OECD Development Co-operation Peer Reviews

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OECD Development Co-operation Peer Reviews: Japan 2020

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Foreword

The OECD Development Assistance Committee (DAC) conducts periodic reviews of the individual development co-operation efforts of DAC members. The policies, systems and programmes of each member are critically examined approximately once every five to six years, with five members reviewed annually.

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 greater impact on poverty reduction and sustainable development in developing countries. DAC peer reviews assess the performance of a given member 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 OECD Development Co-operation Directorate provides analytical support to each review and is responsible for developing and maintaining, in close consultation with the Committee, the methodology and analytical framework – known as the Reference Guide – within which the peer reviews are undertaken.

Following the submission of a memorandum by the reviewed member, setting out key policy, system and programme developments, the Secretariat and two DAC members designated as peer reviewers visit the member's capital to interview officials, parliamentarians, as well as representatives of civil society and non-governmental organisations and the private sector. This is followed by a field visit, where the team meet with the member and senior officials and representatives of the partner country or territory's administration, parliamentarians, civil society, the private sector and other development partners. The main findings of these consultations and a set of recommendations are then discussed during a formal meeting of the DAC prior to finalisation of the report.

The Peer Review of Japan involved an extensive process of consultation with actors and stakeholders in Tokyo, Japan in November 2019, in Accra, Ghana in December 2019, and in Phnom Penh, Cambodia in January 2020. The resulting report contains the analytical report of the Secretariat and the main findings and recommendations of the DAC, which were approved on 17 September 2020.

The peer review took into account the political and economic context in Japan, to the extent that it shapes Japan's development co-operation policies and systems.

Lower house elections in October 2017 and upper house elections in July 2019 secured a stable majority for the Liberal Democratic Party, led by Prime Minister Shinzo Abe. Since 2012, Prime Minister Abe has overseen the longest period of economic growth in Japan's post-war history, which today has accelerated to a rate closer to that of OECD members based on a bold monetary policy, flexible fiscal policy and structural reforms. While the budget deficit fell from 8.3% of gross domestic product (GDP) in 2012 to 2.4% in 2018, public debt is the highest in the OECD at 226% of GDP. Japan faces several challenges, including rapid population ageing and high government debt. The latter will be compounded by stagnating exports, in particular to China, and increased government expenditure on health and long-term care of its ageing population. The government plans to achieve a primary deficit-to-GDP ratio of 2.1% by 2020 (2.9% in 2018) and to aid this by raising the consumption tax to 10% in October 2019, promising that there will be no

further increases for a decade. Nevertheless, this raises significant challenges for increasing expenditure on official development assistance, which stood at 0.28% of Japan's gross national income (GNI) in 2018.

Japan performs well on a number of measures of well-being in the OECD's Better Life Index. It is ranked top for personal security, and rates for obesity and premature mortality are among the lowest across the OECD membership. Japan ranks above the OECD average for housing affordability and life expectancy, and Japanese students receive the highest score in the OECD in mathematics and science on the Programme for International Student Assessment (PISA) scale. Japan's average stock of intellectual property assets and its investment in research and development are well above the OECD average. However, on measures of civic engagement, social connection and work-life balance Japan ranks lower than other OECD members.

The 2015 Development Cooperation Charter gives the Ministry of Foreign Affairs policy-making and co-ordinating roles related to development co-operation. The Japan International Cooperation Agency is responsible for implementing projects in 148 countries and the Ministry of Finance takes care of budgeting, including co-ordination with international financial institutions and ensuring the availability of resources for Japanese loans. The Ministry of Economy, Trade and Industry supports promotion and export of Japanese technology and quality infrastructure, and is engaged in creating good business environments in developing countries.

Acknowledgments

Development Assistance Committee (DAC) peer reviews function as a tool for both learning and accountability. This report – containing both the main findings and recommendations of the DAC and the analytical report of the Secretariat – is the result of a nine month in-depth consultation and review process. It was produced by a review team comprising peer reviewers from the European Union (Filippos Pierros, Delegation of the European Union to the OECD, and Silviu Jora and Anca Maria Szigeti, Directorate-General for International Cooperation and Development, European Commission) and Italy (Alessandra Pastorelli, Permanent Delegation of Italy to the International Organisations, and Lodivica Longinotti, Italian Development Cooperation Agency). From the OECD Development Co-operation Directorate, John Egan, Senior Policy Analyst, served as the lead analyst for the review, together with Emily Bosch, Policy Analyst, Cyprien Fabre, Policy Analyst (Humanitarian Specialist), and Karin McDonald, Policy Analyst. Nagisa Takatsuki assisted with research and drafting. Valuable advice was received from Professor Ken Masujima, Professor of Political Science, Kobe University. Katia Grosheva and Autumn Lynch provided logistical assistance to the review, and formatted and produced the report. The report was prepared under the supervision of Rahul Malhotra, Head of Division, Reviews, Results, Evaluation and Development Innovation. The report was edited by Fiona Hinchcliffe.

The team is grateful for valuable inputs from across the Development Co-operation Directorate, including statistical support from the Financing for Sustainable Development division, and the OECD, in particular the Directorate for Financial and Enterprise Affairs, the Centre for Tax Policy and Administration, the Directorate for Public Governance, the Economics Department, the Environment Directorate, the Trade and Agriculture Directorate and the Development Centre. The team also valued inputs from the International Energy Agency and the Multilateral Organisation Performance Assessment Network.

The Peer Review of Japan benefited throughout the process from the commitment and dedication of representatives of the Ministry of Foreign Affairs of Japan and the Japan International Cooperation Agency (JICA). The review team are also thankful to the Ambassadors and Heads of JICA Country Offices in Accra and Phnom Penh and their staff, who ensured smooth contact with local counterparts as well as logistical support.

Table of contents

Foreword 3

Acknowledgments 5

Abbreviations and acronyms 10

Executive summary 13

The DAC's main findings and recommendations 18

Secretariat's report 25

1 Japan's global efforts for sustainable development 26
- In brief 27
- Efforts to support global sustainable development 28
- Policy coherence for sustainable development 31
- Global awareness 33
- References 35
- Notes 37

2 Japan's policy vision and framework 41
- In brief 42
- Framework 43
- Principles and guidance 44
- Basis for decision making 46
- References 48
- Notes 49

3 Japan's financing for development 51
- In brief 52
- Overall ODA volume 52
- Bilateral ODA allocations 55
- Multilateral ODA allocations 58
- Financing for sustainable development 60
- References 61
- Notes 62

4 Japan's structure and systems 65
In brief 66
Authority, mandate and co-ordination 66
Systems 68
Capabilities throughout the system 71
References 72
Notes 73

5 Japan's delivery modalities and partnerships 75
In brief 76
Effective partnerships 76
Country-level engagement 79
References 81
Notes 82

6 Japan's results, evaluation and learning 83
In brief 84
Managing for development results 85
The evaluation system 86
Institutional learning 88
References 89
Notes 89

7 Japan's fragility, crises and humanitarian assistance 91
In brief 92
7.A Crises and fragility 92
Strategic framework 92
Effective programme design and instruments 94
Effective delivery and partnerships 96
7.B Humanitarian assistance 96
Humanitarian assistance strategic framework 96
Effective humanitarian programming 97
Effective delivery, partnerships and instruments of humanitarian assistance 98
References 99
Notes 103

Annex A. Progress since the 2014 DAC peer review recommendations 105

Annex B. OECD/DAC standard suite of tables 108

Annex C. Field visit to Ghana and Cambodia 116
References 124
Notes 126

Annex D. Organisational charts 128

FIGURES

Figure 0.1. Japan's aid at a glance 16

Figure 3.1. Japan's ODA, 2009-18 53
Figure 3.2. Untied aid contracts awarded to Japanese companies, 2009-18 54
Figure 3.3. Japan's bilateral ODA: loans, grants, technical co-operation, 2009-18 57
Figure 3.4. Japan's main multilateral partners: 2017-18 average 59
Figure 7.1. Japan's engagement in fragile and crisis-affected countries, 2009-18 94
Figure 7.2. Geographic distribution of Japan's humanitarian assistance, 2009-18 98

Figure A.1. Japan's implementation of 2014 peer review recommendations 107
Figure B.1. Net ODA from DAC countries in 2018 115
Figure C.1. Aid at a glance – Ghana 117
Figure C.2. Aid at a glance – Cambodia 119
Figure D.1. Organisation of the Japan Foreign Service 128
Figure D.2. JICA's Organisational Structure 129

INFOGRAPHICS

Infographic 1. Findings from the 2020 Development Co-operation Peer Review of Japan 17

TABLES

Table 4.1. Assessment of Japan's development co-operation systems 70
Table 5.1. Japan's performance on effective development co-operation, 2018 81

Table B.1. Total financial flows 108
Table B.2. ODA by main categories 109
Table B.3. Bilateral ODA allocable by region and income group 110
Table B.4. Main recipients of bilateral ODA 111
Table B.5. Bilateral ODA by major purposes 112
Table B.6. Comparative aid performance of DAC members 113
Table B.7. Comparative performance of aid to LDCs 114

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Abbreviations and acronyms

APEC	Asia-Pacific Economic Community
ASEAN	Association of Southeast Asian Nations
BRAC	Bangladesh Rural Advancement Committee
CHPS	Community-based health planning and service
CRS	Creditor Reporting System
CSDGs	Cambodia Sustainable Development Goals
CSO	Civil society organisation
DAC	Development Assistance Committee
DFI	Development finance institution
DRR	Disaster risk reduction
ESCAP	Economic and Social Commission for Asia and the Pacific
EU	European Union
FDI	Foreign direct investment
FOIP	Free and open Indo-Pacific
FSS	Forward spending survey
FY	Financial year
G7	Group of Seven
G20	Group of Twenty
GDP	Gross domestic product
GEF	Global Environment Facility
GNI	Gross national income
GoJ	Government of Japan
GPEDC	Global Partnership for Effective Development Co-operation
HDP	Humanitarian, Development and Peace
HIPC	Highly indebted poor country
IATI	International Aid Transparency Initiative
ICT	Information communications technology
IFC	International Finance Corporation
JANIC	Japan NGO Center for International Cooperation

JBIC	Japan Bank for International Cooperation
JETRO	Japan External Trade Organisation
JICA	Japan International Cooperation Agency
JOGMEC	Japan Oil Gas and Metals National Corporation
LDC	Least developed country
METI	Ministry of Economy, Trade and Industry
MFA/MOFA	Ministry of Foreign Affairs
MIGA	Multilateral Investment Guarantee Agency
MOF	Ministry of Finance
MOPAN	Multilateral Organisation Performance Assessment Network
NCP	National Contact Point
NEXI	Nippon Export and Investment Insurance
NGO	Non-government organisation
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
OFID	OPEC Fund for International Development
PALM	Pacific Islands Leaders Meeting
PISA	Programme for International Student Assessment
PPP	Public-private partnership
REDD+	Reduced emissions from deforestation and forest degradation
SDGs	Sustainable Development Goals
SEADRIF	Southeast Asian Disaster Risk Facility
SEAH	Sexual exploitation, abuse and harassment
SIDS	Small island developing states
SME	Small and medium-sized enterprise
STEP	Special Terms for Economic Partnership
TICAD	Tokyo International Conference on African Development
TOSSD	Total official support for sustainable development
UHC	Universal Health Coverage
UN	United Nations
UNDP	United Nations Development Programme
UNDPKO	United Nations Department of Peace Keeping Operations
UNHCR	Office of the United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNISDR	United Nations Office for Disaster Reduction
UNOCHA	United Nations Office for the Coordination of Humanitarian Affairs

WFP	World Food Programme

Signs used:

JPY	Japanese Yen
USD	United States Dollars
( )	Secretariat estimate in whole or part
	(Nil)
0.0	Negligible
..	Not available
…	Not available separately, but included in total
n.a.	Not applicable
p	Provisional

Slight discrepancies in totals are due to rounding.

Annual average exchange rate: 1 USD = JPY

2012	2013	2014	2015	2016	2017	2018	2019
79.8	97.6	105.8	121.0	108.8	112.2	110.4	109.0

Executive summary

Japan has been a member of the Development Assistance Committee (DAC) since 1960 and was last reviewed in 2014. This report reviews progress since then, highlights recent successes and challenges, and provides key recommendations for going forward. Japan has partially implemented 55% of the recommendations made in 2014, and fully implemented 40%. This DAC Peer Review of Japan – containing both the main findings and recommendations of the DAC and the analytical report of the Secretariat – was prepared with reviewers from the European Union and Italy and adopted at the OECD on 17 September 2020. In conducting the review, the team consulted key institutions and partners in Tokyo, Japan in November 2019; and in the field in Accra, Ghana in December 2019 and in Phnom Penh, Cambodia in January 2020. The Secretariat Report was drafted before the COVID-19 pandemic.

Global efforts for sustainable development. Japan promotes peace, stability and prosperity internationally, including through the G7 and G20 and its high-profile regional engagement in Africa, Asia and the Pacific. Diplomatic, peace and development efforts combine to promote global public goods and address global challenges. The governance mechanism for Japan's broad-based, whole-of-society approach to implementing the Sustainable Development Goals (SDGs) could be emulated to advance policy coherence for sustainable development. While public support for official development assistance (ODA) has risen in the past decade, further investment in development education could stimulate greater understanding of development challenges and spur citizens to take global action.

Policy vision and framework. Japan's development co-operation is underscored by the mutual benefits of peace and security, aligns with the SDGs and is based on respect for country ownership and self-reliant development. Japan invests in quality growth and human security but does not yet have clear guidance on poverty reduction. It has specific guidelines for mainstreaming gender and could take a similar approach to integrating support for the environment and climate change adaptation and mitigation across its portfolio. Japan's priorities include a free and open Indo-Pacific region, supported by investing in Asia and expanding public and private investment in sub-Saharan Africa. ODA allocations are based on country demand. Japan works principally with partner country governments. It also works with civil society organisations (CSOs) and is partnering more with the private sector. Multilateral partners are valued for their expertise, impartiality, wide networks, capacity for co-operation in sectors or regions less accessible to Japan, and the synergies they offer between multilateral and bilateral co-operation.

Financing for development. While noting international commitments to increase ODA, Japan does not currently plan to scale it up beyond 0.28% of gross national income (GNI). According to the new grant-equivalent value methodology, Japan's ODA increased by 40.7% in 2018, maintaining its rank as the fourth largest DAC donor. While 100% of Japan's aid to least developed countries (LDCs) was untied in 2018, the share of untied aid contracts awarded to Japanese companies in LDCs has increased substantially. Japan's ODA is concentrated mainly on lower-middle-income countries, although it has increased the share of ODA to LDCs. Maintaining a high share of technical co-operation to meet the needs of higher-income partner countries is good practice. A growing share of ODA is provided as highly concessional loans for economic infrastructure sectors. While Japan provides 20% of its ODA multilaterally and is consistently among the top five donors to eight of the largest multilateral organisations and funds, its

reliance on the supplementary budget for earmarked funding does not allow for predictable or multi-year commitments. Japan has fulfilled its commitment to increase support to domestic resource mobilisation, but has not progressed its use of blended and other innovative finance instruments.

Structure and systems. The Ministry of Foreign Affairs (MOFA) plans development co-operation policies and ensures collaboration with other government ministries and agencies. The Japan International Cooperation Agency (JICA) delivers the bulk of Japan's ODA and is accountable to MOFA. Decision making and management of ODA payments are centralised in Tokyo and delegation of financial and programming authority to the field is limited. More comprehensive country development co-operation policies could better describe Japan's whole-of-government approach. Project management practices are clear, and while rigorous processes reduce risk, they add time to an already slow process. Japan has heightened its analysis of security risks and improved its management of corruption risks. It could now build on initial action to tackle and prevent sexual exploitation, abuse and harassment. To become more agile and adaptable, JICA might boost efforts to encourage innovation across its operations. JICA is working to retain and develop its staff but needs to invest more in its in-country national staff.

Delivery and partnerships. Most ODA is delivered through projects with developing country governments and at 80% of bilateral ODA, Japan's country programmable aid is well above the DAC average. However, limited use is being made of other channels, particularly CSOs. Ensuring greater synergies across loans, grants and technical co-operation could help Japan's ODA achieve greater dividends. Focusing budgeting and approval processes on individual projects rather than country portfolios limits Japan's ability to provide multi-year, predictable funding to multilateral, regional and civil society organisations and private sector entities. Japan is a responsive development partner, participating actively in government-run co-ordination mechanisms, but rarely funds jointly with other donors in partner countries. It has a proud record of support for south-south and triangular co-operation. Japan is committed to country ownership and its use of partner country financial management systems for loans is significantly higher than the DAC average. While Japan shares rolling plans with partner governments and annual payments are timely, medium-term predictability could improve and JICA's country analysis papers could draw on a broader range of data.

Results, evaluation and learning. The Plan, Do, Check, Action cycle ensures projects are thoroughly planned and evaluated. *Ex-ante* evaluations outline expected outputs and external risk factors, and draw on lessons from similar projects. While Japan uses logframes and outcome targets for individual projects, it does not set out the broader development results it seeks to achieve or contribute to, limiting its ability to adopt a results-based management system. Japan uses DAC evaluation criteria and assesses diplomatic goals in evaluations. It has made efforts to adopt a more strategic approach to the projects that are evaluated. JICA no longer requires mid-term evaluations and is building its evaluation methodology for private sector investment finance based on good practice standards. It continues to emphasise joint evaluations with partner countries and supports statistical capacity. JICA's strong internal knowledge management system could be extended to all actors engaged in Japanese development co-operation.

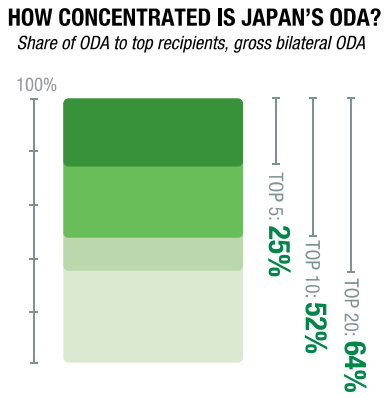
Fragility, crises and humanitarian aid. Japan has increased its engagement in crisis-affected contexts. As a peace-loving nation, Japan has recently stepped up its role in peacebuilding efforts and is strengthening conflict sensitivity in its programming, addressing root causes of instability in some contexts. It is now well-positioned to guide its staff in systematically implementing an integrated humanitarian-development-peacebuilding approach. Japan remains at the forefront of disaster risk reduction globally, building on its considerable expertise in preparing for and managing natural disasters. Japan builds solid bilateral partnerships, and favours the use of loans to assist post-conflict and post-disaster reconstruction. In the most difficult crisis contexts, Japan resorts to the multilateral system, notably to provide emergency assistance. However, unpredictable and short-term humanitarian funding, tightly earmarked individual projects and heavy administrative procedures restrict flexibility in rapidly evolving crises.

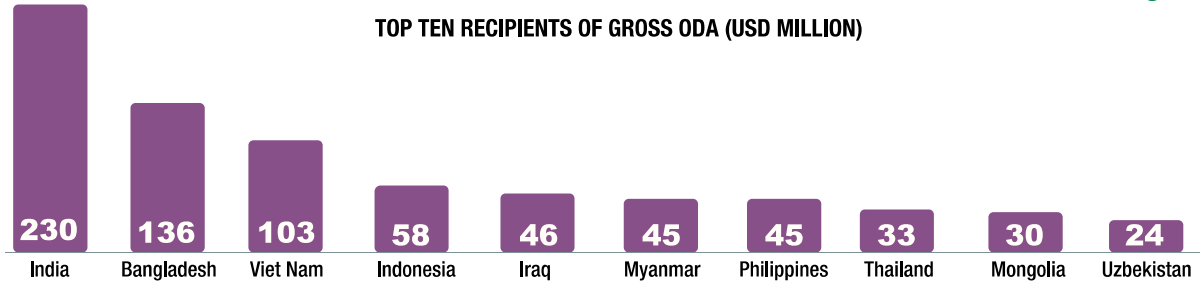
The DAC's recommendations to Japan

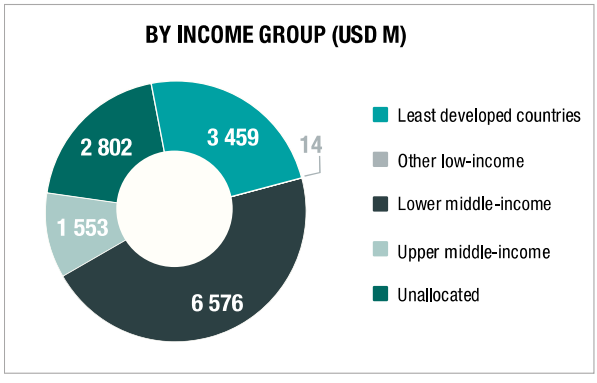
1. Japan's country development co-operation policies should better outline a coherent, whole-of-government approach which describes the sustainable development outcomes and impact it seeks to achieve, aligned with its partner countries' results frameworks and the Sustainable Development Goals.
2. Japan should continue to completely untie its aid covered by the DAC recommendation, while monitoring the impact of its declining share of untied aid overall and working to reverse it.
3. Japan should continue to build on its strong partnerships for greater impact by:
   - providing earmarked funding in a way that offers multilateral partners more predictability and flexibility to pool with other funders
   - providing greater institutional support to civil society organisations in Japan and partner countries as strategic partners and development actors in their own right
   - establishing clear guidelines and procedures on the use of ODA and other resources in catalysing private sector activities, in line with the OECD DAC Blended Finance Principles.
4. To uphold its development co-operation principles and improve its agility and adaptability, Japan should continue to improve its systems, procedures and capabilities in the following areas:
   - further enhancing decentralisation of decision making
   - further streamlining its project approval and management processes
   - continuing to invest in the capabilities of its staff – in particular locally engaged staff
   - strengthening how environment and climate change risks including adaptation and mitigation are taken into account across its development co-operation portfolio
   - developing systems for assessing, mitigating and monitoring contextual and sector-specific risks of corruption in its programmes.
5. Japan should build on the knowledge it has developed in engaging in fragile and conflict-affected contexts to systematise conflict sensitivity across its entire development portfolio and make explicit and operational the coherence between humanitarian, development and peace in its programmes.
6. As MOFA and JICA adapt their solid evaluation policies and guidelines to the DAC evaluation criteria, Japan should undertake more strategic evaluations that look beyond project delivery to more systemic and programme-wide outcomes.
7. Japan should develop and implement a plan to increase ODA levels in line with its international commitments to allocate 0.7% of gross national income.
8. Japan should develop a clear approach to poverty reduction and specific guidance on designing, monitoring and evaluating its ODA interventions to maximise their contribution to poverty reduction and to address the needs of those left furthest behind.
9. Japan should use an inclusive and effective whole-of-government approach and strengthen inter-agency co-ordination to address potential clashes between its domestic policies and sustainable development objectives. Such a mechanism should enable Japan to:
   - identify and analyse clashes and address potential remedies
   - set priorities for action
   - assign measures for ministries and agencies to implement
   - follow up on implementation and review the results of these measures.

