and articulated in the Country Assistance Policy for Senegal, and those of the Government of Senegal. Japan has successfully reduced the number of sectors in which it works in Senegal and is delivering a more focused programme, with a poverty reduction orientation.

Figure C.1 ODA to Senegal and Indonesia

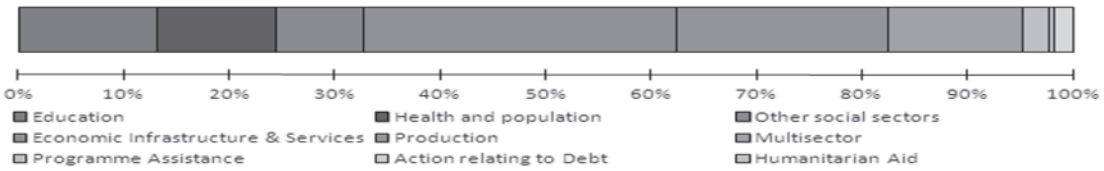
Senegal

Receipts	2009	2010	2011
Net ODA (USD million)	1 016	928	1 052
Bilateral share (gross ODA)	52%	59%	56%
Net ODA / GNI	8.1%	7.3%	7.4%
Net Private flows (USD million)	292	1	244

For reference	2009	2010	2011
Population (million)	12.1	12.4	12.8
GNI per capita (Atlas USD)	1 070	1 080	1 070

Top Ten Donors of gross ODA (2010-11 average)		(USD m)
1	France	188
2	IDA	147
3	United States	108
4	EU Institutions	98
5	AfDF	80
6	Japan	69
7	Canada	59
8	Spain	41
9	Netherlands	28
10	Isl.Dev Bank	27

Bilateral ODA by Sector (2010-11)



Sources: OECD - DAC, World Bank; www.oecd.org/dac/stats

Panel B of Figure C.1

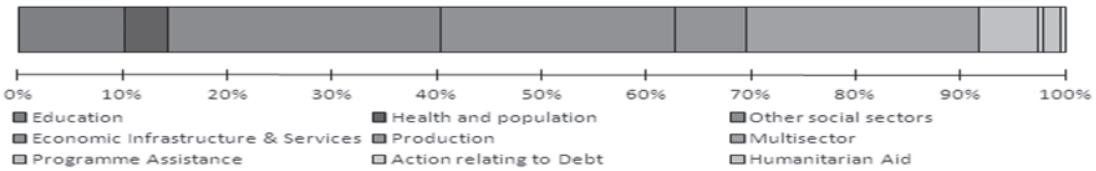
Indonesia

Receipts	2009	2010	2011
Net ODA (USD million)	1 047	1 393	415
Bilateral share (gross ODA)	79%	86%	84%
Net ODA / GNI	0.2%	0.2%	0.1%
Net Private flows (USD million)	4 435	3 512	10 259

For reference	2009	2010	2011
Population (million)	237.4	239.9	242.3
GNI per capita (Atlas USD)	2 160	2 500	2 940

Top Ten Donors of gross ODA (2010-11 average)		(USD m)
1	Japan	1 304
2	Australia	402
3	United States	263
4	Germany	199
5	France	191
6	EU Institutions	119
7	AsDB Special Funds	110
8	IDA	88
9	Global Fund	82
10	Netherlands	80

Bilateral ODA by Sector (2010-11)



Sources: OECD - DAC, World Bank; www.oecd.org/dac/stats

Japan is effectively using its aid instruments

Japan deploys its range of funding instruments effectively in both contexts. In Senegal, for example, we identified positive approaches to scaling up grant and technical co-operation interventions supported by Japan. As witnessed through their education programme, Japan has partnered with the Senegalese government in designing small scale pilots, and then leveraged finance from the World Bank to support subsequent scale-up.

In Indonesia, as Japan is phasing out its general grants scheme, the Government of Indonesia particularly values its ability to choose between various options in Japan's concessional lending. In addition, instruments deployed for disaster management response are quick and highly regarded.