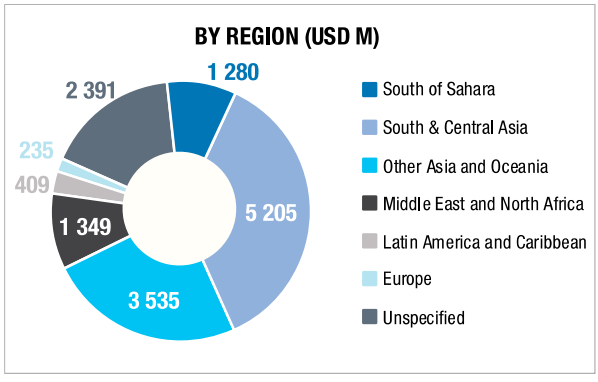
Figure 0.1. Japan's aid at a glance

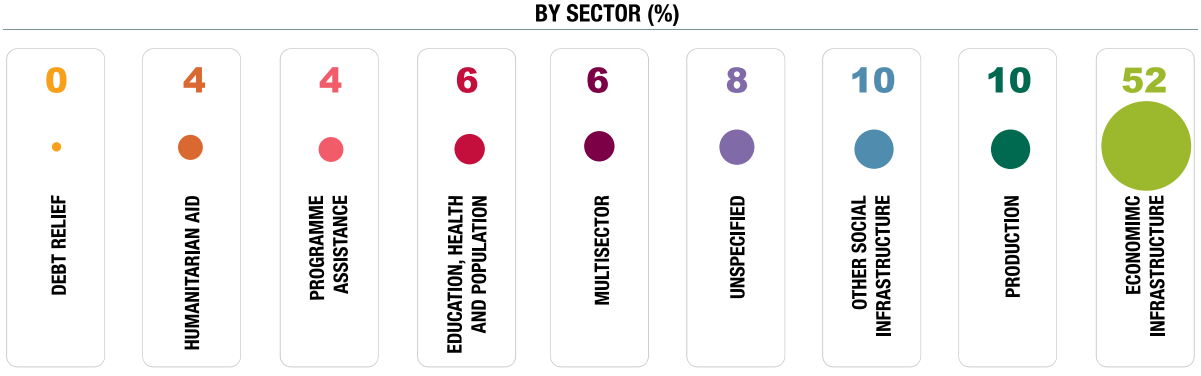
Net ODA	2017	2018	Change 2017/18	ODA grant equivalent 2018
Current (USD m)	11 463	10 064	-12.2%	14 164
Constant (2017 USD m)	11 463	9 922	-13.4%	13 963
In Yen (billion)	1 286	1 111	-13.6%	1 564
ODA/GNI	0.23%			0.28%
Bilateral share	70%	65%		77%











Gross bilateral ODA, 2017-18 average, unless otherwise shown

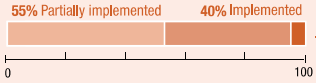
Source: OECD (2019[1]), *Creditor Reporting System* (database), https://stats.oecd.org/Index.aspx?DataSetCode=crs1.

StatLink https://doi.org/10.1787/888934175960

Infographic 1. Findings from the 2020 Development Co-operation Peer Review of Japan

Official development assistance in numbers

ODA VOLUME	ODA/GNI	TOP 5 BILATERAL RECIPIENTS
USD 14.2 BILLION + 4TH	0.28% + 14TH	1 INDIA 2 BANGLADESH 3 VIET NAM 4 INDONESIA 5 PHILIPPINES



Japan has partially or fully implemented 95% of the DAC recommendations from the last review (in 2014).

As a valued development partner, Japan...

...combines **diplomatic, peace and development efforts** to achieve sustainable development

It uses a **whole-of-society approach** to implement the Sustainable Development Goals

...is committed to **partner country ownership**

It values **self-reliant development** and the mutual benefits of development co-operation

...is a global champion of **disaster risk reduction**

It **supports partners** to link disaster prevention, mitigation, preparedness, response, recovery and rehabilitation

Japan can improve by...

...developing and implementing a plan to **increase its ODA**

...describing **sustainable development results** in country policies

...developing a clear approach to **poverty reduction**

Figures based on 2018 data, the most recent complete data reported by DAC members to the OECD Creditor Reporting System (CRS), and in current prices. ODA volume and ODA/GNI ranking are among DAC countries. Top 5 recipients are of bilateral ODA in 2018.

The DAC's main findings and recommendations

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

Diplomatic, peace and development efforts combine to support sustainable development

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

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

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

Japan has a strong commitment to country ownership and mutual benefit

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

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

Japan is recognised as a global champion of disaster risk reduction

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

Japan can build on its achievements

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

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

Recommendation

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

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

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

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

Recommendation

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

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

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

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

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

Recommendation

3. Japan should continue to build on its strong partnerships for greater impact by:

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

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

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

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

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

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

Recommendation

4. To uphold its development co-operation principles and improve its agility and adaptability, Japan should continue to improve its systems, procedures and capabilities in the following areas:

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

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

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

Recommendation

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

Japan's more strategic evaluations could highlight its wider impact

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

Recommendation

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

Japan needs to address some challenges

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

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

Recommendation

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

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

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

Recommendation

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

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

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

Recommendation

9. Japan should use an inclusive and effective whole-of-government approach and strengthen inter-agency co-ordination to address potential clashes between its domestic policies and sustainable development objectives. Such a mechanism should enable Japan to:

- identify and analyse clashes and address potential remedies
- set priorities for action
- assign measures for ministries and agencies to implement
- follow up on implementation and review the results of these measures.

Secretariat's report

1 Japan's global efforts for sustainable development

This chapter looks at Japan's global leadership on issues important to developing countries. It explores Japan's efforts to ensure that its domestic policies are coherent and in line with the 2030 Agenda for Sustainable Development and its work to raise awareness of global development issues at home.

The chapter first reviews Japan's efforts to support global sustainable development, assessing Japan's engagement and leadership on global public goods and challenges such as international peace and security; health; and climate, environment and resilience, and in promoting global frameworks. It then examines whether Japan's own policies are coherent with sustainable development in developing countries. The chapter concludes by looking at Japan's promotion of global awareness of development and citizenship at home.

In brief

Peace, stability and prosperity drive Japan's support for sustainable development

Japan uses its membership of global groupings and its high-profile regional engagements to promote peace, stability and prosperity in the international community. Regular high-level summits with the leaders of Southeast Asian, African and Pacific countries focus attention on opportunities to progress on sustainable development and remove obstacles to its achievement. Japan's vision of a Free and Open Indo-Pacific seeks to establish a rules-based international order by promoting fundamental principles, pursuing economic prosperity with connectivity, and building commitment to peace and stability.

Japan's presidencies of the G7 and G20 enabled it to promote issues of importance to sustainable development globally – including universal health coverage and responding to public health emergencies, quality infrastructure investment and gender equality – and to advance environmental and climate issues.

A long-standing commitment to human security informs Japan's global engagement and its diplomatic, peace and development efforts. Universal values – the rule of law, good governance, democratisation and respect for basic human rights – underpin Japan's approach to supporting global public goods and addressing global challenges.

Soon after the 2030 Agenda for Sustainable Development was agreed, Japan moved quickly to establish a broad-based, whole-of-society approach to implementing the Sustainable Development Goals (SDGs) based on eight priorities centred around the themes of people, prosperity, planet, peace and partnerships. In relation to disaster risk reduction, having hosted the 3rd United Nations World Conference on Disaster Risk Reduction in 2015, Japan turned its focus to implementing the Sendai Cooperation Initiative for Disaster Risk Reduction.

While Japan does not have a mechanism for detecting likely clashes between domestic policies and sustainable development objectives, its governance structure for implementing the SDGs at home and abroad could be emulated in making progress on policy coherence for sustainable development. While Japan has taken steps to address potential areas of incoherence – for example, in promoting responsible business conduct, tackling corruption and promoting climate change adaptation and mitigation – it could do more in each of these areas. The campaign to address marine plastic litter incorporates global and domestic policy action.

Recognising the importance of building public support for development co-operation and awareness about global issues, Japan has adopted innovative outreach approaches using the anime, *ODA-Man*. Public opinion surveys indicate that citizens' support for official development assistance (ODA) has risen from 10% to 30% in the past decade. Japan is also drawing on the pulling power of *Hello Kitty* amongst young people to promote understanding of the SDGs. The United Nations have piggy-backed on Japan's approach, with *Hello Kitty* now taking the SDGs to the world. Sustainable development was recently included in the education curriculum; this, complemented by further investment in development education, could stimulate greater understanding of development challenges and spur citizens to take global action.

Efforts to support global sustainable development

Japan is committed to peace, stability and prosperity in the international community

Japan's global engagement is centred on the themes of peace, stability and prosperity. As a peace-loving nation it seeks a stable and secure international environment where the free movement of people and goods enables prosperity. This is exemplified by Japan's recent articulation of a Free and Open Indo-Pacific (MFA, 2019[1]), which seeks to establish a rules-based international order by promoting fundamental principles such as the rule of law, freedom of navigation and free trade, pursuing economic prosperity with connectivity and building commitment to peace and stability linking the economic powerhouse of Asia to the vast African market.

Japan draws attention to regional opportunities and challenges through regular, high-level summits. Japan's 47-year co-operation with the Association of Southeast Asian Nations (ASEAN) through the ASEAN-Japan Forum has contributed significantly to regional peace, stability and prosperity (Association of Southeast Asian Nations, 2013[2]).[1] Since 1993 based on the principles of African ownership and international partnership, the Tokyo International Conference on African Development (TICAD)[2] has highlighted the importance of Africa's development. The tri-annual Pacific Islands Leaders Meeting (PALM)[3] has turned attention to the challenges faced by small island developing states (SIDS). Japan's vision of a Free and Open Indo-Pacific was announced at TICAD VI and is premised on a commitment to peace and stability, promotion of the rule of law, freedom of navigation and free trade, and pursuit of economic prosperity (MFA, 2019[3]) (Chapter 7).

Japan used its G7 and G20 presidencies to advance sustainable development globally, with its active participation in these global groupings providing a platform to advance a more peaceful world from which all nations might benefit. Under Japan's G7 presidency, the Ise-Shima Summit in 2016 affirmed G7 members' commitment to implementing the SDGs, and to take action to reduce their national emissions and adapt to the impacts of climate change.[4] Japan's priorities as G7 president covered health and education, quality infrastructure, innovation, gender equality, climate change, and the marine environment (MFA, 2019[4]). Japan used its first G20 presidency in 2019 to gain support from all G20 members for a number of important areas affecting sustainable development, including:[5]

- Japan's Research and Development 20 initiative[6], which seeks to stimulate knowledge exchange amongst G20 researchers to accelerate innovation in clean energy technologies. The G20 Karuizawa Innovation Action Plan on Energy Transitions and Global Environment for Sustainable Growth[7] focuses on leading energy transitions to improve energy security, economic efficiency, environment and safety.
- The G20 Shared Understanding on the Importance of UHC Financing in Developing Countries[8] which notes the importance of dialogue between health and finance authorities for sustainable health financing, including mobilising domestic financing sources – taxes, insurance and co-payments. It emphasises the importance of prioritising and ensuring access for all to high-quality primary healthcare, for achieving universal health coverage (UHC). Health and active ageing was discussed for the first time in the G20.
- The G20 Initiative on Human Capital Investment for Sustainable Development[9] which focuses on the importance of quality education for inclusive, resilient and innovative societies.
- The G20 Guiding Principles for the Development of Science, Technology, and Innovation for SDGs Roadmaps,[10] which highlight elements for countries to consider as they engage multiple stakeholders in unleashing the potential of science, technology and innovation for the SDGs.

Japan also increased its emphasis on quality infrastructure (Box 1.1) (G20, 2019[5]), and achieved agreement amongst some of the world's largest polluters to reduce additional marine plastic litter to zero by 2050 (MFA, 2019[6]).

Box 1.1. Japan's focus on quality infrastructure investment

Japan has made considerable efforts to promote quality infrastructure investment, using the by-line "helping build quality infrastructure abroad for sustainable development, hand in hand with local partners". The approach involves four elements: applying technology that best meets local needs; building capacities to operate and maintain infrastructure and supporting local infrastructure development; a long-term commitment to partner countries; and economic efficiency throughout the project lifecycle.

Japan has been part of a range of global and regional infrastructure efforts, including:

- Developing the APEC Guidebook on Quality of Infrastructure Development and Investment in 2014, subsequently revised in 2018.
- Presiding over agreement of the Ise-Shima Principles for Promoting Quality Infrastructure Investment at the G7 Summit in 2016.
- Agreeing in 2019 to the G20 Compendium of Good Practices for Promoting Integrity and Transparency in Infrastructure Development.
- Achieving agreement on the G20 Principles for Quality Infrastructure Investment in 2019. The six principles,[1] cover maximising impact, value for money, integrating environmental and social considerations, resilience and governance.

In June 2018 Prime Minister Abe announced a new financial agenda with the Japan Bank for International Cooperation to provide USD 50 billion for infrastructure in the Indo-Pacific region. He emphasised that quality infrastructure investments "increase employment, expand educational opportunities for workers and attract even more foreign domestic investment – and as a result make Japan's loans easy to pay back".

Note: [1] For the 15 components of these 6 principles see www.mof.go.jp/english/international_policy/convention/g20/annex6_1.pdf.
Source: Ministry of Foreign Affairs (2019[7]), *G20 Osaka Summit (Summary of Outcome), June 29, 2019*, www.japan.go.jp/sustainable_future/infrastructure/; https://financialtribune.com/articles/world-economy/87974/abe-pledges-50b-for-infrastructure-in-indo-pacific-region.

Human security and universal values underpin Japan's global engagement

Japan's long-standing commitment to human security informs diplomatic, peace and development efforts. Initially conceived of as a counterpart to military responses to conflict (United Nations, 2012[8]; Steiner, 2019[9]),[11] Japan's understanding of the concept of human security has developed over time (Harnisch, 2019[10]). The concept pursues the right of individuals to live happily and in dignity, free from fear and want, through their protection and empowerment, focusing on individuals, especially the most vulnerable. The 2013 National Security Strategy (Government of Japan, 2013[11]) lists challenges to human security as one of six challenges in the global security environment,[12] akin to other issues that know no boundaries – such as poverty and widening inequality, environmental issues including climate change, infectious diseases, and humanitarian crises. Promoting human security is one of three basic policies for the 2015 Development Cooperation Charter (Government of Japan, 2015[12]).

Universal values – the rule of law, good governance, democracy, freedom and respect for basic human rights – are critical elements of Japan's foreign policy. These values underpin Japan's commitment to addressing challenges facing the international community (MFA, 2019[13]), and its approach to security (Government of Japan, 2013[11]) and development co-operation (Government of Japan, 2015[12]).

Japan moved quickly to implement the 2030 Agenda for Sustainable Development

Japan is promoting a broad-based, whole-of-society approach to implementing the SDGs. The SDGs Promotion Headquarters[13] was established in May 2016 and is headed by the Prime Minister with participation of all members of Cabinet. The SDGs Implementation Guiding Principles, agreed in December 2016, list domestic and international actions to deliver Japan's eight priorities, which are centred around the themes of people, prosperity, planet, peace and partnership (MFA, 2017[14]).[14] The SDGs Action Plan was agreed in 2018 and subsequently updated in December 2018 and June 2019.

Japan focuses on a broad range of global public goods and challenges. Japan has listed eight priorities for engagement in sustainable development (MFA, 2017[14]). Examples of Japan's global leadership on these include:

1. Empowerment of all people: the World Assembly for Women, which commenced in 2014, seeks to achieve "a society where women shine". It discusses how to promote empowerment of women in Japan and globally.[15]
2. Achievement of good health and longevity: Japan is a staunch advocate for UHC, including in the United Nations, the World Health Organisation, the G7, the G20 and TICAD. The UHC Forum 2017, hosted in Tokyo, drew heads of state, ministers and the heads of the main multilateral actors.[16] Japan has also raised the importance of strengthening global responses to public health emergencies.
3. Creating growth markets, revitalising rural areas and promoting science technology and innovation: the Industrial Human Resource Development Cooperation Initiative[17] and the African Business Education Initiative[18] are fostering the development of skills to support industrial development in Asia and Africa.
4. Sustainable and resilient land use, and promoting quality infrastructure: after hosting the 3rd UN World Conference on Disaster Risk Reduction in 2015, Japan turned its focus to implementing the Sendai Cooperation Initiative for Disaster Risk Reduction (MFA, 2015[15]) and promoting resilience (Chapter 7). See Box 1.1 for details of Japan's efforts in quality infrastructure.
5. Energy conservation, renewable energy, climate change countermeasures and a sound material-cycle society: Japan recognises the need for decarbonisation and transition in energy systems globally. Its 'global vision for a shared future' (MFA, 2018[16]) focuses on: free trade in energy and resources; accelerating efforts to achieve energy access; reducing environmental costs and improving energy efficiency, in which Japan is a global leader (IEA, 2016[17]) (IEA, 2019[18]); development and deployment of renewable energy, particularly in ASEAN countries (Government of Japan, 2015[19]); and strengthening global energy governance and preparedness for oil and gas supply emergencies.
6. Conservation of the environment, including biodiversity, forests and the oceans: Japan is supporting SIDS and least developed countries (LDCs) to assess climate change impacts, formulate adaptation plans and build resilience. It mobilises public and private finance to disseminate low-carbon and decarbonisation technologies and enhances transparency by monitoring whole-atmosphere CO_2 and methane concentrations (Ministry of the Environment, 2018[20]).
7. Achieving peaceful, safe and secure societies: Japan is a regular contributor to United Nations (UN) peace-keeping operations, international humanitarian relief operations and international election observation operations (Chapter 7). It also supports efforts to combat crime, including human trafficking, terrorism and piracy.
8. Strengthening the means and frameworks for the implementation of the SDGs: Japan participates in the Leading Group on Innovative Financing for Development, assuming its presidency for a

second time in 2019. This informal network is dedicated to the **eradication of poverty and the preservation of global public goods.**[19]

Policy coherence for sustainable development

Japan lacks an effective mechanism for ensuring policies are coherent with sustainable development

Japan has no formal mechanism for analysing potential clashes between domestic policies and sustainable development objectives, identifying action to be taken to resolve such instances, or monitoring implementation progress. While the Ministry of Foreign Affairs (MOFA) maintains a watching brief over the coherence between domestic policies and development objectives, it has no power to arbitrate alone; if MOFA is unable to resolve an issue with one or more relevant ministries or agencies, the matter is referred to Cabinet.

The SDGs Promotion Headquarters provides an example of an effective governance mechanism that could address issues of policy coherence for sustainable development. It co-ordinates overall policy directions, however, co-ordination on individual policy issues is conducted more frequently and at diverse levels, with inter-agency consultations addressing specific issues and policies. Japan recognises the importance of frequent inter-agency co-ordination to advance transboundary elements of policy coherence for sustainable development and does so regularly. It is important for relevant ministries to conduct more regular and systematic analysis of potential clashes between domestic policies and sustainable development objectives and for responsible ministries or agencies to be more deliberate in resolving them. Japan has shown that it is possible to organise action across government to resolve specific issues undermining sustainable development, including in developing countries. The whole-of-government approach taken by the SDG Promotion Headquarters in preparing the SDGs Implementation Guiding Principles (MFA, 2017[14]) includes analysis of efforts to date; assessment of the current situation; identification of priority areas for action, including a strong focus on domestic actions; assignment of measures for ministries and agencies to implement; and follow-up and review. It is important to note, however, that the approach to implementing the SDGs has a strong domestic focus and the overseas measures relate mostly to development co-operation support rather than analysis and policy action to address incoherence between domestic policies and sustainable development objectives. This structure might be emulated in addressing policy coherence for sustainable development.

Japan is taking steps to advance policy coherence for sustainable development, but more could be done

Japan is achieving greater coherence between domestic policies and development objectives. This includes participating in G7 and G20 work streams and its adherence to a number of OECD recommendations and guidelines. As G20 president, Japan promoted efforts to reduce additional pollution by marine plastic litter to zero by 2050. Japan's *MARINE Initiative* was launched to support developing country efforts to combat marine plastic litter, focusing on management of waste; recovery of marine litter; innovation; and empowerment. It is taking a comprehensive life-cycle approach, including improved waste management practices to reduce littering, and reduction in consumption of single-use plastics.[20] Domestic efforts focus on similar measures including development of, and conversion to using, alternative materials (Ministry of the Environment, 2019[21]).

Nevertheless, like many Development Assistance Committee (DAC) members Japan faces a number of significant coherence dilemmas, especially in the following areas:[21]

- **Responsible business conduct:** Business operations, supply chains and business relationships can negatively impact on economic, environmental and social progress and the rights of workers and consumers. Japan adheres to the OECD Guidelines for Multinational Enterprises and has a National Contact Point (NCP) to promote the guidelines and handle cases of misconduct.[22] It participates in a joint ILO-OECD-EU programme on promoting responsible supply chains in Asia, has translated into Japanese generic due diligence guidance for responsible business conduct, specific guidance for the garment and footwear sector, and the third edition of guidance for minerals from conflict-affected areas. The NCP has also organised training workshops about the guidelines for business. However, limited resources mean that the NCP is constrained in delivering its mandate. Between 2016-19 it only organised three promotional events and participated in seven events organised by others, which is low by G7 standards. In February 2020, the NCP revised its procedural guidance to include rules for mediation, reinforcing this with training on mediation in March 2020. The NCP training programme by the OECD Secretariat will be an opportunity to build additional capacity. The NCP could do more to promote responsible business conduct with businesses and engage with government colleagues on its potential to contribute to the SDGs. The development of a National Action Plan on Business and Human Rights has facilitated more regular contact with development professionals across government. Nevertheless, opportunities exist to increase engagement, either in the NCP's decision-making structure or via an advisory body gathering representatives of other government departments. Such actions could increase coherence in the way businesses conduct themselves and Japan's commitment to sustainable development.
- **Anti-corruption:** No government or market economy can function effectively if it is riddled by bribery, and corruption entails costs that no country can afford. Japan has taken action to implement the OECD Anti-Bribery Convention,[23] including legislative amendments on confiscation and criminalising laundering. It has also included due diligence considerations and invested in strengthening governance capacity in partner countries. Nevertheless, Japan could have greater impact, such as by stepping up enforcement of its foreign bribery laws and strengthening the capacity of law enforcement agencies. It could also increase sanctions and the limitation period for foreign bribery, broaden the nationality jurisdiction framework to include bribes paid by non-Japanese employees of companies operating abroad, encourage agencies to be more proactive, and reduce delays in opening and conducting investigations, which should also be independent of the executive (OECD, 2019[22]). Japan might also work with the Japan External Trade Organisation (JETRO) to clarify the definition and scope of small facilitation payments as recommended in the convention.
- **Aligning with the Paris Agreement on climate change:** Japan is supporting the adaptation and emission reduction efforts of developing countries, and promotes reduced emissions from deforestation and forest degradation (REDD+) initiatives, renewable energy systems and energy efficient smart cities. It participates in the Global Research Alliance on Agricultural Greenhouse Gases and is the largest donor to the Green Climate Fund (Ministry of the Environment, 2018[20]). Japan has promoted the concept of a virtuous cycle of environment and growth and this was endorsed by members at the G20 Osaka Summit in 2019. As part of its long-term strategy under the Paris Agreement of achieving a decarbonised society as close as possible to 2050, Japan has committed to reduce greenhouse gas emissions in 2030 by 26% compared with 2013, and by 80% in 2050. However, Japan's greenhouse gas emissions are the second highest in the OECD and G7[24] (OECD, 2019[23]). It continues to invest in new coal-burning power plants at home and abroad (Tabuchi, 2020[24]), but as part of a new government strategy recently tightened the criteria for supporting exports of coal-fired power plants.[25] While Japan and its partners have adhered to the Paris Agreement, it could do more to promote the transition to low-emissions, climate-resilient pathways in line with the agreement's central goal of limiting global warming to well below 2°C and pursuing efforts to limit it to 1.5°C.[26]

- **Agriculture:** Policies that restrict trade or unnecessarily increase trade costs harm countries' domestic economies as well as their trading partners, by constraining the development of the agro-food sector. Japan contributes to agro-food sector development in LDCs by providing duty-free, quota-free market access for agricultural products which originate there. It is active in its support for agricultural production in developing countries, announcing during TICAD7 that it would help double rice production in Africa by 2030 (MFA, 2019[25]). Its agricultural science research[27] priorities include climate-smart technologies, and practices for sustainable agriculture (G20 Meeting of Agricultural Chief Scientists, 2019[26]). In 2020, Japan allocated some USD 24.3 million to the Ministry of Agriculture, Forestry and Fisheries to establish food value chains in developing countries, reduce hunger and take measures in response to challenges on a global scale. Support to agricultural producers in Japan averaged 47% of gross farm receipts in 2016-18, two and a half times the OECD average, approximately USD 34.6 billion, 86% of which was potentially most distorting (OECD, 2019[27]).[28] As noted in a recent report, there is room for greater innovation in the domestic food and agriculture sector to become more productive and environmentally sustainable (OECD, 2019[28]).

Global awareness

Japan recognises the need to build global awareness and public support for development co-operation

Japan is building global development awareness through JICA's Global Plazas and an active outreach programme. In 2006, Japan's International Cooperation Agency (JICA) established its first global plaza in Hiroo, Tokyo, as an interactive venue to build awareness about global issues affecting sustainable development, and to provide support to citizens wanting to participate in international co-operation.[29] Staff of MOFA, JICA, non-government organisations (NGOs) and Japanese volunteers dispatched by JICA are encouraged to speak on development issues at schools, universities and festivals. The Japan Global Festa, which promotes international development co-operation, is co-organised by MOFA, JICA and the Japan NGO Center for International Cooperation (JANIC) and celebrates its 30th year in 2020. Japan SDGs Awards are given to organisations – companies, local governments, schools, universities – who proactively promote the SDGs including domestic awareness-raising activities.[30]

Japan has developed some innovative ways of raising awareness. In 2018, Japan mobilised *Hello Kitty* to build understanding of, and support for, the SDGs amongst young and old in Japan, an approach which the UN subsequently took up in an effort to reach young people worldwide.[31] Nevertheless, Japan acknowledges that public awareness of the SDGs remains insufficient (Government of Japan, 2017[29]). MOFA has increased its investment in public relations outreach, using the anime *ODA-Man* (Box 1.2). Since 1984 it has published an annual White Paper (MFA, 2019[30]) which reports to the public on Japanese development co-operation efforts and JICA has issued its annual report since 1975 (JICA, 2019[31]).

Disaster risk reduction and education activities draw on the Japanese public's empathy with victims of natural disasters. For example, disaster risk awareness is embedded in Japan's education system (Fukioka, T. and Y. Sakakibara, 2018[32]) and is part of Japan's strategy to promote a nationwide commitment to disaster risk reduction. Japan uses its domestic knowledge abroad and disaster education is fully part of its partnership with disaster-prone countries (JICA, 2018[33]).

Public opinion surveys indicate that citizens' support for ODA has risen from 10% to 30% in the past decade. While positive, this is well below the 80-90% found in European member states (European Commission, 2019[34]). Using surveys to understand Japanese attitudes to ODA is good practice and enables Japan to better target outreach – for example surveys have found that young people are interested in humanitarian assistance and gender issues. However, care is needed that this evidence does not result

in a limited focus on popular elements of Japan's development co-operation efforts or in solidifying public misperceptions. Rather, it should stimulate further analysis of areas where greater awareness is required among the public.

Box 1.2. Using *ODA-Man* to promote Japan's development efforts

"Yoshida-kun" from the anime "Eagle Talon" was appointed "ODA-Man" at the Ministry of Foreign Affairs in September 2018 to show how Japan's official development assistance (ODA) helps people around the world. He is featured on the ministry's Facebook account and in short movies playing on the ministry's YouTube channel showing ODA activities in Kenya, Turkey, Peru and a number of Asian countries.

Note: The Ministry of Foreign Affairs' You Tube Channel playlist is at www.youtube.com/user/mofachannel.
Source: MFA (2019[30]), *White Paper on Development Cooperation 2018*, www.mofa.go.jp/files/000557193.pdf.

More investment in development education is planned

The concept of sustainable development will be incorporated into the school curriculum. From April 2020, the education curriculum will include sustainable development across a range of subjects. While Japan's support for development awareness dropped from USD 2.78 million in 2014 to USD 1.24 million in 2018 (an average of USD 1.62 million over the period 2014-18), officials indicate that it will rise to USD 1.5 million in 2019 and 2020. This additional investment is needed to boost development education and global awareness in the school curriculum and in through other channels, including local government, civil society organisations, and small and medium enterprises. MOFA could, for example, include development education and global awareness efforts in its next five-year NGO-MOFA joint plan.

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Notes

[1] The first ASEAN-Japan Dialogue was held in 1973 and the relationship was formalised through the ASEAN-Japan Forum in 1977. Japan's engagement has deepened significantly over the years including through Japan's participation in regional fora such as the ASEAN Regional Forum (since 1994) and the East Asia Summit (since 2005).

[2] The Tokyo International Conference on African Development (TICAD) is led by Japan and co-organised by the United Nations, the United Nations Development Programme, the World Bank and the African Union Commission. Held every five years from 1993-2013, it changed to three year intervals, meeting in 2016

and 2019. See www.mofa.go.jp/af/af1/page22e_000767.html and www.mofa.go.jp/region/africa/ticad/index.html.

[3] Leaders of 14 Pacific Island countries, Australia, New Zealand and Japan participate in the Pacific Islands Leaders Meeting (PALM). See www.mofa.go.jp/region/asia-paci/palm/index.html.

[4] Known as intended nationally determined contributions, these were submitted in advance of the Paris Climate Change Conference. See https://unfccc.int/process-and-meetings/the-paris-agreement/nationally-determined-contributions-ndcs.

[5] The G20 Osaka Leaders' Declaration contains the full set of Ministerial Declarations and Communiqués, and other documents including from G20 Working Groups. See www.mofa.go.jp/policy/economy/g20_summit/osaka19/en/documents/final_g20_osaka_leaders_declaration.html.

[6] For details of Japan's Research and Development 20 initiative see https://rd20.jp/.

[7] For details of the G20 Karuizawa Innovation Action Plan on Energy Transitions and Global Environment for Sustainable Growth see www.meti.go.jp/press/2019/06/20190618008/20190618008_02.pdf.

[8] For details of the G20 Shared Understanding on the Importance of UHC Financing in Developing Countries see www.mof.go.jp/english/international_policy/convention/g20/annex8_1.pdf.

[9] For details of the G20 Initiative on Human Capital Investment for Sustainable Development see www.mofa.go.jp/mofaj/gaiko/g20/osaka19/pdf/documents/en/annex_10.pdf.

[10] For details of the G20 Guiding Principles for the Development of Science, Technology, and Innovation for SDGs Roadmaps see http://www.mofa.go.jp/policy/economy/g20_summit/osaka19/pdf/documents/en/annex_12.pdf.

[11] Defined as "an approach to assist Member States in identifying and addressing widespread and cross-cutting challenges to the survival, livelihood and dignity of their people", https://undocs.org/A/RES/66/290. It has been characterised as reflecting the humanitarian-development-peace nexus where "sustainable development and sustaining peace are two sides of the same coin," www.undp.org/content/undp/en/home/news-centre/speeches/2019/25th-anniversary-of-the-human-security-concept.html. For more information see www.un.org/humansecurity/what-is-human-security/. The concept was championed in Japan by Ms. Sadako Ogata, who passed away recently. See www.asahi.com/ajw/articles/AJ201910300023.html.

[12] The other five challenges are: shift in the balance of power; proliferation of weapons of mass destruction; international terrorism; risks to the global commons – the sea, outer space and cyberspace; and global economic risks.

[13] For details of Japan's SDG Promotion Headquarters see www.mofa.go.jp/policy/oda/sdgs/effort/index.html.

[14] The guiding principles emphasise the importance of universality, inclusiveness, participatory and integrated approaches, and transparency and accountability.

[15] The theme of the 5th WAW in March 2019 was *WAW! For Diversity*. For details see www.mofa.go.jp/fp/hr_ha/page22e_000859.html.

[16] For details of the forum see www.mofa.go.jp/ic/ghp/page11e_000014.html.

[17] See www.mofa.go.jp/files/000112833.pdf.

[18] See www.jica.go.jp/english/countries/africa/internship.html.

[19] For information about the Leading Group see www.leadinggroup.org/rubrique20.html.

[20] Japan's global efforts are outlined here www.mofa.go.jp/ic/ge/page25e_000317.html.

[21] Japan ranks 24th out of 27 countries on the Commitment to Development Index 2018, suggesting that it could do more to address areas of potential incoherence. This includes ratifying all protocols of the Convention on Certain Conventional Weapons, reducing subsidies to the fishing industry and imports of tropical wood, and requiring country-by-country reporting from extractive industries. For further information see www.cgdev.org/cdi-2018/country/JPN.

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[23] The OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (the Anti-Bribery Convention) establishes legally binding standards to criminalise bribery of foreign public officials in international business transactions. For further information see www.oecd.org/corruption/oecdantibriberyconvention.htm.

[24] Japan has the fourth highest CO_2 emissions per capita in the G7, see https://stats.oecd.org. Visualisations of a range of greenhouse gas emissions data can be found at: https://ourworldindata.org/co2-and-other-greenhouse-gas-emissions.

[25] For details of the announcement see https://english.kyodonews.net/news/2020/07/b9a5c7a1b980-update2-japan-to-tighten-export-criteria-for-coal-fired-power-plants.html.

[26] Japan's 2030 target falls within the 10-30% interquartile range for limiting global warming by reducing CO_2 emissions to below 2°C (for an explanation see www.ipcc.ch/site/assets/uploads/sites/2/2018/07/sr15_headline_statements.pdf). However, developing countries have energy growth needs, and as a result of continued use of fossil fuels their emissions are due to peak later. Japan's current commitments have been criticised as not being consistent with holding warming to below 2°C, nor with the Paris Agreement's stronger 1.5°C limit. See https://climateactiontracker.org/countries/japan/.

[27] Japan Intellectual Support Network in Agricultural Sciences promotes co-operation among Japan-based universities, international agricultural research institutions, and international co-operation agencies involved in agricultural sciences and international agricultural co-operation. It works closely with JICA. See http://jisnas.com/en/index.html.

[28] While rice farm income support has ended, border measures remain in place for rice, pork and milk. Reducing trade barriers would bring lower prices for consumers and provide more flexibility for farmers. See https://doi.org/10.1787/92b8dff7-en.

[29] There are also global plazas in Nagoya and Sapporo cities (www.jica.go.jp/hiroba/english/index.html) and in JICA Country Offices such as Cambodia (www.jica.go.jp/cambodia/english/office/about/ngodesk/about.html).

[30] For information about the Japan SDGs Awards see www.mofa.go.jp/policy/oda/sdgs/award/index.html.

[31] *Hello Kitty*"s work with the UN to promote the SDGs can be found here: www.moshimoshi-nippon.jp/259178.

2 Japan's policy vision and framework

This chapter assesses the extent to which clear political directives, policies and strategies shape Japan's development co-operation and reflect its international commitments, including the 2030 Agenda for Sustainable Development.

The chapter begins with a look at the policy framework guiding development co-operation, assessing whether Japan has a clear policy vision that aligns with the 2030 Agenda and reflects its own strengths. It then examines whether Japan's policy guidance sets out a clear and comprehensive approach, including to poverty. The final section focuses on the decision-making basis, i.e. whether Japan's policy provides sufficient guidance for decisions about where and how to allocate its official development assistance.

In brief

Japan supports inclusive, sustainable and resilient growth based on country needs

The Development Cooperation Charter decided in 2015 underscores the mutual benefits of peace and security and which is well-aligned with the Sustainable Development Goals (SDGs) despite being published beforehand. Japan's philosophy for development co-operation is based on respect for country ownership and self-reliant development, using the social and cultural values of partner countries as the starting point and building on Japan's experience and expertise.

Japan intends to reduce poverty and leave no-one behind by investing in quality growth and human security. This includes helping to improve local capacity to grow the economy through technology transfer, human resource development and job creation, and using multilateral channels to complement these efforts. JICA has published position papers on the SDGs, including for Goal 1 on poverty eradication; however, Japan does not yet have a clear approach to poverty reduction nor specific guidance on designing, monitoring and evaluating interventions to maximise their contribution to poverty reduction. Country diagnostic work does not look at the drivers of poverty and vulnerability to determine Japan's priorities or beneficiaries.

Japan recognises the social, economic and environmental aspects of sustainable development. It has developed specific guidelines for gender mainstreaming and considers the environmental impacts of its investments. It could manage potential positive and adverse environmental and climate-related impacts across its portfolio more proactively, as is already done for gender.

Japan does not have priority partner countries or targets apportioning official development assistance (ODA) to various countries or themes, and it could have a more deliberate approach, for example linking country programming to the SDGs. Instead, it anchors its allocation decisions for grants, technical assistance and loans on country demand. In addition, in making allocation decisions Japan considers its own foreign policy, the role of the country in the region and its influence, as well as its absorptive capacity. For Japan, investing ODA in Asia – including through regional connectivity – is a geopolitical and economic priority, as is expanding public and private investment in sub-Saharan Africa.

Japan principally works government-to-government, though it is expanding towards partnering more with the private sector and continues to work with a range of civil society organisations.

Neither the Ministry of Foreign Affairs (MOFA) or the Japan International Cooperation Agency (JICA) have a multilateral strategy. The Development Cooperation Charter considers the added value of multilateral partners to be their expertise, impartiality, wide networks, capacity for effective and efficient co-operation in sectors or regions less accessible to Japan. Japan has concentrated on a limited number of important multilateral partners with which it holds regular consultations.

Framework

Japan's development co-operation seeks to contribute to peace, stability and prosperity through inclusive, sustainable and resilient growth that respects country ownership

The objective of the 2015 Development Cooperation Charter is to contribute more proactively to peace, stability and prosperity in the international community (Government of Japan, 2015[1]). Approved in 2015 by Cabinet, the charter is owned across government, and updates the 1992 ODA Charter and the 2003 revision. It underscores the mutual benefits of peace and security and explicitly refers to Japan's first ever National Security Strategy adopted in December 2013, which itself points to the use of ODA to promote international peace and strengthen universal values (Government of Japan, 2013[2]). The government's 2013 Revitalisation Strategy, updated in 2016, sees ODA as one instrument to revitalise Japan's growth (Prime Minister's Office, 2013[3]) (Prime Minister's Office, 2016[4]). In sum, the 2015 charter is unprecedented for Japan in "bearing in mind [the] National Security Strategy" and enhancing "partnerships with various actors so as to serve as a catalyst for mobilizing a wide range of resources, including the private sector" (Government of Japan, 2015[1]).

Though approved before the 2030 Agenda was finalised, Japan has shown that the charter reflects the SDGs. The 2030 Agenda challenges Japan to co-operate with a wide range of stakeholders to deliver its development co-operation. Japan emphasises that its own philosophy is to tackle poverty, environmental degradation and economic growth in partner countries first and foremost by respecting ownership and promoting self-reliant development that builds on the social and cultural values of partner countries combined with Japan's experience and expertise (Government of Japan, 2015[1]). JICA went through an alignment exercise which showed that the charter will help to achieve the SDGs through giving priority to growth that is inclusive and "shared within society as a whole, with no one left behind" (SDGs 1, 3, 4, 5, 8, 10, 16), sustainable (SDGs 6, 7, 12, 13, 14, 15), and resilient (2, 9, 11) (JICA, 2016[5]).

Japan's thematic and geographic priorities are reinforced by its focus on a Free and Open Indo-Pacific

Asia remains the priority region for Japan's development co-operation. This close political and geographical relationship directly affects Japan's security and prosperity. For Japan, support to sustainable development means realising human security and achieving lasting economic growth via human resource development, infrastructure development, support to institutions, and regulatory frameworks that allow the private sector to flourish and developing countries to become self-reliant. Japan emphasises that the inclusive and resilient nature of "quality growth" are requirements for sustainability. This approach allows Japan to build on its strengths – which include human resources, expertise, and advanced technology and systems – in mutually beneficial country partnerships.

Japan's co-operation is organised into three priority issues. The charter outlines three basic policies: contributing to peace and prosperity, promoting human security, and self-reliant development and collaboration based on Japan's strengths (Chapter 1). Linked to these basic policies are three priority issues for development co-operation:

1. "Quality growth" and poverty reduction (health, safe water and sanitation, education, quality infrastructure, agricultural development, information and communications technology, and culture and sport).
2. Sharing universal values and bringing about a peaceful society (governance, peacebuilding and humanitarian assistance).
3. Building a sustainable and resilient international community (environment and climate change, disaster risk reduction, and natural resources and energy).

Japan's focus since 2016 on a Free and Open Indo-Pacific (Chapter 1) brings these three priorities to the fore, and has strengthened Japan's global presence, including development co-operation, from the Asia-Pacific across the Indian Ocean to the Middle East and Africa.

Principles and guidance

Japan aims to reduce poverty and leave no-one behind through quality growth and human security

Japan aims to eradicate poverty through promoting quality growth and human security. Japan has not defined a clear approach to poverty reduction since the 2014 Development Assistance Committee (DAC) Peer Review (OECD, 2014[6]) The Development Cooperation Charter and JICA's 2017-21 Medium Term Plan emphasises quality growth and "poverty eradication through this growth" (JICA, 2017[7]). Similarly, JICA's Position Paper on SDGs: Goal 1 points to Japan's efforts to eradicate poverty through growth and by promoting human security (2017[8]). Japanese officials have stated that they work to reduce poverty through quality growth combined with self-reliance, promoted through technology transfer and human resource development, with multilateral contributions complementing these bilateral efforts.

Human security is Japan's "home-grown" version of the 2030 Agenda commitment to leave no one behind. In practice, Japan supports human security via bilateral co-operation[1] and also contributions to United Nations (UN) agencies and to the UN Trust Fund for Human Security. The latter funds many projects, including one working to integrate former refugees living in and around resettlement sites in Zambia in partnership with JICA's human security project (United Nations, 2019[9]). In Ghana, Japan is pursuing its global priority of achieving universal health coverage (UHC), which embodies human security. It has made an important contribution to the Ghana Health Service's Community-Based Health Planning and Services (CHPS) in the hard-to-reach areas in the upper regions to strengthen community health systems (Annex C). Access has since improved with Japan's support, even if poverty rates remain some of the highest in the country.

Infrastructure investments enhance access to markets and increase employment opportunities. Japan's grant aid for infrastructure connects the "breadbasket" of Ghana with urban areas, opening market access for smallholder farmers who would otherwise take longer to get their goods to market or receive lower prices. In Cambodia, support to large-scale infrastructure and the development of the garment industry, an important source of employment for low-skilled women, have gone hand-in-hand (Annex C).

Japan's multilateral allocations are targeted at reducing poverty. Its allocations to its most important partners, like the World Bank's International Development Association, the African Development Fund, and the Asian Development Fund, go towards pro-poor programmes in the poorest and most fragile countries.

Japan has no clear approach, guidance or tools to ensure assumptions around growth are being met. While JICA enhanced guidance to strengthen poverty reduction efforts, unlike other members of the DAC, Japan lacks specific guidance on designing, monitoring or evaluating interventions to maximise their contribution to poverty reduction. The lack of country diagnostic work on the drivers of poverty and vulnerability to determine Japan's priorities and beneficiaries was already noted in the previous peer review (OECD, 2014, p. 34[6]). JICA states that it directly assists the poor and makes "poverty considerations" by incorporating creative approaches into projects to improve the circumstances of the poor. Its country development co-operation policies and project documents describe contributions to the SDGs. Whilst large-scale infrastructure can lead to the creation and spread of growth, complementary measures that consider the depth and geography of poverty in partner countries are fundamental to ensure that this growth translates into poverty reduction.

Japan has developed specific guidelines for gender mainstreaming and considers the environmental impacts of its investments

Japan recognises the social, economic and environmental aspects of sustainable development and has strengthened its approach to cross-cutting issues, but it would benefit from stronger political leadership to champion these across its entire portfolio. In 2015 JICA developed guidelines for gender mainstreaming for 11 different sectors,[2] as well as a project management tool, drawing on international guidance. Project proposals are screened and discussed by the gender team in Tokyo at the preparatory stage before the project scope is finalised. For example, a project to improve National Road 5 in Cambodia included incentives for employing female workers in construction works and put in place measures to implement a gender plan, restroom facilities and other conditions for a safe working environment. In 2019 Japan prepared its second national action plan on women, peace and security (Chapter 7). Recently, gender focal points in JICA departments and country offices were identified and received training on women's empowerment and gender issues, which they also disseminate to stakeholders. At the time of writing, the MOFA was conducting a thematic review on gender to be finalised by March 2020. JICA is also an active participant in the OECD DAC's Gender Network.

Japan has safeguard and monitoring measures in place for all of its projects and supports partners to put appropriate environmental and social considerations into practice. Monitoring of ongoing projects includes regularly assessing environmental conditions (air and water quality, soil, noise, waste, ecosystem, biodiversity, as well as negative impacts on society such as involuntary resettlement or infringement of the rights of indigenous peoples). However, there appears to be an opportunity to be more proactive in managing any potential positive or adverse environmental and climate-related impacts across its portfolio. This could involve the same approach as for gender: i.e. issuing specific tools across all its investments.

JICA's Guidelines for Environmental and Social Considerations encourage appropriate consideration of environmental and social impacts, including human rights (JICA, 2010[10]). In Cambodia, there was evidence that Japan advocated on behalf of people displaced by the construction of a bridge funded by Japan to ensure fair compensation, in line with Cambodian law and JICA's guidelines for environmental and social considerations. Resettlement action plans are commissioned for any project where this risk is identified and these are monitored together with significant environmental and social impacts. Where necessary, JICA supports appropriate countermeasures[3] In situations and partner countries where human rights abuses occur, Japanese civil society has been critical that Japan could have done more to uphold human rights when these are violated during the implementation of its investment projects (JANIC, 2019[11]).[4]

Japan's expertise in disaster risk reduction (resilience and rebuilding) has supported 80 countries in developing national disaster risk reduction (DRR) strategies, including support for some in mainstreaming DRR. JICA also has both a strategy and guidelines on disability and development, for which it adopts a twin-track approach of mainstreaming and specific projects. For disability-specific projects, JICA builds capacity of government officials and organisations of persons with disabilities, to promote better inclusion of persons with disabilities, for example in South Africa, Mongolia, and Colombia. In Cambodia, the Japanese government also worked with the Mine Action Centre to develop their capacity (Annex C).

Basis for decision making

Japan prioritises partner country ownership and regional connectivity, mainly in its immediate neighbourhood

For Japan, investing ODA in Asia is a geopolitical, diplomatic, and economic priority, as is expanding public and private investment in sub-Saharan Africa. For Asia, the Development Cooperation Charter calls for efforts towards regional development mainly through efforts to strengthen regional connectivity (Government of Japan, 2015[1]). For example, JICA's investment in widening and improving National Road 5 connecting Phnom Penh and Bangkok promotes the Southern Economic Corridor of the Mekong Region, with spillover effects for the region. Japan is also astute at using regional mechanisms, such as the Association of Southeast Asian Nations (ASEAN), to advance its goals of peace and stability. JICA has solid experience working with partners to develop regional and sectoral master plans that link coastal and urban areas to more rural areas. The African Continental Free Trade Area offers new opportunities for Japan's public and private investment in Africa, as JICA's investments for connectivity gain more traction.