In both countries, Japan's model of technical co-operation is robust and well executed. Behind this model is a focus on long term investments in capacity development and the transfer of knowledge. The skills and expertise that Japan brings through its programming is responsive to need. This model of technical co-operation is widely valued by partners.

Its aid is delivered more effectively, but Japan could show more leadership and openness

Japan is making progress in adhering to development effectiveness principles. In Indonesia, in an environment in which donor co-ordination is Indonesia led but appears fragmented, it is positive that Japan has entered into co-financing, budget support arrangements with other partners such as the World Bank and the Asian Development Bank. These appear to be well harmonised and efficient partnerships, using country systems.

In both countries, Japan has gradually moved towards more holistic, programme based approaches. This is welcomed and demonstrates that Japan is able to evolve its implementation in line with the aid effectiveness principles. Japan should also use this approach to identify weaknesses in, and build capacity in, country systems, jointly with other development partners. This was particularly the case in Senegal, where all stakeholders acknowledged weak country systems, but where donors were not

co-ordinating well to build capacity.

In both countries, partners expressed a view that Japan could do more to convene and collaborate with development partners. Partners would welcome Japan's participation in more policy dialogue and for Japan to exert more leadership in their engagement. Japan is well positioned to do so in both countries, as the largest bilateral donor in Indonesia and lead donor in various sectors in Senegal. It could also be more open to supporting projects and programmes initiated or led by other partners.

In Indonesia, Japan has signed up to a mutual accountability framework, known as the Jakarta Commitment, with the Indonesian government and other donors to help Indonesia implement aid effectiveness principles at national level. In Senegal, however, it has opted not to participate in the government-donor Health Compact, although health is one of Japan's priority sectors for Senegal and one in which it is following a programme-based approach. Such mechanisms are especially important in an environment, like Senegal, where donor co-ordination and dialogue with the recipient government appears weak.

Box C.2 Donor co-ordination in Indonesia and Senegal

Indonesia and Senegal present highly varied contexts in relation to the engagement and co-ordination of development partners. In Indonesia, the government is firmly in control of co-ordination, with well-established systems and processes in place to manage partners. In Senegal, co-ordination is less well advanced. Development partners tend to be fragmented and largely singular in their approaches. There are several factors that help explain these differences between the two countries, including the capacity of government counterparts, the levels of reliance on official development assistance (see Figure C.1) and also the collective will or otherwise of partners to co-ordinate themselves.

In 2009, the Government of Indonesia produced The Jakarta Commitment: Aid for Development Effectiveness. This establishes a road map for the Government of Indonesia and its development partners to implement the Paris Declaration and the Accra Agenda for Action in Indonesia by 2014. It is a country-specific, time bound and monitorable action plan. An Aid for Development Effectiveness Secretariat was established within the Ministry of National Development Planning to ensure the government had the capacity to implement this action plan. Twenty six development partners adopted the Jakarta Commitment, pledging to better align to government programmes and increasingly use Indonesia's public financial management and procurement systems.

In order to improve the efficiency and effectiveness of external loans and grants and to achieve development goals as stipulated in Indonesia's National Medium-Term Development Plan, 2010-2014, the Government of Indonesia compiled a List of Medium-Term Planned External Loans and/or Grants, 2011-2014, otherwise known as the Blue Book. The Blue Book is used as a guideline for all stakeholders involved in the planning, preparation and implementation of development projects financed through external loans and grants. Together, the Jakarta Commitment and the Blue Book are symbols of the Indonesian government's leadership and co-ordination of development partners. They ensure demand driven programming, a division of labour and mutually accountable relationships. Development partners are respectful of the leadership shown by the government and, in this context, do not co-ordinate strongly amongst themselves.

A large number of donors are present in Senegal, including a growing number of non-traditional partners. Donor co-ordination is facilitated via the Development Partners Meetings (known as the G-50, currently co-chaired by the EU and US) and 20 thematic working groups. In addition, the Consultative Committee of Technical and Financial Co-operation Partners (known as the G-12) was established in 2009. The Committee functions as the Secretariat for the Development Partners Meeting, co-ordinates the different thematic working groups and shares information relating to aid co-ordination. The Government of Senegal is only

selectively invited to these monthly development partner meetings. In the absence of other mechanisms for national level co-ordination, this does not appear to be an optimal arrangement for partners to be able to align behind government leadership and for building trust and accountability. It is resulting in a weak and largely informal division of labour and weakly harmonised programming.