Japan does not have priority partner countries or targets apportioning ODA to various countries or themes. Instead it bases its allocation decisions for grants, technical co-operation and loans on demand from partner countries. In deciding allocations, Japan also considers its own foreign policy, the role of the country in the region and its own influence, as well as its absorptive capacity. JICA's medium-term plan outlines priorities under each geographic and thematic issue in the coming years, and is accompanied by annual plans (JICA, 2019[12]). A number of policy papers and sector strategies both from MOFA and JICA outline priorities and ways of working in many different sectors.[5] Japan's comparative advantage in disaster risk reduction and recovery (Chapter 7) makes it an important partner for small island developing states (SIDS).

Though working mainly with governments, partnerships are becoming broader

Japan works principally with governments, including through its own local government. However, it is expanding towards more partnerships with the private sector. An emphasis on country ownership, reinforced by Japan's growing share of sovereign loans[6] in its ODA portfolio (Chapter 3), makes partner country governments the ideal partner. The Development Cooperation Charter and MOFA's Fiscal Year 2019 Priority Policy for Development Co-operation, however, prioritise the private sector's participation in ODA and strengthening the capacity of non-government organisations (NGOs). In each country, funding for different partners, including earmarked funding to multilateral partners, is discussed in the ODA Task Force that includes the embassy and JICA and based on the country's own needs (Chapter 4). Japan's partnerships are reflected in its ODA instruments, which include grant aid, Yen loan financing, technical co-operation, the Japanese volunteer scheme, the grassroots grants programme with NGOs, scholarships, and private sector investment finance.

The charter sets out a path for "organically combining" ODA instruments to make the most of technical co-operation, grant aid and Yen loans (Chapter 5). The three schemes can complement each other, for example, facilitating grant aid implementation by building the capacity of responsible organisations through technical co-operation. Technical co-operation is a key feature of Japan's self-help philosophy; it utilises Japan's know-how, technology and experience to develop human resources in partner countries, where it is often seen as filling an important gap. For example, over 1 000 Japanese Overseas Cooperation Volunteers were dispatched in 2018 (JICA, 2019[12]). A recent evaluation of the volunteer scheme encouraged Japan to consider the long-term positioning of the JICA Volunteer Program within country assistance policies and rolling plans and to broaden partnerships with universities, private sector and local governments (International Development Center of Japan Inc., 2018[13]). As a result of this

evaluation, Japan has sought more consistency between volunteer dispatch plans, country assistance policies and rolling plans; partnerships with the private sector and local government have also been strengthened.[7]

For Japan, working with civil society and the private sector is essential for SDG 8 (Decent work and economic growth) and SDG 12 (Responsible consumption and production). This primarily involves Japanese civil society organisations (CSOs) and the Japanese private sector. Since the last peer review, Japan has strengthened partnerships with the private sector through public-private partnerships and the provision of technical co-operation, loans and equity, often working with multilateral and bilateral development finance institutions (Chapter 3). Japan also provides ODA to support a variety of surveys (feasibility studies) for Japanese small and medium-sized enterprises (SMEs) and other companies looking to invest in the SDGs and business opportunities in developing countries. Japan could consider the need for clear guidelines and procedures on the use of ODA and other resources in catalysing private sector activities.

The Implementation Guiding Principles for the SDGs promote a stronger role for civil society domestically and internationally (Government of Japan, 2016[14]). Japan supports its civil society financially in three ways: (1) grant assistance for Japanese and local NGOs through MOFA's Grant Assistance for Japanese NGO Projects and the JICA Partnership Programme and Grassroots Human Security Projects; (2) the Japan Platform, bringing together humanitarian NGOs, the private sector and the government and providing core and earmarked funding (Chapter 7); and (3) NGO subsidies. It also provides capacity building for relatively small Japanese NGOs and holds regular NGO-MOFA and NGO-JICA dialogues. Civil society actors appreciate that they are free to operate in any country or sector of their choice, but the government could do more to recognise them as strategic partners rather than recipients of ODA (as stipulated in its Development Cooperation Charter). In this context, it is notable that MOFA raised an overhead cost rate within the Grant Assistance for Japanese NGO Projects and Japan Platform projects from 5% to a maximum of 15%. Dialogue with local CSOs and protecting civic space in partner countries is not a stand-alone priority in Japan's programming.

Japan has close links with universities in partner countries, and has a well-established scholarship programme to support civil servants and students to study in Japan. The JICA Research Institute partners with think-tanks across the world, and works to inform JICA's new strategies and policies. A joint research project with the Global Development Network on the effectiveness of the *Kaizen* concept (business activities whereby employees continuously work together to improve functions and reduce waste) recently looked at how to apply these lessons to ongoing JICA activities in the field (JICA Research Institute, 2019[15]). Its scholarship recipients and volunteer alumni form a rich pool of educated and open individuals on which Japan could draw to inform its understanding of country contexts (Chapter 5).

Multilateral development co-operation is highly valued for priority themes and regions, and more challenging environments

Japan takes a long-term perspective in its multilateral engagement. It does not have a multilateral strategy, but the Development Cooperation Charter considers the added value of multilateral partners to be their expertise, impartiality, wide networks, capacity for effective and efficient co-operation in sectors or regions less accessible in bilateral co-operation, and the opportunity for synergies between multilateral and bilateral co-operation. Japan has concentrated on a limited number of important multilateral partners. In addition, JICA has a number of memoranda of understanding and co-operation with multilateral organisations and development finance institutions to guide their partnerships in project implementation.

Multilateral ODA is allocated on the basis of priority themes, such as to the Green Climate Fund, the Global Environment Facility and the Global Fund for the themes of environment and global health, and multilateral development banks and the United Nations Development Programme (UNDP) for the human security dimension. Japan and JICA used partnerships with the African Development Bank and the United

Nations (UN) organisations strategically to gain a better understanding of the African continent before setting up country offices and growing the bilateral portfolio to Africa.[8] Japan provides 20% of its gross aid as multilateral ODA; increasing this share in the ODA budget is difficult.

Multilateral partners reported generous and constructive partnerships with Japan, and encouraged more pooling of resources with other development partners. Japan is the current Chair of the Multilateral Organisation Performance Assessment Network (MOPAN) and uses MOPAN assessments as appropriate to inform allocation and policy decisions. At the board level for each multilateral partner, Japan reinforces its G20 priorities of quality infrastructure, universal health coverage, disaster risk reduction and debt sustainability. In addition to considering the number of Japanese employed by each organisation, annual consultations between the Government of Japan and its main multilateral partners strengthen partnerships and help build trust.

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Notes

[1] JICA also conducts various human security projects, including ones in conflict-affected areas.

[2] Basic education; natural environment conservation; urban and regional development; governance; transportation; water and sanitation; agriculture and rural development; health; environmental management; natural resources and energy; and disaster risk reduction. Available at: www.jica.go.jp/english/our_work/thematic_issues/gender/materials.html.

[3] An example of a recent Resettlement Action Plan for the Mombasa Gate Bridge Construction Project in Kenya can be found here: www.jica.go.jp/english/our_work/social_environmental/id/africa/kenya/c8h0vm00009praz8-att/c8h0vm0000eu3o4t.pdf.

[4] Allegations of human rights abuse include the forced relocation (under threat of legal action) of farmers to make room for the Thilawa Myanmar Special Economic Zone in 2014 paid for by ODA private sector financing; and the trilateral co-operation project, Prosavana, a programme that brought Japanese and Brazilian expertise to Mozambican agriculture and that led to a revolution as smallholder farmers were pushed to eliminate traditional ways of cultivation. See www.ajf.gr.jp/lang_ja/ProSAVANA/docs/analysis2.pdf for Japanese civil society's 2016 Analysis Paper.

[5] JICA has 20 position papers on thematic issue areas ranging from education, to information and communications technology, and social security that can be found here: https://www.jica.go.jp/english/our_work/thematic_issues/index.html.

[6] Only a small volume of loans are non-sovereign loans to private sector entities.

[7] The Private-Sector Partnership Volunteer programme and the Special Programme for School Teachers are two examples of programmes to strengthen partnerships with private sector and local government.

[8] Based on authors' conversations with multilateral partners.

3 Japan's financing for development

This chapter looks at Japan's official development assistance (ODA) figures, including the overall level and components of aid, the level of bilateral and multilateral aid, and geographic and sector allocations of bilateral aid. In line with commitments in the Addis Ababa Action Agenda and the emerging concept of total official support for sustainable development, it also examines Japan's efforts to mobilise finance for sustainable development other than ODA.

The chapter begins with a review of Japan's ODA volumes and its efforts to meet domestic and international ODA targets. It then discusses the extent to which Japan allocates bilateral aid according to its statement of intent and international commitments, and, examines the effectiveness of Japan's use of multilateral aid channels. The chapter concludes with a review of financing for sustainable development and how Japan promotes and catalyses development finance other than ODA.

In brief

Japan's ODA volume and allocations are in line with its 2015 Development Cooperation Charter and the 2030 Agenda

Japan takes note of international commitments to increase ODA, but does not currently plan to scale up ODA much beyond 0.28% of its gross national income (GNI). In 2018, under the new grant-equivalent value methodology, Japan's ODA increased by 40.7% (compared to net flows in 2017) to USD 14.2 billion, maintaining its ranking as the fourth largest bilateral donor. In 2018, Japan continued to notify *ex ante* that 100% of its aid to least developed countries (LDCs) was untied, in line with the Development Assistance Committee (DAC) recommendation. However, the share of *untied* aid contracts ultimately awarded to Japanese companies in LDCs has increased substantially.

Japan's ODA is concentrated mainly on lower-middle-income countries and the Asia region, although it has also maintained its focus on Africa and the Middle East. Japan's share of technical co-operation in its overall ODA is greater in higher-income partner countries, which is good practice. A growing share of ODA is provided in the form of highly concessional loans for economic infrastructure sectors. Japan has taken steps to mainstream gender and women's empowerment, as well as environment and climate change, across its portfolio. However, the degree of mainstreaming is uneven across sectors.

Japan provides 20% of its ODA multilaterally, and is consistently among the top five donors to eight of the largest multilateral organisations and funds. Japan utilises its multilateral ODA as complementary to its bilateral programming, allowing it to enlarge its bilateral footprint in achieving human security, humanitarian support and in fragile and conflict-affected settings. However, the reliance on a supplementary budget for earmarked funding does not allow for predictable or multi-year commitments, and discourages Japan from pooling earmarked funds with other donors.

Japan has supported the Addis Tax Initiative to increase support to domestic resource mobilisation, although it is not a member. Japan presided over the Leading Group on Innovative Financing for Development in 2019 and is taking steps to include blended finance instruments in its overall palette of instruments.

Overall ODA volume

Japan has no specific plans to scale-up ODA in line with international commitments

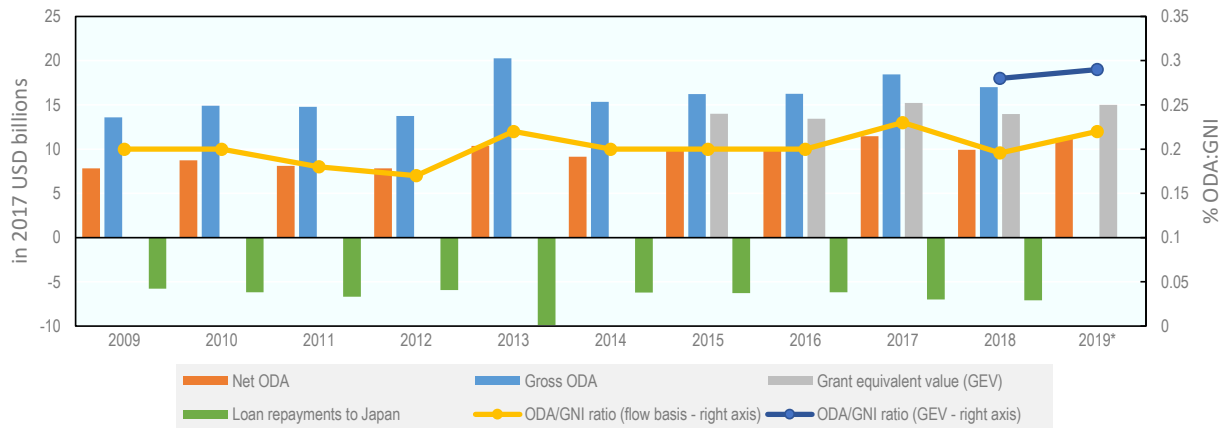
Japan lacks a clear statement or timeline for achieving the 0.7% target of GNI provided as ODA. Japan's 2015 Development Cooperation Charter underscores the need to strengthen its financial and human resources for development co-operation. It "is mindful of" the need to achieve the 0.7% ODA-GNI target , but it lacks a clear statement of the ODA levels it aims to achieve, and a timeline for achieving this target (Government of Japan, 2015[1]). In 2018, under the new grant-equivalent value methodology, Japan's ODA increased by 40.7% to USD 14.2 billion, maintaining its rank as the fourth largest bilateral donor. This was equal to a 0.28% ODA-to-GNI ratio (Figure 3.1). Preliminary figures for 2019 show that ODA increased to USD 15.2 billion (in 2018 prices) for an ODA-to-GNI ratio of 0.29%. Measured using the previous metric of ODA flows, Japan's net ODA (cash basis) fell 13.4% in 2018 to USD 10.1 billion, but increased to USD 11.4 billion in 2019.

Japan could afford to strengthen its leadership and commitment to the Sustainable Development Goals (SDGs) by increasing ODA. While growth in the region and globally has stalled in the first quarter of 2020, Japan is still the world's third largest economy. Given its historic lending and the relatively high share of loans in its ODA portfolio today, Japan will continue to receive important loan repayments, which in 2018 accounted for just over USD 7 billion.[1] In the past seven years, Japan's economic growth has been positive: the estimated annualised growth rate in 2019 was higher than expected, at 1.8%[2] (Harding, 2019[2]).

Japan increased its share of bilateral ODA to LDCs from 23% in 2014 to 31% in 2018. This is commendable; however, Japan's overall support to LDCs amounted to 0.10% of its GNI, which is below the 0.15% commitment made by United Nations (UN) members in the Istanbul Programme of Action for LDCs.[3]

Japan's supplementary budget, which is typically set aside for humanitarian or emergency spending and inherently unpredictable, accounted for just 6% of the total ODA budget in fiscal years 2018 and 2019, which is lower than 11% in fiscal year 2013 (Chapters 5 and 7).

Figure 3.1. Japan's ODA, 2009-18



Notes: Net ODA is equal to gross ODA minus loan repayments. The grant-equivalent value of ODA is not available before 2015. The percent of ODA-to-GNI is officially measured using the grant-equivalent value measure starting in 2018.
* 2019 data is preliminary, and gross ODA and loan repayments are not yet available for 2019.
Source: OECD (2020[3]), *Table 1 DAC database*, https://stats.oecd.org/Index.aspx?DataSetCode=TABLE1.

StatLink https://doi.org/10.1787/888934175979

Japan mostly adheres to the DAC recommendations on aid, but the share of untied aid contracts awarded to Japanese companies in LDCs has increased substantially

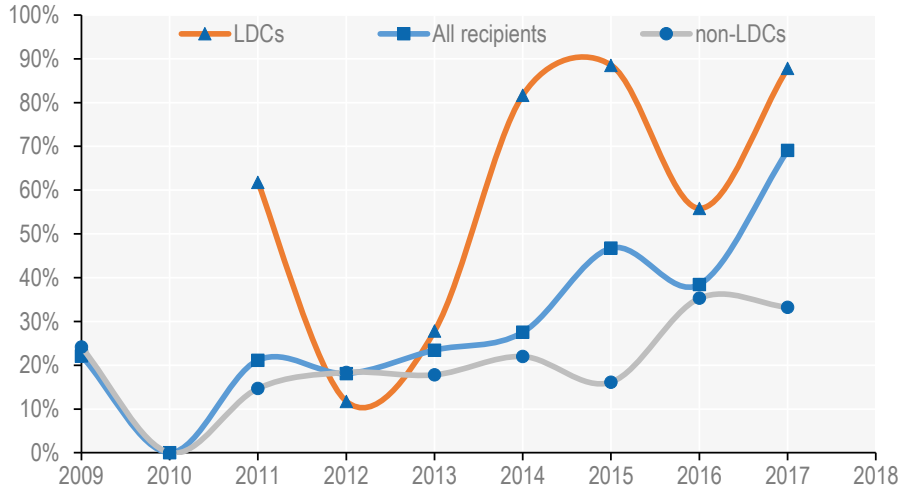
In 2018, Japan continued to report as untied 100% of its aid covered by the DAC Recommendation to Untie Official Development Assistance to Least Developed Countries – i.e. to LDCs and highly indebted poor countries (HIPCs), but excluding technical co-operation and food aid.[4]

Since 2012, the share of untied aid contracts ultimately awarded to Japanese companies in LDC partner countries has progressively increased. By 2017 88% of untied aid contracts in LDCs were awarded to Japanese companies, compared to 12% in 2012 (Figure 3.2).[5] The transparency of Japan's reporting on *de jure* untied aid contracts is limited by the fact that in the case of contracts awarded to joint ventures, Japan is neither able to identify the main contractor, nor can it provide the breakdown of the contract amount by individual contractors.[6] The partner country government manages the procurement

process, setting what can be very narrowly defined technical specifications, terms of reference and requests for proposals, all of which is usually reviewed by Japan. In line with narrowly defined specifications, joint programming and co-financing with other development partners is not Japan's first choice of modality.[7]

Figure 3.2. Untied aid contracts awarded to Japanese companies, 2009-18

As % of total untied aid commitments



Note: According to JICA's Procurement Guidelines, joint ventures are "jointly and severally" responsible for execution of the whole contract. For this reason, Japan notifies only one contract value for the entire joint venture, unlike other DAC members who either indicate which company is the main contractor or report separate amounts by contractor, Since only one contract value is provided, the DAC Secretariat divides the amount evenly among the contractors Japan reports so as to be able to compare across DAC members. As a result, these figures may not fully reflect the reality on the ground.
Source: OECD (2020[4]), *Contract Awards Database*.

StatLink https://doi.org/10.1787/888934175998

In 2018 almost 33% of Japan's aid was tied. Other than aid which falls within the scope of the DAC recommendation (discussed above), 67.2% of Japan's bilateral ODA was reported as untied in 2018. This is worse than the 78.2% in 2014 and a move away from Japan's commitment at the Busan Fourth High Level Forum on Aid Effectiveness to accelerate efforts to untie aid to the maximum extent. Indeed, the share of Special Terms for Economic Partnership (STEP) (i.e. tied) loans has increased in the past five years, which also affects how and where Japan positions its support. In all, these findings show that Japan is realising its Revitalisation Strategy to use ODA as one instrument to revitalise Japan's growth (Chapter 2) (Prime Minister's Office, 2013[5]). This points to the challenge of pursuing development and commercial interests together, as it may undermine regional and partner countries' own private sector development efforts that Japan sees as the key to sustainable development. That said, tied aid projects are based on requests by partner countries seeking highly concessional loans for the application of Japanese technologies and quality infrastructure, such as high speed rail and mass rapid transit.

In contrast to findings in the 2014 Peer Review, Japan did not comply with the recommended grant element of 86% on a three year average of bilateral ODA loans committed to LDCs in 2017 or 2018, primarily because it counts loans extended for private sector investment finance on less concessional terms as ODA.[8] This also points to the need for a whole-of-government approach to the provision of ODA.

Japan's ODA reporting to the DAC Secretariat continues to be timely and of excellent quality. However, Japan is invited to provide activity level data in the Creditor Reporting System on Other Official Flows transactions (only aggregate data are provided). The Japan International Cooperation Agency (JICA) has a public, transparent, and detailed database that includes all its ODA loan projects, the terms and conditions of loans, and often an *ex ante* evaluation.[9]

Bilateral ODA allocations

Japan has a high share of country programmable aid

Japan's share of country programmable aid, at 80% in 2018, is well above the DAC average (49%). This is largely due to the fact that it has little bilateral aid not considered "programmable", considering the fact that it has a low humanitarian aid share; only 1-2% goes towards core funding of non-governmental organisations (NGO); close to zero is allocated to in-donor refugee costs; and there was no debt relief in recent years.

Japan has a low share of humanitarian aid at just 4% of bilateral aid. Japan's humanitarian aid has an important focus on disaster prevention and preparedness, in line with its national priority (Chapter 7).

The emphasis on partnerships with civil society in the charter has to be implemented through project-based funding, and in this regard, the recently announced increase in funding available to civil society organisations (CSO) through the grant assistance scheme is a welcome boost to Japan's low levels of funding to CSOs.

Japan's ODA is relatively concentrated in Asia and lower middle-income countries

In 2017-18, 64% of Japan's bilateral ODA went to its top 20 recipients (OECD, 2014[6]). Another 5% was provided as regional ODA and 14% was unallocated by region or country, leaving about 17% of Japan's ODA for the remaining 122 countries for project-type interventions, technical co-operation and scholarships (see Table B.3, Annex B). Japan has a bilateral programme in 142 countries, but no priority partner countries.

The majority of Japan's country allocable bilateral ODA goes to lower middle-income countries (57% in 2017-18). In line with its charter, Japan provided the largest proportion of its ODA to Asia, a region it considers especially exposed to the "middle-income trap" in which relatively favourable income status conceals poor governance, internal disparities and high vulnerability. South and Central Asia account for a growing volume and share of Japan's ODA, up from 30% in 2014 to 43% of gross disbursements in 2018, while Far East Asia's volume and share has shrunk from 35% to 22%.

Japan has maintained its focus on Africa. While Japan's ODA is not as concentrated in LDCs and other low-income countries as other DAC members, it is maintaining its focus on Africa in line with its commitments to the Tokyo International Conference on African Development (TICAD). It emphasises mutual benefit to capitalise on Africa's impressive growth driven by expanding trade and investment. Its share of bilateral allocable ODA to North Africa increased to 5% in 2018. ODA to sub-Saharan Africa has stayed at around 11% in the past five years, with Kenya and Mozambique in the top 20 (see Table B.4, Annex B).

Seen as key to peace, stability and a stable energy supply, the Middle East receives 7% of Japan's bilateral ODA. Peacebuilding and fragility are key aspects of Japan's human security approach: 35% of Japan's bilateral ODA supports fragile states (Chapter 7).

Economic infrastructure is a growing share of Japan's bilateral ODA

Japan has concentrated on economic infrastructure, and as a consequence support to social infrastructure and services has shrunk. Japan's sectoral focus is increasingly on economic infrastructure and services, which accounted for 55% of Japan's ODA commitments from 2017-18 compared to 41% in 2011-12. Of this, the bulk (45%) was for transport (road, rail, water) and communications, followed by 9% for energy (see Table B.5, Annex B). The share of Japan's ODA for social infrastructure and services has fallen significantly, accounting for 16% in 2017-18 (compared to 25% in 2011-12), and including 4% for education, 2% for health, and 7% for water supply and sanitation. However, this reflects the increase in loans extended for economic infrastructure and not a real decrease in aid in social sectors. Productive sectors accounted for 11% of bilateral ODA, including 8% to agriculture, forestry and fishery. Humanitarian ODA accounted for only 4% (Chapter 7).

Gender and environment mainstreaming are evident, but uneven across sectors

JICA screens all its activities against the gender, environment and Rio markers. Overall 94% of Japan's bilateral allocable aid is screened, and JICA recently set the target that 40% of projects (in volume terms) should be gender responsive; in 2016-17 it achieved 34% of bilateral allocable aid (OECD, 2018[7]). The gender mainstreaming guidelines describe very concrete steps for each stage of the project cycle (Chapter 2). Surprisingly, economic infrastructure, education, and water and sanitation received well under 50% of commitments with gender equality and women's empowerment as either a principal or significant objective in 2016-17, although this seemed to increase in 2018.

For infrastructure, water and sanitation, and fisheries projects, Japan reports over half of its commitments in support of the environment and two-thirds to disaster risk reduction. In 2018, Japan reported USD 10.1 billion of ODA in support of the environment (OECD, 2019[8]). However, its multi-sector investments, education, health, and government and civil society investments hardly take into account the environment or climate change, suggesting the need for more deliberate and proactive integration of environmental concerns, including climate, into development policies, plans, budgets and actions. Looking across its bilateral portfolio for 2018, 15% of Japan's bilateral ODA was for the environment, 45% for climate change mitigation, and 9% for climate change adaptation (OECD, 2019[9]).[10]

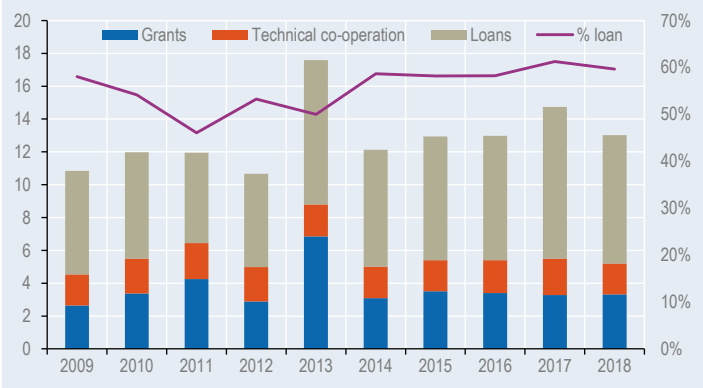
Over 2013-17, Japan was the top provider of bilateral ODA for the ocean economy (ocean-based industries and marine ecosystems) and it committed over USD 1 billion for the conservation and sustainable use of the ocean over the same period. Japan provided an additional USD 1.6 billion to reduce negative effects of land-based activities on the ocean, primarily through sanitation and waste management projects.

Japan has a growing share of bilateral ODA loans, including to LDCs

Japan is the largest provider of ODA loans among DAC countries. Its share of highly concessional loans is growing. On average over the past 10 years, 56% of Japan's bilateral ODA has been extended as loans (OECD, 2020[3]). The share of loans reached 61% of bilateral ODA in 2017. Given the time lag between preparatory surveys, *ex-ante* evaluations, and actual disbursement, commitments may paint a more realistic picture than disbursements. Loans committed in 2017 and 2018 amounted to USD 14.3 billion and USD 13.7 billion respectively, or 71% of total bilateral commitments in both years. In 2017-18, loans were mostly extended to lower middle-income countries (64%) and LDCs (23%), with 13% going to upper-middle income countries. For Japan, loans symbolise a longer-term relationship that goes beyond financial support (Box 3.1).

Figure 3.3. Japan's bilateral ODA: loans, grants, technical co-operation, 2009-18

USD 2017 billion, gross disbursements and % bilateral ODA



Source: OECD (2020[3]), *Table 1 DAC database*, https://stats.oecd.org/Index.aspx?DataSetCode=TABLE1.

StatLink https://doi.org/10.1787/888934176017

Japan offers extremely generous terms and conditions for its loans. But as the field becomes more crowded and more competitive with the growth in bilateral development finance, Japan will have to reposition itself to compete in other ways. This will include simplifying procedures, re-examining procurement procedures, shortening implementation time and encouraging more private sector investment finance to provide foreign direct investment. To improve its partnerships for quality infrastructure, Japan is working to accelerate ODA loan procedures, shortening the time between the start of the feasibility study and construction to 1.5 years.

Japan's technical co-operation takes on a more important role as incomes rise

Technical co-operation makes up 15% of Japan's bilateral ODA. Given Japan's geographical priorities, its ODA portfolio is more evenly spread across income levels than other DAC members, and it does not phase out of lower and upper-middle income countries abruptly. Instead, the share of ODA grants decreases while shares of ODA loans at reasonable terms and conditions increase, as does knowledge exchange through an increase in technical co-operation.[11] This is good practice in transition financing, and other members could learn from it.

In fiscal year 2018, Japan was supporting 518 technical co-operation projects in 91 countries. Some of these technical co-operation interventions are linked to a grant and/or loan project, as seen in Ghana (Chapter 5). In 2017-18, 69% of technical co-operation by volume was either multi-sector, or in the education, transport, agriculture, other social infrastructure (social protection), and water and sanitation sectors. Technical co-operation is provided in-kind from Japan (Annex C).

Box 3.1. The value of loans in development co-operation

For Japan, the philosophy of equal partnership and self-reliance underpins its provision of loans. Japan takes great care to assess debt sustainability and is very cautious in extending new loans. This can be seen in Ghana, a lower middle-income country where Japan has decided to no longer extend its highly concessional loans because of high levels of debt distress. It signed its last loan agreement in December 2016 (Annex C).

Loans symbolise a longer-term relationship beyond financial resources, as seen in Cambodia where authorities relied as much on Japan's skills development and technical expertise on fiscal management, revenue mobilisation, statistical capacity, procurement, and debt management as it did on financial support.

In recent years, the Indian Government has been the largest recipient of ODA loans from Japan, provided for the development of economic infrastructure. Although the bulk of loans go to economic infrastructure, Japan has also promoted universal health coverage in Kenya and Senegal through policy-based Yen loans. The share of loans committed has increased since the 2014 Peer Review, in line with Japan's philosophy of self-reliance.

Although JICA also provides private sector investment finance loans on harder concessional terms, loans extended to partner countries are highly concessional compared to other creditors, including multilateral development banks. For example, loans to low-income countries and least developed countries carry an interest rate of 0.01%, a grace period of 10 years, and a repayment period of 40 years. Japan also continues to offer preferential terms for four priority sectors (global environment and climate change; health and medical care services; disaster prevention and reduction; and human resource development). Its generous terms and conditions have certainly been Japan's competitive advantage.

Source: JICA (2017[10]), *Terms and Conditions of Japanese ODA Loans*, www.jica.go.jp/english/our_work/types_of_assistance/oda_loans/standard/c8h0vm0000bovikq-att/2017_01_01.pdf; MFA (2019[11]), *White Paper on Japan's Development Cooperation 2018*, www.mofa.go.jp/files/000554934.pdf.

Multilateral ODA allocations

Japan is an important and concentrated multilateral partner

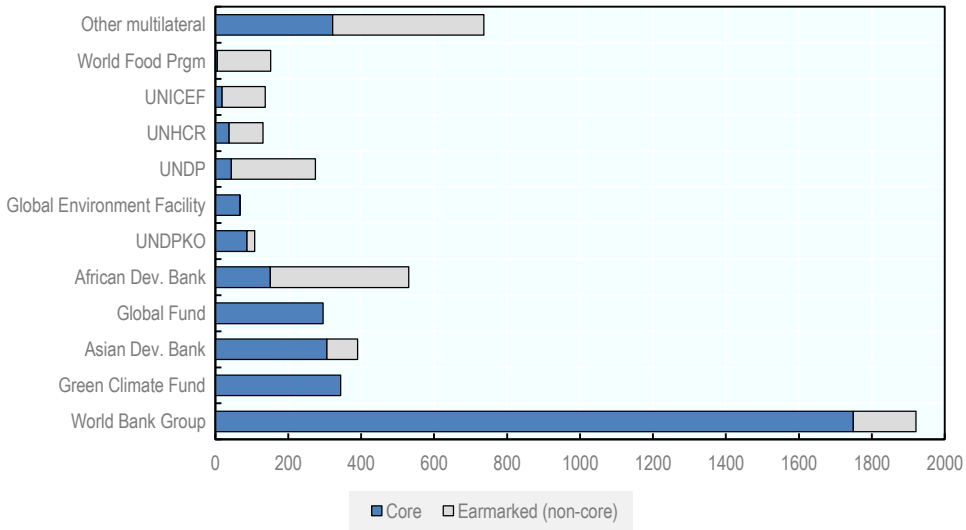
Japan provided the fourth largest volume of multilateral ODA among DAC members (USD 3.5 billion in 2018). It has regularly provided 20% of its ODA portfolio to a select number of multilateral organisations (OECD, 2020[3]). It is consistently among the top five donors to the World Bank's International Development Association, the Asian Development Bank, the African Development Bank, the United Nations Development Programme (UNDP), United Nations Children's Fund (UNICEF), World Food Programme (WFP), and the Global Fund. It is currently the top donor to the Global Environment Facility (GEF).

A large share of Japan's multilateral earmarked funding is humanitarian and for specific programmes and funds. In addition to its core support, Japan provides an additional USD 1.4 billion (10% of gross ODA) in earmarked (non-core) contributions through multilateral organisations (OECD, 2020[4])). Of the total earmarked funding Japan provided in 2017-18, more than one-quarter was for humanitarian purposes. Afghanistan was the largest overall recipient of all earmarked funding, accounting for 12% in 2017-18 (of which 8% was humanitarian). Countries in the Middle East and South and Central Asia regional groupings each accounted for 15% of earmarked funding. In terms of the structure of earmarked funding

in 2017 and 2018, 27% was for specific projects, and 72% was for specific programmes and funds. Japan's earmarked contributions to UN Funds and Programmes[12] and the African Development Bank had a higher share (38% and 40%) of project-specific funding. In contrast, only 4% of earmarked contributions to the World Bank was project-specific and none of the earmarked funding to the Asian Development Bank went towards specific projects.

Figure 3.4. Japan's main multilateral partners: 2017-18 average

2017 USD millions (gross disbursements)



Source: OECD (2020[4]), *Creditor Reporting System (database)*, https://stats.oecd.org/index.aspx?DataSetCode=CRS1.

StatLink https://doi.org/10.1787/888934176036

Multilateral support complements Japan's bilateral programming, but is rarely pooled with other donors

Japan uses its multilateral funding to support human security, resilience, humanitarian support and poverty reduction. Japan's multilateral contributions (including earmarked programme funding) are used to complement bilateral programming. The UN Human Security Trust Fund[13] and the Japan Social Development Fund hosted by the World Bank are examples of programmes used to pilot new ideas to drive social inclusion and reduce poverty.

Japan's specific conditions mean it rarely pools its earmarked multilateral support with other development partners in partner countries. Japan has contributed USD 7.4 million to the Special Purpose Trust Fund in 2018 by utilising the supplementary budget to support the new Resident Coordinator system and UN development system reform. However, it has not made any multi-year commitments. Japan does not typically pool its earmarked support to specific programmes with other donors.[14] Japan reported its earmarked funding in 2017 and 2018 as project-type interventions and did not report any of its earmarked funding as basket or pooled funding. While this can in part be explained by the conditions linked to the supplementary budget often used for earmarked funding and which must be disbursed within 12 months, offering little predictability (Chapter 7), it also reflects Japan's very specific financial reporting and procurement practices.

Financing for sustainable development

Japan helps build countries' capacity to mobilise domestic resources

In 2018 Japan sextupled its 2015 ODA for domestic resource mobilisation, allocating USD 20 million. One-third of this was technical co-operation. Japan continues to seek tax exemptions on its ODA-funded goods and services in partner countries.

Japan has started new development finance and private sector support

Japan is starting to move beyond traditional instruments of grants, technical co-operation and Yen loans to catalyse private investment in partner countries (Annex C). Japan presided over the Leading Group on Innovative Financing for Development in 2019, and has started to find ways to top-up public development finance via new blended finance initiatives. Japan's development finance currently includes some private sector investment finance, and it is increasingly looking to expand the use of guarantees to enrich its own palette of blended finance instruments through partnerships with development finance institutions, such as the African and Asian Development Banks, the Multilateral Investment Guarantee Agency (MIGA), and the International Finance Corporation (IFC). Its goal is primarily to de-risk investment and encourage its own private sector to invest.

Japan works to improve the enabling environment for business in partner countries. In Cambodia, the Japanese business association worked on behalf of the wider business community and was effective in drawing the attention of local authorities to resolving challenges to doing business (Annex C). Improving the business environment with innovation and private sector investment also remains a priority for Japan in sub-Saharan Africa, as reflected in pillar 1 of the Yokohama Declaration 2019 of TICAD7 (MFA, 2019[12]). However, Japanese foreign direct investment (FDI) has been slow to follow when business environments improve, especially – but not only – in sub-Saharan Africa. Similarly, Japanese sovereign wealth funds and its Government Pension Investment Fund – the largest in the world – are not yet investing in developing countries despite the untapped potential for large returns on investments. This reflects their need to balance risk and return in investing in developing countries.

JICA partners with other bilateral and multilateral development financial institutions to offer project finance, corporate finance, equity, bank (non-sovereign) loans, and/or technical co-operation to private companies. For example, JICA, together with the International Finance Corporation (IFC), the OPEC Fund for International Development (OFID) and the German development bank (DEG), has invested in the largest photovoltaic power plant in Jordan to increase renewable electricity supply (IFC, 2018[13]).[15] JICA also issues government-guaranteed offshore bonds[16] to the tune of USD 500 million per fiscal year. Proceeds from the bonds are allocated to JICA's Finance and Investment Account, and used to establish basic infrastructure, social services and other activities in developing countries through loans, including to the private sector.

Japan also uses ODA to finance feasibility surveys for Japanese businesses looking to invest in partner countries, and for some public-private partnerships (PPPs). For example, JICA funded the Japanese enterprise Terumo to invest its unique health care technology in major government blood centres and hospitals first before expanding to local blood centres and clinics. This is a good example of how Japan gave consideration to inclusiveness and sustainability while supporting private sector investment.

Japan could draw more on its own experience to drive innovation, transfer leading technology and skills, and partner with the local private sector, as highlighted in the field visits (Annex C). Japan has established viable PPPs in Ghana and is embarking on a new one in Cambodia (Annex C). Though JICA's use of PPPs has been somewhat limited, it now seems to be looking beyond business as usual with 150 new projects adopted under proposal-based programmes in FY2019 (JICA, 2019[14]).

The Japan Bank for International Cooperation (JBIC) provides non-ODA loans, equity and guarantees to secure energy and mineral resources that are strategically important for Japan, maintain and improve the international competitiveness of Japanese industries, and promote Japanese business operations in developing countries. For example, in Mozambique and Malawi in 2017, JBIC financed the construction of the Nacala railway and port infrastructure in order to secure a stable supply of mineral resources for Japan, and in 2019 it financed a wind power generation project in Morocco, supporting a Japanese company's participation in renewable energy.

Where it is present, the Japan External Trade Organisation (JETRO) helps the Japanese private sector understand the business and regulatory environment in a partner country so that they can resolve challenges, follow national laws, and uphold labour and safety standards.

Japan's reporting now includes ODA equity, support to the private sector and total official support for sustainable development

ODA equity to private sector entities in developing countries makes up a very small share (1%) of Japan's gross ODA. Top ODA equity investments in 2017-18, as reported to the OECD by Japan, include the Japan Association of Southeast Asian Nations (ASEAN) Women Empowerment Fund; Leading Asia's Private Sector Infrastructure Fund; and the Port Authority of Sihanoukville in Cambodia. Japan has recently reported ODA loans to private sector entities, including USD 72.3 million in commitments in LDCs in 2017. Japan reports aggregate other official flows, and has recently started reporting JBIC investments to total official support for sustainable development (TOSSD), including confidential reports per activity, which is a welcome development.

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Notes

[1] ODA grant-equivalent values are not discounted for loan repayments to Japan for previously extended loans.

[2] Prime Minister Abe announced a stimulus package in December 2019 to counter sluggish demand accentuated by a recent consumption tax.

[3] This can also be explained by the fact that Japan's multilateral ODA – generally characterised by a high LDC spend – has stagnated since 2014 in part due to the weak Yen.

[4] Japan did not agree to the broadening of the scope of the DAC recommendation to include HIPCs in 2008 and other low-income countries and International Development Association-only countries in 2018. Yet, Japan did not tie its ODA in any of the groups of countries currently covered by the DAC Recommendation in 2018.

[5] Since only one contract value is provided, the DAC Secretariat divides the amount evenly among the contractors so as to be able to compare across DAC members. Therefore, these figures may not fully

reflect the reality on the ground. As with other donors, this self-reported information on contract awards does not take into consideration subsequent subcontracting.

[6] According to JICA's Procurement Guidelines, joint ventures are "jointly and severally" responsible for execution of the whole contract. For this reason, Japan notifies only one contract value for the entire joint venture, unlike other DAC members who either indicate which company is the main contractor or report separate amounts by contractor.

[7] Based on conversations with development partners investing in the same sector and geographic area in Cambodia.

[8] In 2017, the grant element was 87.8% and in 2018 it was 78.5% (below the 90% threshold), but Japan also did not comply when using the alternative measure, a three-year average for each LDC. There were three projects in particular in 2017 that preclude Japan from meeting the terms and conditions of aid. They include loans extended to private sector entities: (1) in Myanmar for the Thilawa Special Economic Zone – see note 34 above; (2) co-financing with IFC in Bangladesh for a combined-cycle power plant that uses both gas and a steam turbine to produce more electricity from the same fuel; and (3) a floating storage and regasification unit in Bangladesh. In reporting these as ODA investments, Japan indicated that official support was required to attract private finance and deliver better development outcomes.

[9] The database is publicly accessible here: https://www2.jica.go.jp/en/yen_loan/index.php.

[10] In 2018, DAC members provided 11% of bilateral allocable aid for environment and 26% focusing on climate (mitigation and adaptation).

[11] In upper middle-income countries where Japan is present, technical co-operation commitments amounted to 42% of gross bilateral ODA from 2017-18, whereas it represented 22% in low income countries and 28% in lower middle-income countries. Note that this excludes bilateral ODA not allocated by country or by region.

[12] UN Funds and Programmes include UNDP, UNICEF, the UN Environment Programme, the United Nations Human Settlements Programme, the UN Population Fund, and WFP.

[13] Contributions to the United Nations Trust Fund for Human Security come primarily from Japan, but contributions have also been received from Greece, Malta, Mexico, Slovenia and Thailand.

[14] There are a few funds to which Japan does provide pooled funding: Global Partnership for Education for Bangladesh and South Sudan; Law and Order Trust Fund for Afghanistan; and the Enhanced Private Sector Assistance Initiative [with Australia] at the African Development Bank.

[15] The project aims to increase and diversify the electricity supply through construction and operation by Baynouna Solar Energy PSC of a 200MW Baynouna photovoltaic solar power plant to be located at Al-Muwaqqar in Jordan.

[16] In fiscal year 2019, JICA bonds were issued at a coupon rate of 3.375% and a maturity period of 10 years.

4 Japan's structure and systems

This chapter considers whether Japan's institutional arrangements support its development co-operation objectives. It focuses on the system as a whole and assesses whether Japan has the necessary capabilities in place to deliver its development co-operation effectively and to contribute to sustainable development.

The chapter looks at authority, mandate and co-ordination to assess whether responsibility for development co-operation is clearly defined. It further explores whether the system is well co-ordinated and led with clear, complementary mandates as part of a whole-of-government approach at headquarters and in partner countries. Focusing on systems, the chapter assesses whether Japan has clear and relevant processes and mechanisms in place. Finally, it looks at capacity across Japan's development co-operation system – in particular whether Japan has the necessary skills and knowledge where needed, to manage and deliver its development co-operation – and at the effectiveness of its human resources management system.

In brief

Institutional arrangements support development co-operation objectives

The Ministry of Foreign Affairs (MOFA) plans development co-operation policies and ensures close collaboration with government ministries and agencies responsible for implementing development activities. The Japan International Cooperation Agency (JICA), which delivers the bulk of Japan's official development assistance (ODA), is accountable to MOFA, which assesses its performance annually. A committee of the upper house of parliament oversees the development co-operation programme, with members making regular field visits to projects funded by Japan.

Decision making is centralised in Tokyo, with almost no delegation of financial or programming authority to the field. This makes decision making an even longer process, as recommendations are required from embassies and JICA country offices. Cabinet approval is required in principle for grant and loan projects, including some grant projects less than USD 1 million, and most ODA payments are managed from Tokyo. The Prime Minister and his office play a significant role deciding on investments – whether financed by ODA or other official flows – and facilitate the Management Council for Infrastructure Strategy, which aims to promote the export of Japan's quality infrastructure.

Co-ordination is a feature of the Japanese development co-operation system. More comprehensive country development cooperation policies could better describe Japan's whole-of-government approach.

While project management processes are clear, the lack of allocations to country and thematic portfolios introduces uncertainty. Early consultation on the relevance of projects is good practice, and while rigorous processes reduce risk, they do add to the time needed to commence projects.

Japan has heightened its analysis of security risks and improved its management of corruption risks considerably. Having committed to tackling sexual exploitation and abuse, and sexual harassment in the development co-operation system, Japan recognises the need to now build on initial action.

To become more agile and adaptable in delivering development co-operation, JICA could build on its efforts to become more flexible in project management and encourage innovation across its operations.

Staff have the skills and knowledge to manage and implement development co-operation. JICA is responding to the challenge of retaining and developing its staff, though greater investment is needed in locally-engaged staff.

Authority, mandate and co-ordination

Planning, implementation, responsibility and accountability are clearly defined

The 2015 Development Cooperation Charter requires close collaboration amongst the government and implementing agencies. The MOFA plans and leads development co-operation policies and activities. It ensures close collaboration with the Japan International Cooperation Agency (JICA) and other ministries and actors involved in implementation.

As for many DAC members, Japan's humanitarian assistance is managed centrally with responsibility shared between MOFA and JICA. MOFA mostly manages voluntary contributions to the multilateral system and the grant aid system, while JICA mostly manages emergency relief including in-kind stocks and the dispatch of emergency response teams.

Accountability is exercised at a number of levels within the Japanese system. As an incorporated administrative agency, JICA is accountable to MOFA, providing an annual report and a self-evaluation report in which it is assessed by MOFA every year. The government is held to account for its ODA policy through questions in the Diet, and the work of the Special Committee on ODA and Related Matters of the upper house of parliament, which oversee ODA. The committee discusses issues related to ODA and other forms of international co-operation and its members regularly visit projects funded by Japan.

Decision making is centralised in Tokyo

The Prime Minister and his office play a significant decision-making role in investments using ODA and other official channels. The Prime Minister's office organises the Management Council for Infrastructure Strategy, which aims to promote export of Japan's quality infrastructure – whether financed from ODA or other official sources. The initiative responds to increasing demand for infrastructure globally and is based on win-win relationships. As well as contributing to the economic development of partner countries and building the capacity of officials working on infrastructure, it also benefits the Japanese economy. The initiative is co-ordinated by the cabinet office together with relevant ministries including the Ministry of Economy Trade and Industry (METI) in co-operation with the Japan Oil, Gas and Metals National Corporation (JOGMEC), the Japan Bank for International Cooperation (JBIC), the Nippon Export and Investment Insurance (NEXI), JICA, and the Japan External Trade Organization (JETRO). This emphasis on infrastructure is reflected in JICA's sectoral focus in implementing Japanese ODA (Chapters 2 and 3).

There is almost no delegation of financial and programming authority to the field. Embassies and JICA country offices engage in dialogue with partner governments and co-ordinate with other development actors. They propose initiatives and formulate proposals. The need to make recommendations to MOFA and JICA in Tokyo adds time to what is already considered a lengthy process (reported during the field visits to Cambodia and Ghana in Annex C). Cabinet approval is required in principle for any grant and loan project, including some grant projects under USD 1 million. Apart from decisions on small amounts of expenditure, embassies and JICA country offices always need approval from MOFA and JICA in Tokyo. Most payments are also made from Tokyo, either to consultants or contractors responsible for grant projects or to contractors responsible for loan projects.