The Government of Senegal is trying to exert more leadership over development partners, within the constraints of its own weak capacity. It has undertaken reforms to improve the management of public finances. The government acknowledges that country systems need strengthening and is making efforts towards this. At sector level, there are signs of strong ownership and good co-ordination mechanisms, such as the Compact of partners in the health sector aligned to the sector strategy. Partners should be supportive of the government's efforts to build on and replicate this sector level good practice at national level, reinforcing country systems and establishing inclusive mechanisms for dialogue.

Source: interviews held in Indonesia and Senegal.

Japan can do more to enable mainstreaming of cross cutting issues

JICA in both Senegal and Indonesia understands and uses guidelines issued by Tokyo on cross cutting issues. However, with the possible exception of the environment, this does not appear to prioritise strategic, policy level engagement on issues such as gender equality and governance. These issues are also not addressed by Japan through evaluations of all programmes. Having expertise available to the country office on cross cutting issues might enable Japan to maximise their impact and to mainstream those issues more effectively. On gender equality, in particular, both Senegal and Indonesia country offices will need guidance and capacity to translate the new policy commitment on women's empowerment into concrete objectives and deliverables in-country.

Organisation and management

Institutional co-ordination is working well, but Japan has further to go on decentralisation

The institutional arrangements between the Embassy and JICA seem to be functioning well in both countries. The ODA Task Force in country is an effective mechanism for ensuring coherent and cohesive Japanese assistance. The respective roles of both organisations appear to be well defined and understood internally.

Since the last peer review of Japan, and as recommended, we identified some further decentralisation from Tokyo to the field. For example, in the health programme in Senegal, we observed some delegated decision making authority, some flexibility in programme management and the presence of skilled staff. However, across all operations in both countries, there appears to be the continued need to strike a better balance between HQ and field level roles and responsibilities. Partners perceive Japan to be rigid in its procedures and approval processes. Further decentralisation could have a positive impact on the effectiveness and efficiency of Japan's programme management.

The seniority of local staff in JICA in Indonesia is a positive example of the value attached to locally employed staff. Continued attention to making training available and accessible, across both MoFA and JICA, may further reinforce the value being attached to and derived from local staff contribution and skills. Relatedly, making information more quickly available to local staff, in the official working language of the country, would help maximise their contribution to Japanese assistance.

Partnerships, results and accountability

Japan is leading efforts on triangular co-operation	As observed in both Indonesia and Senegal, Japan actively promotes and develops capacity in South-South and triangular co-operation. Its efforts in this area in Indonesia have been strategic and innovative, helping to nurture Indonesia's ambitions to raise its international profile as a partner sharing its development knowledge. Japan's engagement in triangular co-operation from Senegal can also be viewed as part of a broad knowledge management strategy.
Country assistance policies are lacking indicators	There appears to be emerging good practice in Japan's results-based management in Indonesia. Indicators and targets are being established beyond the project level. However, as in Senegal, the Country Assistance Policy lacks indicators to enable Japan to measure the overall impact and performance of its contribution to the country's development priorities.
More support needed on evaluation	Guidelines on ex-ante and ex-post evaluation are being followed by both JICA and MoFA in Indonesia and Senegal. However, a more selective and needs-based approach, and more support from the centre, could increase the impact of country-level evaluations on decision making and organisational learning. Country staff would also appear to need more guidance on the distinctions between and respective roles of monitoring, review and evaluation.
Lack of guidance or policy for engaging local civil society	Local civil society in Senegal appears well organised and interested in deeper dialogue with donors and government. In this context, we got the impression that local civil society is not consulted on Japan's strategy and programming, and dialogue is limited. In addition, for small amounts of money, there appears to be high transaction costs and a lack of predictability in how the small grants schemes for local NGOs are managed and co-ordinated. Japan engages local civil society in Indonesia. Local NGOs appreciate Japanese support and efforts to sustain relationships with them. As also identified in Senegal, however, there does not appear to be strategic objectives guiding Japanese engagement with local NGOs. It is not clear how JICA and MoFA are working together in their engagement with local civil society.