Co-ordination is embedded, but country policies could be more comprehensive, reflecting the whole-of-government approach

MOFA and JICA, as the two main players, co-ordinate closely in Tokyo and in the field. JICA co-ordinates closely with ministries and agencies on specific projects, especially those involving technical co-operation. Co-ordination benefits project activities implemented by a range of Japanese actors in priority sectors: they receive sectoral and technical advice from ministries, and input from Japanese experts and volunteers in sectors such as health and education. The Ministry of Finance (MOF) reviews all loan proposals, paying particular attention to debt sustainability. Prior to grant and loan proposals going to Cabinet for approval, MOFA and JICA also co-ordinate closely with MOF and other related ministries to ensure that funding is available.

Country policy documents could be more comprehensive and better describe Japan's whole-of-government approach. Development co-operation policies are elaborated for each partner country in co-ordination with related ministries and agencies, including ODA Task Forces. However, these documents

could better outline the results that Japan expects to achieve in each of its partner countries. As a result, Japan's many good individual projects could complement one another effectively and efficiently and add up to a whole-of-government approach (Chapter 5; Annex C).

Each embassy oversees and co-ordinates Japan's development co-operation in-country and with Tokyo. The embassies' Economic and ODA Section comprises staff from MOFA and a range of other ministries, depending on its size. ODA Task Forces are present in 130 countries, generally made up of embassy and JICA staff, though composition can vary. Other institutions such as JBIC and JETRO may participate where relevant to the sectoral focus of each country portfolio. The task force enables the embassy and JICA to discuss Japan's development co-operation, including approaches to policy dialogue with the partner government and programming options. It is also a mechanism through which to review progress and address bottlenecks during implementation.

Systems

Though clear and relevant, processes can take time to implement

While project management processes are clear, Japan does not allocate to country and thematic portfolios. Japan has systems in place to implement and assure the quality of its development co-operation activities (Table 4.1). However, it does not have a practice of allocating funding to each country and thematic portfolio, which risks creating uncertainty for programme staff and for partners (Chapter 3). Instead it considers needs expressed by partner governments, generating ideas for projects that are aligned with Japan's development co-operation policy for each partner country. These ideas are then considered and pitched within the system – through the embassy to MOFA and JICA in Tokyo.

Early consultation on the relevance of projects is good practice. MOFA's Development Project Accountability Committee, comprised of officials and external development co-operation stakeholders, considers the relevance of projects before analysing their feasibility. Once accepted, the project formulation process commences, with final approval depending on the results of feasibility studies and consultation between MOFA, JICA and other relevant ministries.

Rigorous processes reduce risk but add to the time needed to commence projects. The care that Japan takes to determine feasibility and then design projects, particularly infrastructure projects, results in careful definition of their specific requirements. The process is managed by consultants who are hired by partner governments to design loans and by Tokyo in the case of grants. A competitive bidding process then drives total costs down and limits opportunities for corrupt practices in particular. However, project preparation takes a long time, reducing Japan's attractiveness when other options are available to partner governments (Annex C). While processes have been streamlined over the past decade, further effort is needed to speed up the time taken for Japan to prepare, approve and procure projects in order to respond better to partner government needs, in particular for good quality infrastructure investments. In addition, the level of specification can reduce contractors' ability to respond to challenges during implementation.

The focus on security risks is heightened

Japan has increased its focus on security, with implications for work in fragile contexts. Following the deaths in 2016 of Japanese consultants working on a JICA project in Bangladesh, MOFA and JICA have reviewed and strengthened safety measures for people involved in international co-operation projects. The Council on Safety Measures for International Cooperation Projects was established under MOFA in order to define new safety measures. Japan makes safety a prerequisite for implementing ODA projects, and JICA has introduced a code of conduct for project partners to be applied in insecure countries and areas. Travel advisories provide guidance to Japanese nationals, including government officials, non-government organisation (NGO) staff and people working in multilateral agencies, regarding access to

insecure areas. Visits to insecure areas by Japanese NGO staff members working on government-funded projects, especially level four areas, are considered on a case-by-case basis, which can limit their ability to work in fragile contexts.

Corruption risk assessment is better, and a greater focus is being introduced on risks of sexual exploitation and abuse

Japan has improved its management of corruption risks considerably since the 2014 Peer Review and has made other commendable efforts to implement the 2016 OECD Council Recommendation on Managing the Risk of Corruption. There is now a code of conduct for staff, a staff-training programme and a whistle-blowing system. At programme level there are monitoring tools and financial controls, including a solid auditing system. However, Japan could strengthen and systematise its assessment and follow up of risks of corruption, such as developing policies and guidelines for corruption risk assessment, mitigation and follow up, and gather lessons learned from corruption incidents. It could also give better guidance and support to staff on assessing corruption risks, in particular the particular challenges in different sectors, and make information about complaints procedures more widely known (Annex C).

Japan is communicating with the private sector on anti-corruption and has a solid sanctioning system. Japan also gives substantial technical support to partner governments, strengthening governance capacity to reduce corruption. It has introduced third party checks of contractors and implementers, and publishes the results of sanctions imposed on offenders. Japan could broaden its approach to corruption beyond the fiduciary risks to Japanese funds to also include its potential threat to achieving development goals. As noted in the recent Phase 4 Report undertaken by the OECD Working Group on Bribery, Japan's good practice in entering into agreements, and establishing joint committees with the governments of three countries where the corruption risk is high – Indonesia, Uzbekistan and Viet Nam – might be extended further. JICA and MOFA could further raise awareness and offer guidance and training to its staff and contractors on foreign bribery risks and red flags, as well as the channels for reporting suspicions to Japanese law enforcement agencies. They could also review the accuracy of information provided by project applicants, not just by looking at the World Bank debarment lists, but also those of other national and multilateral financial institutions, as well as considering applicants' corruption risk management systems (OECD, 2019[1]).

Japan recognises the need to do more to prevent the risk of sexual exploitation and abuse. Japan is committed to tackling sexual exploitation and abuse, and sexual harassment (SEAH) within its development co-operation system. It has signed Donor Commitments agreed in London in 2018 (UK Government, 2018[2]), and translated and disseminated the DAC Recommendation on Ending Sexual Exploitation, Abuse, and Harassment in Development Co-operation and Humanitarian Assistance (OECD, 2019[3]). It has taken initial steps to raise awareness of these risks amongst staff, experts and volunteers prior to deployment and is working with Japanese NGOs to raise awareness amongst their personnel. JICA has formulated an action plan and included SEAH in existing mechanisms, such as the staff code of conduct and contract, from July 2020 (UK Government, 2019[4]). Japan could build on its existing focus on preventing and responding to harassment as it operationalises the recommendation.

Table 4.1. Assessment of Japan's development co-operation systems

	Yes	No	Comment
Clear and transparent processes and procedures are in place to make decisions on:			
• Programming	●		▲ Decision-making processes clear. ● Multi-annual allocations could address uncertainty and provide greater transparency.
• Partnerships (Chapters 2 and 5)	●		▲ Private sector investments with bilateral and multilateral financial institutions. ● Partnerships are broadening beyond governments; more joint programming could enhance effectiveness.
Systems are in place to assure the quality of development co-operation, including:			
• Audit	●		▲ Effective internal audit function in JICA, MOFA; all actors reviewed by Japan Board of Audit.
• Mainstreaming cross-cutting issues (Chapter 2)	●		▲ Comprehensive environmental and social safeguards and gender guidelines. ● Greater attention needed to gender and vulnerability in economic infrastructure projects; opportunity to go beyond doing no harm. ● Could more proactively manage potential positive or adverse environmental and climate-related impacts across portfolio
Systems support the member to implement its policies and commitments in a fair and efficient way:			
• Procurement (see also Chapter 3)	●		▲ Procurement processes well-defined in line with international competitive bidding. ▼ Restricted competition, including for untied aid.
• Contracting	●		▲ Contracting systems clear and applied equally to all.
• Agreement-making	●		▲ Clear agreements with partners. ▼ Balance high specification with ability to respond when challenges arise during implementation.
Adequate and relevant systems and processes to assess and adapt to risks, including:			
• Strategic	●		▲ JICA has updated internal controls and its approach to risk management.
• Reputational	●		
• Programming	●		
• Security	●		▲ Safety measures reviewed; JICA Declaration on Security Measures, 2017; new Division established in MOFA. ● Continue to balance security concerns with business continuity, especially in fragile settings.
• Corruption	●		▲ Code of conduct, training programmes for staff and outreach to implementing companies on anti-corruption, whistle-blowing system as well as solid sanctioning system. ▼ Corruption risk assessment and follow up should be systematised and go beyond fiduciary risks.
• Sexual exploitation, abuse and harassment		●	▲ Recommendation published and disseminated; awareness raising of staff, consultants, volunteers and Japanese NGOs; extending focus on harassment to better prevent and address risk of sexual exploitation and abuse. ● In operationalising, upskill Japanese and locally-engaged staff; work with partners, implementers and contractors.
Innovation and adaptation:			
• The leadership and internal system promote a culture of experimentation and adaptability to changes in the development landscape		●	● A staff task-force keeps looking at how to introduce more flexibility into JICA's systems.
• Capabilities exist to introduce, encourage, measure and scale up innovation in development co-operation	●		▲ Collaboration amongst Japanese and global institutions. ▲ Portion of budget allocated to promote innovation; annual contest seeking new project ideas. ● Japan is open to innovation; achieving it remains a work in progress.

Note: Green triangles refer to good practice; orange circles point to areas where progress is being made but more could be done; red triangles refer to areas where progress is needed.
Source: Developed by the OECD Secretariat following the structure of the DAC Peer Review Reference Guide, based on documentation provided by the Ministry of Foreign Affairs (MOFA), and the Japan International Cooperation Agency (JICA); JICA (2019[5]), Japan International Cooperation Agency Annual Report, www.jica.go.jp/english/publications/reports/annual/2019/c8h0vm0000f7nzvn-att/2019_all.pdf.

Japan aims to become more agile, adaptable and innovative

Japan is exploring the greater use of science, technology and innovation in its development co-operation. The Global Health Initiative Technology Fund and the Science and Technology Research Partnership for Sustainable Development International Collaborative Research Program, for example, aim to address global issues, including health challenges.[1] Efforts to promote innovation in JICA include establishing a Science, Technology and Innovation Office and a Digital Transformation Taskforce. Applying lessons from the forthcoming DAC peer learning on innovation for development could further these efforts. JICA recognises that its systems have been very rigid and a staff task force is looking at tools for being more flexible in project management. JICA staff are encouraged to think and act differently, and this is a component of performance assessment. Building on this, and on its efforts to encourage innovation across its operations, would help JICA to become more agile and adaptable.

Capabilities throughout the system

Staff have the skills and knowledge to manage and deliver development co-operation

Extensive expertise is available across the development co-operation system. MOFA and JICA can rely on highly qualified and experienced staff to manage Japan's development co-operation, drawing in expertise from across the Japanese government, academia, civil society and the private sector as needed. This is exemplified in the technical co-operation provided to developing country partners.

The centralised location of skills and expertise introduces challenges. JICA country offices rely heavily on Japanese contracted staff to supplement permanent staff, as do embassies to a lesser extent. However, as sectoral, thematic and project management expertise is held in Tokyo with limited capacity retained in the field, this requires communicating with Tokyo, as well as Japanese language skills. In addition, JICA is limited in its ability to identify, and effectively promote and implement a diverse range of private sector initiatives in the field, as observed in Cambodia and Ghana (Annex C). These require a different set of skills and further capacity building in country offices, backed up by strong support from Tokyo. Japan might consider whether a more decentralised approach, with greater capacity in the field, would achieve greater efficiencies in programme management.

Regular rotation of staff offers both benefits and challenges. Staff working in the International Cooperation Bureau of MOFA and in the Economic and ODA Section of embassies are rotated regularly, and senior MOFA staff are assigned to roles with JICA and other institutions. These rotations and assignments can boost understanding of development co-operation across the ministry, and promote synergies among development co-operation and diplomacy, defence and other relevant areas of expertise. However, the loss of continuity can also create challenges given MOFA's key role in planning development co-operation policy and co-ordinating amongst government ministries and agencies, and the leading local role played by embassies. Retaining institutional knowledge and learning is of key importance in the Japanese system therefore (Chapter 6).

Human resource management is improving in JICA but more could be done for locally engaged staff

JICA is responding to the challenge of retaining and developing its staff. It has defined a set of knowledge, skills and abilities that all staff should acquire to be competent development practitioners, and outlined expectations for staff to meet these as their career develops. This is good practice. The staff rotation policy in JICA contributes to this, as does career consultation offered to relatively young, permanent staff.

Greater investment is needed in locally engaged staff. Partner country staff are essential to the successful implementation of development co-operation by the embassy and JICA. Efforts have been made to enhance career development opportunities for locally engaged staff. JICA recently introduced the possibility for its national staff to be promoted to managerial positions and has increased the number of short- and long-term training programmes offered at headquarters and some core country offices. Short-term exchanges of partner country staff are conducted among JICA country offices to enhance specific skills such as procurement, disbursement and evaluation. However, there is room for improvement, particularly regarding their opportunities for capacity development, career progression and advancement. Also, their job titles do not always reflect the work they do, particularly their engagement with partner government counterparts. While retention rates are good, investing in their capacity and improving their terms and conditions of employment could enhance their motivation and job satisfaction, adding value to Japan's ODA.

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Notes

[1] The Science and Technology Research Partnership for Sustainable Development involves collaboration between the Japan Science and Technology Agency, the Japan Agency for Medical Research and Development the Japan International Cooperation Agency. See www.jst.go.jp/global/english/about.html. The Global Health Initiative Technology Fund brings Japanese industry, academia, and research institutes together to create new drugs, vaccines and diagnostics for malaria, tuberculosis and neglected tropical diseases. See www.ghitfund.org/.

5 Japan's delivery modalities and partnerships

This chapter looks at the principles that guide Japan's partnership approach across its development portfolio, and how Japan uses its financial, diplomatic and technical resources in its global engagement and in partner countries. It assesses whether the approach and principles are consistent with Japan's development co-operation policy and international commitments on development effectiveness: ownership of development priorities by developing countries; a focus on results; inclusive development partnerships; and transparency and mutual accountability.

The chapter first considers Japan's approach to partnerships for development co-operation with a range of actors, assessing whether they embody the development effectiveness principles. It then explores whether Japan's work in partner countries is in keeping with its domestic and international commitments to, and principles of, effective development co-operation.

In brief

Japan is a strong partner for developing country governments

The great majority of Japan's development co-operation is delivered through projects with developing country governments. Other channels are used to a very limited extent, and grants available to civil society organisations (CSOs) are relatively small in volume. Greater dividends could be achieved by ensuring synergies across Japan's loans, grants, technical co-operation, volunteers and support provided to other development actors. Country development cooperation policies could better describe these synergies and Japan's overall contribution to sustainable development.

Budgeting and approval processes are centred on individual projects rather than country portfolios, limiting Japan's ability to provide multi-year predictable funding to multilateral, regional and civil society organisations, and private sector entities. Regular reporting and strict financial accountability are required.

Despite active participation in government-development partner co-ordination mechanisms, it is rare for Japan to jointly finance projects with other donors in partner countries. It does play a positive role in leading sectoral working groups, encouraging co-ordination and mapping of donor support.

Japan has a proud record of support for south-south and triangular co-operation, valuing the political and developmental benefits of these approaches.

Japan is a responsive development partner, regularly updating aid management databases. Data and information about Japan's development co-operation activities are shared transparently using a range of mechanisms.

Japan is committed to country ownership, seeking to achieve mutually beneficial partnerships and taking a recipient-driven approach. Its use of partner country financial management systems for loans is significantly higher than the Development Assistance Committee (DAC) average. Annually scheduled payments are made on time, but Japan's medium-term predictability could be improved. The Japan International Cooperation Agency's country analysis papers could also draw on a broader range of data.

Effective partnerships

ODA is mostly delivered through projects with developing country governments

Japan rarely partners with non-government actors in delivering its development co-operation (Table B.2). In 2017-18, 84.7% of bilateral projects (78.7% of bilateral gross disbursements) were funded with developing country governments, 6.9% with non-government organisations (NGO) and CSOs (1.7% of bilateral gross disbursements), and 2.96% with multilateral organisations (10.2% of bilateral gross disbursements). The great majority of projects to and through civil society partners were project-type interventions (77.7%), with core support making up just 19.4%.

Japan's focus on individual projects rather than overall multi-year country portfolios reduces predictability. Japan primarily invites proposals for project-type interventions (78.2% of bilateral activities in 2017-18), making limited use of core support mechanisms and flexible funding instruments (3.7%). Its preference for working with partner governments, together with a lack of clarity regarding country

allocations, constrains Japan's ability to provide multi-year predictability to its partners, including multilateral, regional and civil society organisations, and private sector entities.

The process of seeking funding from Japan's supplementary budget is administratively burdensome for all parties. In the middle of the calendar year, embassies invite multilateral partners based in-country to submit proposals for emergency responses. Embassies review them and send their recommendations to Tokyo. Decisions are usually communicated at the end of the year, and funds, which must be disbursed within the current Japanese fiscal year and executed as soon as possible, are transferred early in the following year. This approach is not strategic, does not facilitate timely response to emergencies, and imposes administrative burdens on all parties – for one United Nations organisation a dedicated unit of three people in New York together with staff from its six-person liaison office in Tokyo manage the administrative and reporting requirements (Chapters 2 and 7).

Japan requires regular reporting and strict financial accountability. Recipients of Japanese loans and large grants are required to report on a quarterly basis, and particular attention is paid to financial accountability. Each grant-funded institution identifies the results it expects to achieve and reports against these using progress and completion reports (Chapter 6).

Engagement with civil society is limited

Grants available to CSOs are relatively small. The Ministry of Foreign Affairs (MOFA) and Japan International Cooperation Agency (JICA) offer funding windows for CSOs but funds are not large. JICA's Partnership Program provides a maximum of JPY 100 million (approximately USD 900 000) to projects proposed by Japanese organisations with extensive experience in international co-operation; these are to be completed within five years. Less experienced Japanese organisations and Japanese local government bodies can apply for a maximum of JPY 10 million (approximately USD 90 000) and JPY 60 million (around USD 540 000) respectively for projects to be completed within three years (JICA, 2015[1]). MOFA's grant assistance for projects run by Japanese NGOs is also small. In the 2019 financial year, MOFA reports supporting 219 projects totalling JPY 11.14 billion (around USD 100 million) at an average of USD 457 500 each. This amounts to double its grant assistance in 2017 – 113 projects totalling JPY 5.07 billion (around USD 46 million), averaging some USD 407 000 each (MFA, 2019[2]). Japan could draw on good practices of other DAC members to support NGOs to respond more flexibly to the changing contexts within which they operate.[1]

Co-ordination with other development partners works, though co-financing is limited

Japan participates actively in government-development partner co-ordination mechanisms but rarely funds projects jointly with other donors. Contributions to pooled programmes and funds comprised just 6% of country programmable aid in 2018. In addition, Japan makes very limited use of budget support – just 3% in 2018 – or programme-based approaches (Table B.2). It is rare for Japan to co-finance with other development partners, partly because of differences in project management procedures between donors, which often create difficulties with co-ordinating co-financing. Multilateral funding is almost always clearly earmarked, or provided through bridge or parallel financing (Chapter 3). As seen in the water sector in Cambodia, and the transport sector in Ghana, Japan prefers to directly manage its own contributions in full, leaving others to contribute theirs, with a view to a co-ordinated whole (Annex C).

South-south and triangular co-operation are actively supported

Japan has a proud record of support for south-south and triangular co-operation. Japan's development co-operation began by joining the Colombo Plan in 1954. At the time, Japan was still undergoing post-war reconstruction using external aid.[2] Drawing on its own experience of receiving

technical and financial co-operation during the post-war reconstruction period, while at the same time providing development co-operation, Japan subsequently commenced work with developing and emerging countries in triangular co-operation arrangements, commencing with Thailand in 1975. Today, Japan is one of the largest partners in triangular co-operation globally. It uses this long-standing experience to promote triangular co-operation within the United Nations system, the DAC, the Global Partnership for Effective Development Co-operation (GPEDC), the G20 and other global fora (Box 5.1).

Box 5.1. Japan's promotion of south-south and triangular co-operation

Japan is a pioneer in the field of south-south and triangular co-operation. It values the political and developmental benefits of these approaches, including deepening relationships among countries, building trust and co-creating solutions which are well-adapted to the context of developing countries.

Japan values south-south and triangular co-operation as effective co-operation methods which also strengthen partnership with developing countries since they promotes sharing knowledge and expertise of developing countries and encourage mutual learning among all stakeholders.

South-south and triangular co-operation are effective in:

- disseminating successful efforts, including Japan's development experience
- contributing to the promotion of regional and global co-operation
- complementing and supplementing bilateral and multilateral co-operation with the knowledge and experience of developing countries to achieve development results
- building on its experience and knowledge of south-south and triangular co-operation; in this regard, Japan is engaging with global advocacy efforts such as the Global Partnership Initiative on Effective Triangular Co-operation.

The Asia-Africa Knowledge Co-Creation Program enabled Asian and African countries to share experience and knowledge to create approaches best suited to African countries' needs. Fifteen African countries participate in the Total Quality Management for Better Hospital Services project. This targeted the shortage of financial, logistical and human resources health systems by introducing Sri Lankan and Japanese experience in hospital management, promoting 5S (sort, set, shine, standardise and sustain) and *Kaizen* (continuous quality improvement) processes. Through this programme, Tanzania learnt from the successful efforts of Sri Lanka and has scaled up the initiative across the country.

In 2015 Japan and Chile started the KIZUNA project. It disseminates Chilean experience throughout Latin America and the Caribbean region. The project shares the expertise Chile gained through its 30 years of co-operation with Japan and enables countries in the region to access high quality disaster risk reduction training programmes. It fosters knowledge exchange and creation of a network of specialists at national and regional levels. In addition, Chile's experience was shared in international conferences such as the Second high-level United Nations Conference on South-South Co-operation and the G20 Development Working Group.

Source: JICA (2018[3]), *JICA's Support for South-South and Triangular Cooperation. For inclusive and dynamic development*, www.jica.go.jp/activities/issues/ssc/ku57pq00001wlrnp-att/pamphlet_en_01.pdf; JICA (2020[4]), *Africa. Asia-Africa Knowledge Co-Creation Program (AAKCP)*, www.jica.go.jp/english/our_work/thematic_issues/south/project06.html; JICA (2015[5]), *News. KIZUNA Project Launched – Impressive Results From Early Evacuations, Improved Seismic Resistance in Buildings*, www.jica.go.jp/english/news/field/2015/151102_01.html.

Japan is an accountable and transparent donor

Japan uses a range of mechanisms to share data and information about its development co-operation. MOFA publishes an annual White Paper on Development Cooperation (MFA, 2019[2]) and JICA publishes an annual report and data book (JICA, 2019[6]). The ODA Mieru-ka site provides information in Japanese language on projects by country, thematic issue and type of co-operation.[3] In addition, MOFA and JICA report in English to the International Aid Transparency Initiative (IATI), although given the high number of projects involved it is proving difficult to meet IATI's requirements (Table 5.1). Japan tracks results at project level but, as noted in the 2014 Peer Review, has limited ability to capture its overall development results (Chapter 6).

Country-level engagement

Japan has a strong commitment to country ownership and mutual benefit

Japan is committed to country ownership, seeking to achieve mutually beneficial partnerships and taking a recipient-driven approach. Based on its own experience, Japan values self-reliant development and the mutual benefit gained from development co-operation. Like many DAC members, Japan is clear that both parties will gain by co-operating. It sees its partners' willingness to borrow as evidence of ownership (Chapters 2 and 3).

Country development cooperation policies outline Japan's priorities but could better describe Japan's overall contribution to sustainable development. These concise documents identify how Japan's priorities are in line with those of the partner country, but they do not describe the results Japan expects to achieve (MFA, 2020[7]). In addition, as found in the 2018 GPEDC monitoring survey (OECD/UNDP, 2019[8]) Japan is encouraged to enhance the inclusive manner in which it consults partner country governments and other stakeholders as it elaborates country development cooperation policies. While better than the DAC average, alignment with country priorities and use of country-owned results have decreased significantly since 2016 (Table 5.1). A more strategic approach that links Japan's co-operation to the Sustainable Development Goals (SDGs) and includes the overall picture of its investments at the country level would give Japan visibility, allow it to be more effective in establishing priorities aligned with the partner government, and show how it is responding to country needs.

JICA's country analysis papers could draw on a broader range of data. JICA uses country analysis papers to guide its programming, presenting and testing these with partner governments. Recognising the challenges of accessing reliable, up-to-date official statistics, JICA could consider making greater use of a range of analyses – e.g. by going beyond headline poverty data to use poverty mapping instruments, such as IDPoor in Cambodia (Annex C). Drawing on its extensive alumni network and other stakeholders (academics, think tanks, local CSOs, innovators and other private sector actors) could also add value to Japan's context analysis.

Japan responds to requests from partner governments. Government partners complete and submit annual needs surveys by funding instrument – technical co-operation, grants and loans. The ODA Task Force considers these and forwards its recommendations to Tokyo for approval (Chapter 4). The overall resource envelope for each country and region is determined by adding the budget lines allocated for each instrument which – except for humanitarian and emergency relief funding – typically follow past trends. A detailed, public, rolling three-year country plan includes all ODA investments and provides an overview of Japan's interventions.

Japan's use of partner country financial management systems is significantly higher than the DAC average. Japan makes good use of public financial management systems for budget execution, financial reporting, auditing and procurement (74% in 2018 compared with the DAC average of 55%). However,

when this is broken down by modality, use is seen to be high for loans (96%) but very low for grants (8%). In Cambodia, where there is a higher risk of corruption, JICA supports all public finance for grants and technical co-operation, disbursing funds directly to the recipient's account dedicated solely to the project in a bank in Japan. ODA loans can be on- or off-budget, and there are five possible disbursement procedures. In Cambodia, JICA uses the transfer procedure for ODA project loans, making payments directly to contractors upon the request of the government. At 64%, Japan's use of partner countries' results frameworks, results indicators, data and statistics, while better than the DAC average (56%), has reduced since 2016 (Table 5.1) (OECD/UNDP, 2019[8]).

Japan applies the "Build Back Better" principle in responding to disasters by accompanying a country from the emergency phase to its reconstruction. In order to realise this principle, Japan often assists the partner government in designing a reconstruction master plan that enhance the country's resilience. In doing so, Japan shares a wide array of technical expertise and their past experiences and offer financial assistance (both grant and loan) for resilient infrastructures. Predictable and transparent partnerships are common.

Japan's annually scheduled payments are made on time, but its medium-term predictions could be improved. Almost all scheduled payments (98%) are disbursed during the fiscal year, less so those in the medium-term (Table 5.1). Sharing rolling plans with partner governments, as seen in Cambodia and Ghana (Annex C), has enabled Japan to improve its medium-term predictability (increasing from 63% to 83%). Nevertheless, publishing these more regularly on MOFA's website would also increase transparency and accountability to the public.

Japan is a responsive development partner, regularly updating aid management databases. It responds to requests from partner governments to provide or input details of its projects into partner government aid management databases, thus ensuring information can be accessed by partner governments and other actors, including civil society and parliaments. Japan is also an active participant in mutual accountability assessment processes (OECD/UNDP, 2019[8]).

Japan plays a positive role as lead donor, encouraging co-ordination and mapping of donor support. Where it leads government-development partner technical working groups, Japan has played an important role in mapping donor support in sectors, as seen in Cambodia and Ghana (Annex C).

Table 5.1. Japan's performance on effective development co-operation, 2018

	Alignment and ownership by partner country (%)				Predictability (%)		Transparency		
	SDG17.15 Use of country-led results frameworks	Funding recorded in countries' national budgets	Funding through countries' systems	Untied ODA	Annual predictability	Medium-term predictability	Retrospective statistics (OECD CRS)	Information for forecasting (OECD FSS)	Publishing to IATI
2016 round	75.9%	83%	67.9%	74.6%	98.4%	63%	Excellent	Needs improvement	Needs improvement
2018 round	64.2%	70.7%	74.4%	67.2%	97.6%	88.5%	Excellent	Needs improvement	Needs improvement
2018 DAC average	56%	53%	55%	82%	88%	65%			
Trend	▼	▼	▲	▼	—	▲	—	—	—

Note: Data drawn from 252 projects totalling USD 5.9 billion in 63 countries and territories. CRS: Creditor Reporting System; FSS: Forward-spending survey; IATI: International Aid Transparency Initiative. Green triangle = positive trend; green bar = positive performance, no change; red triangle = negative trend; red bar = improvement needed; no change. Untied ODA figures refer to all bilateral ODA excluding donors' administrative costs and in-donor refugee costs. The 2018 Round's figure of untied ODA has been updated with the most recent data available (2018).
Source: OECD/UNDP (2019[8]), *Making Development Co-operation More Effective: How development partners are promoting effective, country-led partnerships,* www.oecd.org/dac/effectiveness/Part-II-of-the-Global-Partnership-Progress-Report.pdf.

Greater synergies among instruments would add value to Japan's efforts

Japan's development co-operation spans a range of instruments which are all appreciated in their own right (Chapter 2). Japan strives to achieve synergies among its development co-operation instruments, for example as seen in Cambodia, Japan is complementing investments in water infrastructure with technical co-operation supporting government capacity to manage water supply. Nevertheless, a more co-ordinated and strategic approach could be taken to country portfolios, creating greater synergies across Japan's loans, grants, technical co-operation, volunteers and support provided to other development actors. The potential for more synergies was observed in Cambodia and Ghana (Annex C). This could help Japan to achieve development co-operation outcomes which are greater than the sum of its individual project parts.

Japan places no policy conditions on its aid

Japan's terms and conditions of aid are clear and transparent. It does not place policy conditions on development co-operation.

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Notes

[1] As part of its work stream on civil society engagement in development co-operation, the OECD's Development Co-operation Directorate recently prepared a report on how DAC members work with civil society. See www.oecd.org/dac/civil-society-engagement-in-development-co-operation.htm.

[2] The Colombo Plan was established in 1950 as a regional inter-governmental organisation to improve the economic and social development of the Asia-Pacific region. Its focus is on human resource development and south-south co-operation. See www.colombo-plan.org/overview.

[3] See www.jica.go.jp/oda (in Japanese).

6 Japan's results, evaluation and learning

This chapter considers the extent to which Japan assesses the results of its development co-operation, uses the findings of evaluations to feed into decision making, accountability and learning, and assists its partner countries to do the same.
The chapter begins with a look at Japan's system for managing development results, i.e. whether the objectives of its development co-operation policies and programmes can be measured and assessed from output to impact. It then reviews the alignment of Japan's evaluation system to the DAC evaluation principles, looking specifically at whether an evaluation policy is in place, whether roles and responsibilities are clear, and whether the process is impartial and independent. Finally, it explores whether there is systematic and transparent dissemination of results, evaluation findings and lessons and whether Japan learns from both failure and success and communicates what it has achieved and learned.

In brief

Japan builds evidence of what does and does not work to improve future programming

Japan's projects are thoroughly planned and evaluated following to the "Plan, Do, Check, Action" cycle drawn from Japanese manufacturing. *Ex-ante* evaluations are required for all official development assistance (ODA) loan projects – these outline expected outputs, external risk factors, and lessons learned from similar past projects. At the project level, Japan has logframes and outcome targets, but it does not set out in measurable ways the broader development results it seeks to achieve or contribute to. Country Development Cooperation Policies do not include indicators and are not used to define the results that Japan wishes to achieve even though these policies systematically build on the partner country's development plan and the Sustainable Development Goals (SDGs). Like other Development Assistance Committee (DAC) members, the key constraints to adopting a results-based management system relate to the organisational culture and the lack of an incentive structure.

Japan uses the DAC evaluation criteria and also assesses diplomatic goals in evaluations, in line with the objective of the Development Cooperation Charter. The 2014 Peer Review suggested Japan might adopt a more strategic approach to the projects that are evaluated, which is work in progress. While *ex-post* evaluations are still standard practice for every project costing over USD 1.8 million, midterm evaluations are no longer obligatory for the Japan International Cooperation Agency (JICA). JICA has also adopted a pragmatic approach to conducting *ex-ante* and *ex-post* evaluations of multiple projects with the same purpose. JICA is currently working to build its evaluation methodology for private sector investment finance based on good practice standards.

The new DAC evaluation criteria will provide Japan with opportunities to match evaluation efforts with learning and accountability needs. Japan's continued emphasis on comprehensive and joint evaluations with partner countries is particularly noteworthy. It has invested in building the evaluation capacity of national authorities in Viet Nam and Myanmar and has conducted a number of joint evaluations with partner countries, including the Philippines, Thailand and Viet Nam. Japan also supports the statistical capacity of partner countries through in-kind technical co-operation and earmarked funding.

JICA has a public website on lessons learned which must be consulted before a new project design is approved so as to incorporate lessons from similar projects. The findings of *ex-post* evaluations are also available publicly on JICA's official website. Evaluation results are fed back into strategies and thematic guidelines, reflected in new and ongoing projects, and fed into the programmes and policies of partner countries.

JICA has a strong internal knowledge management system in place to share lessons and challenges across 19 communities of practice in specific sectors and areas. Japan would gain from extending this system to all its development co-operation actors. JICA considers better knowledge management as the key to promoting innovation in development co-operation.

Managing for development results

Building on its strong monitoring and evaluation mechanisms at project-level, Japan can improve its comprehensive results-based management approach

Japan's projects are thoroughly planned and evaluated following the "Plan, Do, Check, Action" cycle drawn from Japanese manufacturing. *Ex-ante* evaluations are required for all ODA loan projects and outline the rationale for the project and a description of target outcomes, such as improved living standards for a regional infrastructure project or reduced pollutants in channels for a sewerage system project.[1] The evaluation looks at expected outputs, external risk factors and lessons learned from similar past projects.

The broader development objectives are not established. Japan has logframes and outcome targets for projects, but it does not set out in measurable ways the broader development results it seeks to achieve or contribute to through a clearly articulated chain of expected results from inputs and outputs to outcomes and impact.[2] JICA is renowned for its bottom-up approach that leads directly to tangible outcomes at a local level and in which all stakeholders participate. The link between policy, its implementation and the results on the ground could be established through strengthened dialogue between the bottom-up approach and institutional or system-wide reform in partner countries (Yoshida, 2018[1]). This is all the more important given the size of Japanese investments as the fourth largest DAC donor overall.

A more strategic approach to results is needed. While Country Development Cooperation Policies, or country strategies, build on partner countries' development plan and the SDGs, they do not include indicators and are not used to define the results that Japan wishes to achieve or how it contributes to meeting the SDGs. As a result, third-party country assistance evaluations find it difficult to assess the actual impact, broad relevance or specific contribution of Japan's development co-operation since these results or collective efforts with the partner country and stakeholders are not set out at the beginning. An overall results framework for each country could help bring together all of Japan's investments and identify synergies among the various investments and instruments. Project and programme indicators are drawn from partner country national data sources where possible and align to national strategies (Chapter 5). However, they could more explicitly demonstrate how investments link to the SDGs or contribute to partner countries' own development outcomes.

Statistical support to partners and joint quality assurance monitoring are good practice. Japan supports the statistical capacity of partner countries through in-kind technical co-operation and earmarked funding provided through the Association of Southeast Asian Nations (ASEAN), the United Nations Economic and Social Commission for Asia and the Pacific, and the World Bank to national statistical agencies and regional statistics institutes.[3] Every six months, and sometimes more frequently depending on the stage of project implementation, JICA, together with local and national authorities, monitors progress for quality assurance and issues a report of social and environmental conditions, which helps to avoid parallel monitoring efforts.[4] This participatory approach, including by piloting the problem-driven iterative adaptation in conflict-affected areas, is good practice.

Monitoring and results are used for accountability to track project and output delivery and to verify internal controls, as well as to inform new phases or future projects. Where possible, on-the-spot monitoring allows for the adjustment of some parameters, which is more easily done for loan projects. There is an opportunity for JICA to look beyond the immediate delivery of outputs of its own projects to consider how these are part of a broader outcome.

Building a culture of results and learning, backed by appropriate incentives, is a challenge for Japan as for other DAC members. Japan could draw on work by the OECD's Development Co-operation Directorate to develop tools and guidance for implementing the Guiding Principles on Managing for Sustainable Development Results. This work could help Japan to learn from other DAC members'

successes and failures in establishing a coherent system-wide approach to results that is linked to the objectives it wants to achieve. A shift towards managing for results could alleviate the need for systematic evaluations in order to adopt a more strategic approach to evaluation, as recommended in the 2014 Peer Review (OECD, 2014[2]).

The evaluation system

Japan's evaluations follow DAC criteria and also consider diplomatic objectives

Evaluations are planned annually and the project cost is the determining factor for whether or not to conduct an external evaluation for JICA. The Ministry of Foreign Affairs (MOFA) has an annual evaluation plan drafted by the Evaluation Division and approved by the Management (OECD, 2016[3]). JICA does not have an evaluation plan, but it publishes requests for proposals for external evaluations via its procurement portal on an annual basis. MOFA conducts its own policy evaluations but hires third parties for ODA evaluations of country or regional assistance, themes, or aid modalities. External evaluators are commissioned for all JICA projects costing over USD 9 million (JPY 1 billion). JICA carries out internal *ex-post* evaluations for all projects costing over USD 1.8 million (JPY 200 million), and less than USD 9 million, *Ex-post* evaluations are budgeted separately from the initial project cost. The regional or sector department is responsible for appropriating the budget for *ex-ante* evaluations as part of the initial project cost and the evaluation department appropriates the budget for *ex-post* evaluations. In fiscal year 2017, there were 86 external *ex-post* evaluations of JICA projects (JICA, 2019[4]).

Japan evaluates investments from a diplomatic perspective. Japan assesses its investments relative to national interest, in line with the 2015 Development Cooperation Charter. These evaluations are guided by standardised questions.[5] For example, the 2017 Country Assistance Evaluation of Cambodia highlights the strong economic co-operation between the two countries, and suggests that Japan should consider that there may be differences between the needs of the general Cambodian population and those identified or prioritised by the Cambodian Government (Waseda University, 2018[5]). This is a good example of how Japan incorporates the 'coherence' criteria recently added to the DAC evaluation criteria.

Japan has made some progress since the 2014 Peer Review. The last peer review suggested Japan might adopt a more strategic approach to the projects that are evaluated by using criteria such as risk or innovation (Annex A), and progress is being made in this regard. While *ex-post* evaluations are still standard practice for every project costing over USD 1.8 million, midterm evaluations are now no longer obligatory for JICA in order to allow flexibility in project monitoring. JICA has also adopted a pragmatic approach to conducting *ex-ante and ex-post* evaluations of multiple projects with the same purpose. For example, *ex-post* evaluations can integrate ODA loans and technical co-operation projects or grant aid and technical co-operation projects that share the same purpose (JICA, 2019, p. 7[4]). All evaluations are published online, including summaries in English.

Japan has an opportunity to make its evaluations more strategic. Both MOFA and JICA have a sound evaluation policy and guidelines (MFA, 2019[6]). These are aligned with the previous DAC evaluation criteria and will be adapted to the new DAC evaluation criteria.[6] Japan should make most use of this adaptation process to match evaluation efforts with learning and accountability needs in order to develop more strategic evaluations that look beyond project delivery to more systemic and programme-based outcomes. JICA is currently working to build its evaluation methodology for private sector investment finance based on good practice standards that consider the particularities of this modality.

Annual evaluation reports compile the results of all evaluations. MOFA's ODA evaluations, including the ratings and response measures to the recommendations, are compiled in annual reports and available online. JICA's external evaluations ratings (A-D) based on subcomponents related to effectiveness and impact; relevance; efficiency; and sustainability equally feature in annual online reports. The reports

analyse evaluation results and feature overviews of the year's evaluations, including those of less successful interventions.[7] This is an important learning practice, highlighting how things can be done differently in future interventions (JICA, 2019[4]). The JICA report draws practical lessons to inform future projects and policies, such as challenges and recommendations in external *ex-post* evaluations in Afghanistan (Chapter 7).

Box 6.1. The results of randomised control trial studies by JICA

JICA conducts a plethora of research on the impacts of Japan's development co-operation. A few randomised control trials are summarised below:

- **Value of microcredit in increasing rice productivity in Tanzania.** The Bangladesh Rural Advancement Committee (BRAC) and JICA provided microcredit in the form of a fertiliser voucher and cash with the aim to increase rice cultivation productivity in Tanzania. The randomised control trial found weak evidence that the programme increased the use of chemical fertiliser. Credit use did not result in an increase in paddy yield, profit from rice cultivation, or household income for borrowers. In this case, the evidence supported previous researchers' findings on the importance of extension services prior to distribution of the input (Nakano and Magezi, 2019[7]).
- **Increasing public pension participation rates in Mongolia.** A study in Mongolia found that providing information about subsidiary monetary benefits (survivors' and disability pensions) did not increase participation substantially. What did increase participation was providing information about the mobile phone payment of pension funds and dispatching foreign aid officials (JICA) to a pension administrative agency. In this case, perceived transaction costs and trust directly affected demand for pension services (Tanaka et al., 2019[8]).
- **Value of non-formal education for disadvantaged pupils in Bangladesh.** The impact of the Kumon learning method, which enables each student to learn in accordance with his or her academic ability, on improving the cognitive and non-cognitive abilities of disadvantaged pupils in Bangladesh studying at informal primary schools was assessed. The results show that students of both grades in the treatment schools where the Kumon method is used record substantial and significant improvement in their cognitive abilities after a period of eight months, compared to students in the control schools. The results suggest the wider applicability of a properly designed non-formal education program in solving the learning crisis in developing countries (Sawada et al., 2017[9]).

Japan values joint evaluations and strengthening the capacity of partner countries

Japan's continued emphasis on comprehensive and joint evaluations with partner countries is particularly noteworthy. It has invested in building the evaluation capacity of national authorities in Viet Nam and Myanmar and has conducted a number of joint evaluations with partner countries including the Philippines, Thailand and Viet Nam. Japan places high value and importance on conducting joint site visits and joint evaluations with official counterparts in ministries and implementing agencies and strengthening their capacity through its technical assistance; this was confirmed by government officials in Ghana and Cambodia. Evaluations play a key role in informing subsequent phases and future project design.

JICA has also been evaluated along with other development partners. In one recent example, the Government of the Philippines sought permission to conduct an evaluation of the various projects with different modalities, terms, and conditions provided by JICA, the World Bank, and the French Development Agency (AFD) in the aftermath of Typhoon Yolanda (JICA, 2019, p. 35[4]).

Institutional learning

Japan shares evaluation findings widely and they inform new projects

Evaluation findings are widely incorporated into future work. Although JICA does not provide official management responses to evaluations[8], once an *ex-post* evaluation has been completed, monitoring determines the extent to which measures and actions have incorporated the evaluation recommendations. The findings of *ex-post* evaluations are available publicly on JICA's official website. Evaluation results are fed back into strategies and thematic guidelines, reflected in new and ongoing projects, and fed back to the programmes and policies of partner countries. For example, in Ghana, a final evaluation of the community health project recommended involving the central government for reasons of sustainability, but also to ensure that central government "owned" the tools and systems to make the national scale-up more likely. This recommendation was taken on board by JICA in a follow-up project.

JICA's public website on lessons learned from its evaluations[9] must be consulted before a new project design is approved to ensure experience is fed into similar projects. In this way, it is able to scale-up good practices and results across its broad range of programming. In a few cases though, referring back to previous projects' successes and learning from failures can stifle experimentation and contextualisation.[10] Japan could also do more to systematically draw lessons from partner governments and other stakeholders.

JICA does well at sharing knowledge across communities of practice

JICA has a strong internal knowledge management system in place to share lessons and challenges across 19 communities of practice in specific sectors and areas. The system works well to share information and to connect Tokyo with country offices. In addition to JICA's publications and seminars, JICA's knowledge is widely shared through the country-based ODA Task Force meetings, consisting of Japanese embassies and JICA's overseas offices, as well as overseas offices of the Japan External Trade Organisation (JETRO), the Japan Bank for International Cooperation (JBIC), and private companies in more than 130 partner countries and regions. MOFA's International Co-operation Bureau is responsible for disseminating evaluations and lessons learned via the intranet and conducts regular trainings on ODA evaluations. For JICA, better knowledge management is seen as key to promoting innovation in development co-operation.

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Notes

[1] For a list of *ex-ante* evaluations, see www.jica.go.jp/english/our_work/evaluation/oda_loan/economic_cooperation/index.html.

[2] While the Administrative Review and the Government Policy Evaluation Act reinforces its role, Japan does not have a structured results-based management system in place.

[3] Total support to statistical capacity building was USD 7.7 million in 2017 and 2018.

[4] An example of environment and social monitoring for the Olkaria V Geothermal Project in Kenya can be found here: www.jica.go.jp/english/our_work/social_environmental/id/africa/kenya/c8h0vm000090rho9-att/c8h0vm0000ez6qn7.pdf.

[5] Questions for the ODA evaluation of diplomatic viewpoints include: (1) How is Japan's ODA geopolitically important?; (2) How important is the bilateral relationship between Japan and the recipient country?; (3) How has Japan's ODA contributed to strengthen bilateral relationship politically and economically?; (4) How has Japan's ODA promoted the recipient country people's understanding of Japan? Source: www.mofa.go.jp/mofaj/gaiko/oda/files/000337119.pdf.

[6] For an explanation of the criteria, see www.oecd.org/dac/evaluation/revised-evaluation-criteria-dec-2019.pdf.

[7] For example, a water supply and sewerage project in Peru improved services in provincial cities, but the volume of sewerage received exceeded the planned volume, pointing to the importance of accurate demand forecast.

[8] MOFA provides official management responses to evaluations through feedback meetings.

[9] Available at www.jica.go.jp/english/our_work/evaluation/lessons/index.html.

[10] This was mentioned by some staff members in the field who sometimes felt limited by what they could do based on past projects.

7 Japan's fragility, crises and humanitarian assistance

This chapter first reviews Japan's efforts to engage in fragile, and conflict and crisis-affected contexts. It assesses Japan's political directives and strategies for working in these contexts, the extent to which programmes are designed coherently to address key drivers of fragility, conflict and disaster risk, the needs of women and the most vulnerable, and whether systems, processes and people work together effectively in responding to crises.

The second part of the chapter considers Japan's efforts to fulfil the principles and good practices of humanitarian donorship. It looks at the political directives and strategies for humanitarian assistance, the effectiveness of Japan's humanitarian programming and whether it targets the highest risk to life and livelihoods, and whether approaches and partnerships ensure high-quality assistance.

In brief

A peace-loving nation that is increasingly engaged in crisis contexts

With reference to its own history of reconstruction, Japan describes itself as a peace-loving nation, and has increasingly linked its development co-operation with its overall foreign policy based on the Development Cooperation Charter. This trend has developed further under the political framework of Japan's vision for a Free and Open Indo-Pacific. As a result, Japan has recently stepped up its role in peacebuilding efforts.