Notes

1. In 2013, Japanese investment in Indonesia reached USD 4.7 billion, nearly doubling from the previous year of USD 2.5 billion, and represented 16.5% of the overall foreign investment (excluding finance and petroleum industries). The growth in investment was driven by Japanese carmakers and auto-parts manufacturers. Japanese carmakers hold a roughly 95% share of Indonesia's car market, and are positioning themselves to meet the growing demand of Indonesia's burgeoning middle-class consumers.
2. "Huge opportunity from Japanese investment", 23 August 2010, Jakarta Post, www.thejakartapost.com/news/2010/08/23/huge-opportunity-japanese-investment.html.

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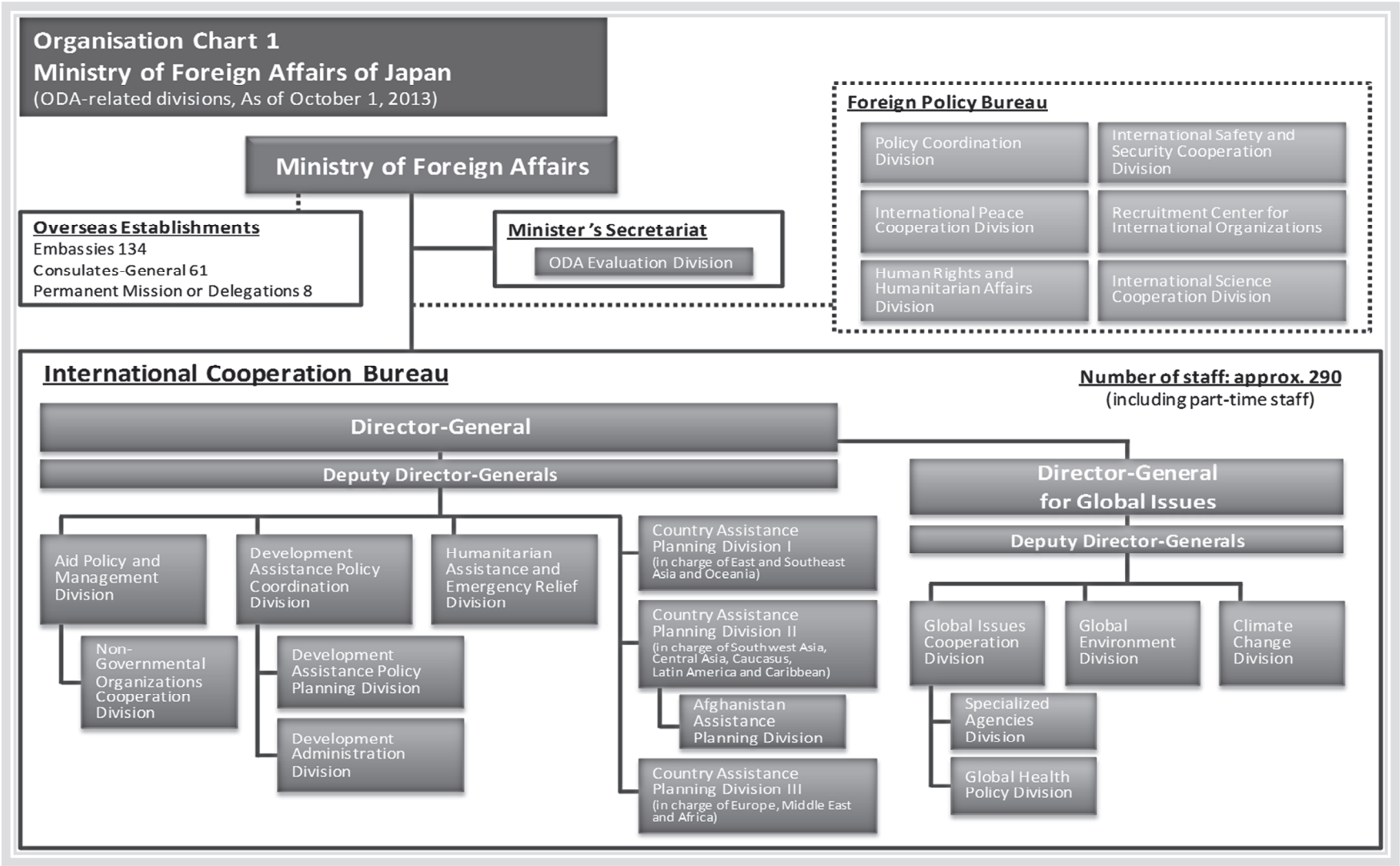
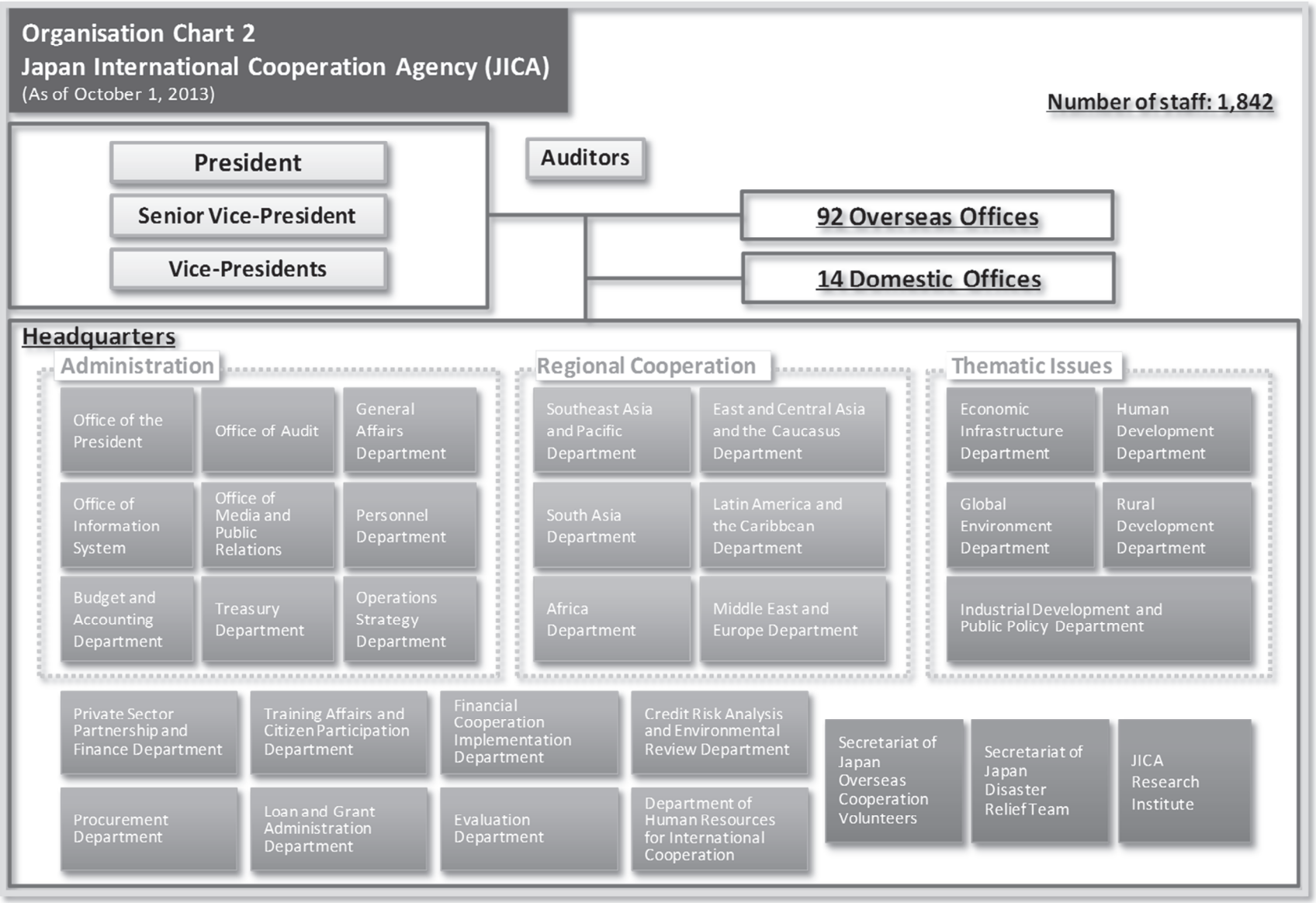
Annex D: Organisational structure




Organisation Chart 2
Japan International Cooperation Agency (JICA)
(As of October 1, 2013)
Number of staff: 1,842
President
Senior Vice-President
Vice-Presidents
Auditors
92 Overseas Offices
14 Domestic Offices
Headquarters
Administration
Office of the President
Office of Audit
General Affairs Department
Office of Information System
Office of Media and Public Relations
Personnel Department
Budget and Accounting Department
Treasury Department
Operations Strategy Department
Regional Cooperation
Southeast Asia and Pacific Department
East and Central Asia and the Caucasus Department
South Asia Department
Latin America and the Caribbean Department
Africa Department
Middle East and Europe Department
Thematic Issues
Economic Infrastructure Department
Human Development Department
Global Environment Department
Rural Development Department
Industrial Development and Public Policy Department
Private Sector Partnership and Finance Department
Training Affairs and Citizen Participation Department
Financial Cooperation Implementation Department
Credit Risk Analysis and Environmental Review Department
Procurement Department
Loan and Grant Administration Department
Evaluation Department
Department of Human Resources for International Cooperation
Secretariat of Japan Overseas Cooperation Volunteers
Secretariat of Japan Disaster Relief Team
JICA Research Institute

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The OECD is a unique forum where governments work together to address the economic, social and environmental challenges of globalisation. The OECD is also at the forefront of efforts to understand and to help governments respond to new developments and concerns, such as corporate governance, the information economy and the challenges of an ageing population. The Organisation provides a setting where governments can compare policy experiences, seek answers to common problems, identify good practice and work to co-ordinate domestic and international policies.

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To achieve its aims, the OECD has set up a number of specialised committees. One of these is the Development Assistance Committee (DAC), whose mandate is to promote development co-operation and other policies so as to contribute to sustainable development – including pro-poor economic growth, poverty reduction and the improvement of living standards in developing countries – and to a future in which no country will depend on aid. To this end, the DAC has grouped the world's main donors, defining and monitoring global standards in key areas of development.

The members of the DAC are Australia, Austria, Belgium, Canada, the Czech Republic, Denmark, the European Union, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Sweden, Switzerland, the United Kingdom and the United States.

The DAC issues guidelines and reference documents in the DAC Guidelines and Reference Series to inform and assist members in the conduct of their development co-operation programmes.

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OECD Development Co-operation Peer Reviews

JAPAN

The OECD's Development Assistance Committee (DAC) conducts periodic reviews of the individual development co-operation efforts of DAC members. The policies and programmes of each member are critically examined approximately once every five years. DAC peer reviews assess the performance of a given member, not just that of its development co-operation agency, and examine both policy and implementation. They take an integrated, system-wide perspective on the development co-operation and humanitarian assistance activities of the member under review.

Contents

Japan's aid at a glance

Context of Japan's Peer Review

The DAC's main findings and recommendations

Chapter 1. Towards a comprehensive Japanese development effort

Chapter 2. Japan's vision and policies for development co-operation

Chapter 3. Allocating Japan's official development assistance

Chapter 4. Managing Japan's development co-operation

Chapter 5. Japan's development co-operation delivery and partnerships

Chapter 6. Results and accountability of Japan's development co-operation

Chapter 7. Japan's humanitarian assistance

Annex A. Progress since the 2010 DAC peer review recommendations

Annex B. OECD statistics on official development assistance

Annex C. Field visits to Indonesia and Senegal

Annex D. Organisational structure

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