Japan is a global donor with considerable expertise in preparing for and managing natural disasters. In recent years, Japan has increased its engagement in crisis-affected contexts outside its traditional region of Asia and the Indo-Pacific. Notably, Japan has made strides towards strengthening its conflict sensitivity in programming as well as designing programmes that address the root causes of instability, in the Middle East, Africa or Latin America. Building on the knowledge it has acquired through working in crisis-affected contexts, Japan is now well-positioned to guide its staff in operationalising the humanitarian-development-peace nexus in a more explicit and seamless way.

Japan stands ready to assist in post-conflict or post-disaster reconstruction, including with loans, a modality Japan sees as promoting ownership and national responsibility. Profoundly marked by the risks it faces for its own country, Japan has created a coherent link between disaster prevention, disaster preparedness and disaster response. Japan is notably at the forefront of disaster risk reduction, setting policy standards in multilateral fora and through strong bilateral relations with partner governments.

In contexts where strong bilateral partnerships are not utilised, Japan makes significant use of the multilateral system, notably to address the needs of forcibly displaced persons and to provide humanitarian assistance. In the humanitarian field, however, most of Japan's partnerships are still built on tightly earmarked individual projects and heavy administrative procedures, which do not allow for sufficient flexibility in rapidly evolving contexts. Japan has also experienced challenges linked to its relatively unpredictable and short-term humanitarian funding, as demonstrated by the significant budget decrease in 2018 due to domestic disasters. Japan's current effort to simplify its processes are welcome.

7.A Crises and fragility

Strategic framework

Japan's peace-loving nature drives its peacebuilding ambitions

The role of official development assistance (ODA) as a foreign policy tool has been strengthened. Japan describes itself as a peace-loving nation and aims to act as a proactive contributor to peace, a stance that underpins its overall foreign policy (MFA, 2016[1]). Acknowledging rapid changes in the world order, Japan has revised its Development Cooperation Charter to strengthen the role of ODA as a foreign policy tool, with the rationale that building peace through ODA also contributes to Japan's security and prosperity (MFA, 2015[2]). The revised charter was based on the 2013 National Security Strategy calling for the proactive and strategic use of ODA to respond to development and security challenges (MFA,

2013[3]). In addition, Japan has also actively sought internal reforms in order to increase the role of the Japan Self-Defence Forces in United Nations (UN) peacekeeping missions. These policy trends all support Japan's vision of a Free and Open Indo-Pacific, which builds on peace and stability as much as on economic prosperity in fostering Japan's foreign policy ambitions (MFA, 2019[4]).

Japan is building solid knowledge of fragile contexts

The various dimensions of fragility are taken into account in the Ministry of Foreign Affairs (MOFA) country analyses, and translated into sound programming. The MOFA has a sectoral policy on peacebuilding assistance that puts the concept of human security at the core of Japan's engagement in conflict prevention, humanitarian assistance and post-conflict reconstruction (MFA, 2017[5]). Initiatives include supporting training courses on criminal justice,[1] assisting the 2018 general elections in Zimbabwe, and supporting ex-combatant reintegration in the Central African Republic and Côte d'Ivoire (MFA, 2019[6]). These are successful example of Japan's engagement in strengthening peace. As Japan reinforces its knowledge about challenges and opportunities in fragile states, there is now an opportunity to apply the nexus between humanitarian, development and peace more systematically into its programming and provide appropriate guidance to its staff (Box 7.1).

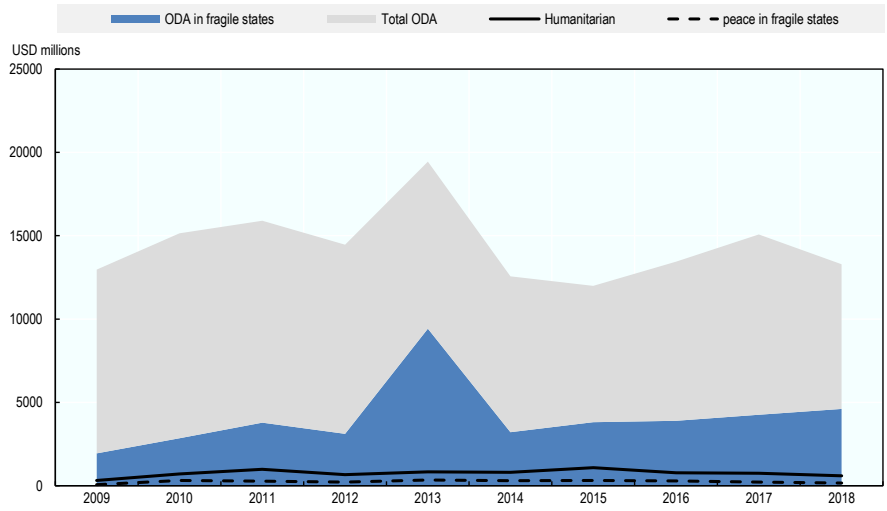
Japan uses its disaster risk reduction expertise efficiently and strategically

Building resilient societies is fully embedded in Japan's development co-operation policy (MFA, 2015[7]). Japan remains a leader in disaster risk reduction and disaster response. It is using its knowledge strategically in multilateral fora, primarily through the Sendai Framework for Disaster Risk Reduction 2015-30 (UNDRR, 2015[8]), and through strong bilateral partnerships. Through the Japan International Cooperation Agency (JICA), for example, Japan is sharing its knowledge and technology in disaster-prone countries (JICA, 2017[9]). This is a good practice, in line with the recommendation of the last peer review (Annex A). Since the last review, Japan has also spent between 10% and 14% of its humanitarian ODA on disaster prevention, preparedness, response, rehabilitation and reconstruction the highest share of all Development Assistance Committee (DAC) members and well above the 3% DAC average in 2018 (OECD, 2020[10]).

Japan uses a high share of loans in fragile countries

Japan's ODA to fragile countries has increased. It does not have a spending target for fragile contexts, which it sees as irrelevant for aid which is based on mutual co-operation and support for self-help efforts in a post-conflict phase. However, Japan now allocates up to 35% of its ODA to fragile countries, representing a steady increase since the last review (Figure 7.1). In 2018, up to 62% of Japan's ODA in fragile contexts was provided as sovereign loans, a further increase from 56% in 2017 (OECD, 2020[11]). Such a high share of loans in fragile contexts is a particular feature of Japan's ODA (Chapter 3). It reflects Japan's consideration for its partners' economic growth and ability to take loans, aligning with Japan's vision of self-help and ownership, based on its own post-war reconstruction path and that of other countries such as Cambodia (Annex C).

Figure 7.1. Japan's engagement in fragile and crisis-affected countries, 2009-18



Note: The spike in 2013 represents Japan's response to crises in Bangladesh and Myanmar, both fragile states.
Source: OECD (2020[10]), *Creditor Reporting System (database)*, https://stats.oecd.org/Index.aspx?DataSetCode=crs1; OECD (2020[12]), OECD Fragility Framework, http://www3.compareyourcountry.org/states-of-fragility/overview/0/.

StatLink https://doi.org/10.1787/888934176055

Effective programme design and instruments

Japan takes a differentiated approach to natural disasters and conflicts

Japan uses programming modalities for natural disasters and man-made crises. Thanks to long-standing experience, co-ordination and programming across government is swift in response to large-scale natural disasters. Japan has the ability to deploy technical teams and logistics at short notice, and additional funds can be drawn from the supplementary budget. However, Japan also increasingly engages in complex crises. It does so when it sees its intervention can add value and where it aligns with Japan's foreign policy interests. For these crises, co-ordination across government is put in place and Japan has shown it can combine its diplomatic efforts with targeted development activities, as exemplified in the Philippines (Box 7.1).

Japan has become more conflict sensitive

Japan is particularly advanced in analysing disaster risk and strengthening the capacity of partner countries to design risk-informed systems and infrastructure. The Cabinet Office manages international co-operation in disaster reduction in close collaboration with MOFA, and has developed specific guidelines for its staff in partner countries for analysing risks and proposing Japanese assistance on disaster risk reduction (Cabinet Secretariat, n.d.[13]). Japan is aware that conflict sensitiveness is critical to manage drivers of conflict. (JICA, 2011[14]). As conflict-affected situations are given increased attention, JICA conducts Peace-building Needs and Impact Assessment in the context of conflict and fragility, the results of which are collectively utilised to infer possible medium- to long-term scenarios that are duly reflected in its operations throughout the operation cycle from planning, implementing, monitoring and evaluation in order to avoid having an adverse effect on the situation and promote the peacebuilding process effectively. The Peace-building Needs and Impact Assessment consolidates both the functions of Conflict Analysis at country programming level as well as at project level, and Peace and Conflict Impact

Assessment at project-level in order to integrate the conflict prevention lens into JICA's programs and projects (JICA, 2019[15]). This is an encouraging practice, and Japan is now ready take all dimensions of fragility into account in its programming, and to strengthen the impact assessment of its projects.

Box 7.1. A nexus approach to the crisis in the Philippines

A coherent articulation between Humanitarian, Development and Peace (HDP) is at the core of the DAC Recommendation on the HDP Nexus (OECD, 2019[16]). Such a coherent approach was applied by Japan in the Philippines. Conflict between the Government of the Philippines and Islamic rebel groups lasted around 40 years in the Mindanao region in southern Philippines. Japan continued to provide humanitarian and development assistance to the Philippines especially in the conflict affected areas in Mindanao during the conflict. Japan has dispatched development experts during conflicts and conducted studies to identify assistance gaps. This resulted in Japan's involvement in the reconstruction of elementary schools, wells, clinics, and vocational training centres. In addition, Japan was a member of the International Contact Group which participated in the peace talks and contributed to the advancement of the Mindanao Peace Process. In 2014, a comprehensive peace agreement was signed between the two parties, opening the door to stabilisation in the region. Japan remains engaged in the long term, through the Comprehensive Capacity Development Project in the same region focusing on governance, public service delivery, community development and economic empowerment.

Source: MFA (2019[17]), *Supporting Reconstruction and Peace through Socio-economic Development*, www.mofa.go.jp/files/000554934.pdf; JICA (2016[18]), *Case Study on Mindanao – the Philippines. Women's Participation and Leadership in Peacebuilding,* www.jica.go.jp/jica-ri/publication/booksandreports/l75nbg00000697z9-att/JICA_MindanaoLO.pdf.

Managing forced displacement abroad is Japan's priority in conflict settings

Managing forced displacement is an explicit priority of Japan's humanitarian policy, which translated into clear commitments during the World Humanitarian Summit (Agenda for Humanity, 2016[19]). While it is strict in receiving refugees in Japan, Japan is generous when supporting refugees worldwide and is one of the largest donors to the Office of the United Nations High Commissioner for Refugees (UNHCR) (UNHCR, 2020[20]). It regularly pledges funds as part of its peacebuilding and humanitarian efforts in the Middle East, and in Africa within the Comprehensive Refugee Response Framework (CRRF, 2018[21]). Japan is also mindful of forced displacement due to climate change and natural hazards, and advocates strongly in international policy fora for these new risks to be taken into account (MFA, 2019[22]).

Japan has a new national action plan on women, peace and security

In 2019, Japan published its second action plan on the implementation of UN Security Council Resolution 1325 on women, peace and security (MFA, 2019[23]). This defines concrete support for the protection of women and girls during crises, as well as outlining the role of women in peacebuilding activities. Japan implements this plan through JICA, UN Agencies such as UN Women, the UN Office of the Special Representative of the Secretary-General on Sexual Violence in Conflict, and other international organisations and NGOs with consideration of local needs to advance the women, peace and security agenda and women's political and economic empowerment. The plan aligns well with Japan's domestic policy seeking to achieve a "society in which women shine" (Cabinet of the Prime Minister, 2013[24]).

Effective delivery and partnerships

Japan is becoming more holistic in its approach to humanitarian assistance, development and peace

Japan is increasingly sensitive to the link between emergency humanitarian response and long-term solutions. This is reflected in policy and diplomatic documents (MFA, 2019[6]). Because it focuses on the needs of people displaced by conflicts, climate change or natural disasters, Japan is conscious that long-term humanitarian assistance is not in itself adequate to address protracted challenges. As a result, JICA provides holistic assistance to the refugee hosting countries, and supports a range of initiatives to create economic opportunities for refugees while alleviating the burden on receiving countries. These include amongst others allocating fund to the World Bank sub-window for Refugees and Host Communities (World Bank, 2020[25]; World Bank, 2017[26]).[2]

Japan's interests are best served through bilateral partnerships

Japan sees bilateral co-operation as an important diplomatic tool and a way to promote peace and mutual prosperity, even in fragile countries. Japan's relations with fragile states are founded on political, development and commercial links. In engaging with fragile and post-crisis countries, Japan has learned from its experience in supporting Cambodia's reconstruction, and later from its engagement in Afghanistan.[3] To foster those links, Japan perceives that its national interests are better served through the bilateral partnerships that define its development assistance. While promoting national ownership, Japan also builds its co-operation on diplomatic ties and partnership agreements that can be renewed after a crisis, such as in Iraq (MFA, 2011[27]). Japan also establishes partnerships with other donors through bilateral co-operation agreements, for example with Turkey on Disaster Risk Reduction Cooperation (MFA, 2019[28]).

Support to country-based pooled funds is a positive development

Japan makes use of the multilateral system to implement projects taking into consideration the comparative advantage of its bilateral co-operation**.** This is particularly important in conflict zones where UN agencies are better able to work – Japanese staff face stringent security measures. However, Japan's contribution to pooled funds is still irregular. It is the third largest contributor to the UN peacekeeping operations budget (UN, 2019[29]), but its support is decreasing to major funds such as the Peace Building Fund (UNDG, 2020[30]) and the Central Emergency Response Fund (United Nations, 2020[31]). Japan began to contribute modestly to UN country-based pooled funds in 2019 (UNOCHA, 2020[32]). This is an effective way to support the multilateral system in crisis contexts where Japan has no direct engagement, and should be encouraged.

7.B Humanitarian assistance

Humanitarian assistance strategic framework

Japan's humanitarian policy is still valid

Japan's 2011 humanitarian policy is still valid given its solid response to natural disasters while acknowledging that crises are more complex and require more diversified ways to meet humanitarian needs (MFA, 2011[33]). This policy gives Japan sufficient leeway to innovate and adapt to recent international commitments such as the DAC Recommendation on the Humanitarian-Development-

Peace Nexus (OECD, 2019[16]) and the Grand Bargain (Agenda for Humanity, 2016[34]). Japan is itself a disaster-prone country (Cabinet Office, 2018[35]);[4] this context has shaped the functioning of Japan's humanitarian assistance. Japan's role in conflict-affected and fragile contexts is more recent but increasing (Figure 7.1): Japan now allocates most of its humanitarian assistance to man-made crises, and especially focuses its aid on supporting people displaced by conflicts (OECD, 2020[10]).

Japan's humanitarian assistance could be more predictable to support the overall effort in protracted crises

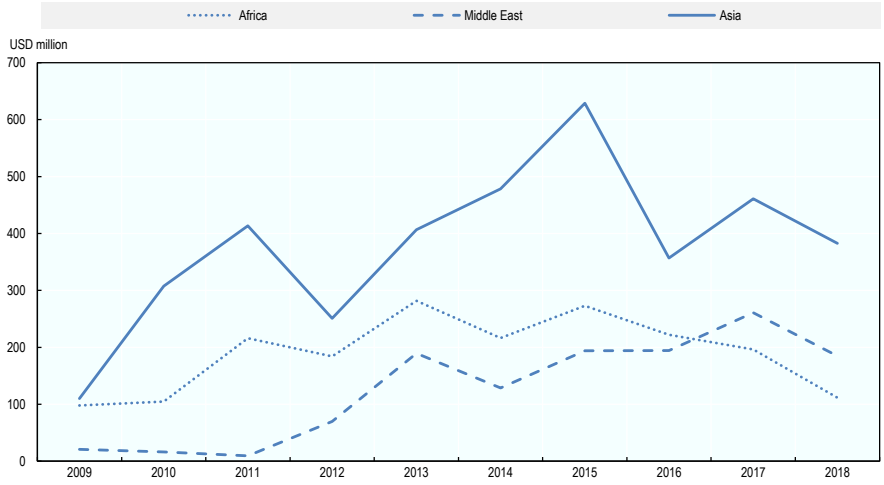
Japan uses its dwindling and unpredictable humanitarian assistance to respond to crises. Representing an average of 3.6% of its ODA in 2017-18 (Figure 7.1), humanitarian assistance remains well below the DAC average of 12.5%. Japan's humanitarian assistance decreased further in 2018, and is now almost half of what it was in 2015 (OECD, 2020[36]). Japan uses a limited initial budget to support humanitarian multilateral agencies including with voluntary contributions. In case of crisis and if the initial budget is exhausted, MOFA can access Japan's supplementary budget. While earmarked for specific "unforeseen needs", this supplementary budget is in practice also used in protracted crises abroad, making it an unpredictable mechanism used every year for rather predictable needs. While JICA also mobilises development assistance in those contexts, this unpredictability can prevent Japan from delivering aid effectively in protracted crises, which require predictable budgets so as to define programmes that target humanitarian, development and peacebuilding needs together.

Effective humanitarian programming

A shift in geographic allocation

The geographical targeting of Japan's humanitarian assistance remains clearly focused on Asia and the Pacific, rising from 42% of humanitarian assistance in 2009 to 67% in 2018. Japan, however, is a global humanitarian donor and can respond to any crisis in the world, relying on global humanitarian needs assessments and its diplomatic network to determine the severity of crises, as most DAC members do. Outside Asia, the geographical distribution of its humanitarian assistance has changed in recent years despite its overall decrease. The share of aid to the Middle East now exceeds the whole African region as Japan focuses more on large-scale population displacements in middle-income countries (Figure 7.2). These trends have not affected the way Japan programmes its aid, i.e. responding to humanitarian appeals by mainly using multilateral channels to deliver tightly earmarked projects.

Figure 7.2. Geographic distribution of Japan's humanitarian assistance, 2009-18



Note: all data in gross disbursement, constant prices.
Source: OECD (2020[10]), *Creditor Reporting System (database)*, https://stats.oecd.org/Index.aspx?DataSetCode=crs1.

StatLink https://doi.org/10.1787/888934176074

Supporting local humanitarian actors remains a challenge

Japan values national ownership and builds solid partnerships with those governments who request assistance. It takes into account national mechanisms and actors when engaging in both disaster risk reduction and peacebuilding activities. Supporting local humanitarian actors is more challenging, as for most DAC members whose humanitarian aid is managed centrally. Japan can use a "grassroots grant scheme" only to support very small projects selected by embassies and therefore cannot give strategic support to local humanitarian partners. Many DAC members confronted with the same issue contribute to UN Country Based Pooled Funds or non-government organisation (NGO) based pooled funds,[5] which is a practical way to make progress on their Grand Bargain localisation commitment.

Effective delivery, partnerships and instruments of humanitarian assistance

Disasters caused by natural hazards remain Japan's key strength

Japan has all the necessary tools to respond to natural disasters on its territory and abroad, building an extremely solid expertise that is also available to other countries, and which includes stand-by teams, stocks of relief items, co-ordination mechanisms, and financing modalities. Based on a request from the government of the country affected by a natural or man-made disaster, or from international organisations, the MOFA assesses the relevance of dispatching a Japan Disaster Relief team, and consults with other ministries and agencies to seek support for the deployment. JICA then manages the operational work including the dispatch of a Japan Disaster Relief team. Those teams were deployed twenty two times since 2015, including Nepal in 2015, Mexico in 2017, and Mozambique in 2019. The Japan Self-Defence Forces can be mobilised notably for transportation and heavy logistics. Japan regularly undertakes drills to remain prepared for large-scale disasters (World Bank, 2016[37]). JICA dispatches experts as well as implements rehabilitation and reconstruction projects It also has a Disaster Risk Financing strategy that covers the whole spectrum from disaster risk management to reconstruction, based on public and private funding mechanisms (Juswanto, 2017[38]). Japan also uses innovative funding mechanisms, such as the Southeast Asia Disaster Risk Insurance Facility (SEADRIF), introduced in 2018 as a regional platform for all

Association of Southeast Asian Nations (ASEAN) countries (SEADRIF, 2020[39]).[6] Finally, JICA also provides a Stand-by Loan for Disaster Recovery and Rehabilitation to partner countries such as the Philippines, Peru and El Salvador.

Partnership is limited, and administration remains burdensome

Although most partners appreciate Japan's engagement in crises, relations remain funding-focused rather than on establishing genuine partnerships. The "Japan Platform" is an interesting model for working with civil society. It consists of 43 Japanese NGOs, MOFA and some Japanese businesses willing to provide assistance in response to disasters and conflicts (Japan Platform, 2020[40]). The platform organises funding for NGOs after a rigorous selection process, but administrative requirements remain heavy for recipients, which goes against the spirit of the Grand Bargain. Current efforts to simplify and standardise procedures are positive and offer an opportunity to increase the effectiveness of Japan's humanitarian assistance. Japan has limited capacity to monitor humanitarian projects and rarely uses third-party monitoring mechanisms. This lack of field capacity explains in part the rigorous and centralised selection and reporting process as well as Japan's preference for using multilateral channels in crisis contexts. Japan engages with the humanitarian community through participation in high-level meetings but also through strategic collaboration with multilateral agencies, for example on the humanitarian and development nexus. However, Japan still earmarks much of its funding at the country level, and sometimes at the project level, a characteristic already noted in the last peer review. A notable exception is the partnership with the UN Office for Disaster Reduction (UNISDR), with which Japan has created strategic relations around the Sendai Framework for Disaster Risk Reduction (Government of Japan, 2016[41]).

The use of military assets is well established for disaster response

Japan Self-Defence Force Unit, one of five types of the Japan Disaster Relief teams, is regularly dispatched after an international disaster, and co-ordination mechanisms are well established and aligned with humanitarian principles. For example in Djibouti a part of the Self-Defence Force unit originally deployed for anti-piracy operations also provided relief assistance after the 2019 floods (MFA, 2019[42]). Following a change in legislation in 2015 (Government of Japan, 2016[43]), Japan was able to send a contribution of personnel to the UN mission in South Sudan, where civil-military co-ordination follows the UN rules and leadership. In pursuit of its vision of a Free and Open Indo-Pacific, Japan also engages in building defence capacity in some of its partner countries (Ministry of Defense, 2016[44]). Some of these activities relate to disaster relief, and through MOFA's Development Project Accountability Committee, Japan pays attention to the development objective and the ODA eligibility of those defence capacity-building activities.

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Notes

[1] Since 2014, Japan has been implementing training courses on “Criminal Justice for French Speaking African Countries” in Côte d'Ivoire, Democratic Republic of the Congo, Senegal, Chad, Niger, Burkina Faso, Mali and Mauritania. The course covers various fields of criminal investigations, prosecution, administration of justice and counter-terrorism in the target countries.

[2] Japan is the third highest contributor to the World Bank’s International Development Association 18 replenishment.

[3] Japan has pledged a total of USD 2 billion in assistance to Afghanistan where it has been engaged in political processes, security, human resource development and economic infrastructure. In 2002, Japan hosted the International Conference on Reconstruction Assistance to Afghanistan marking the beginning of the country’s reconstruction process.

[4] Twenty percent of the earthquakes above 6 on the Richter Scale have been recorded in Japan. Source: www.bousai.go.jp/kaigirep/hakusho/pdf/H30_hakusho_english.pdf.

[5] Notably, the START Fund is owned and managed by Start Network’s NGO members, and supported by the governments of the United Kingdom, Ireland, the Netherlands, Germany, Jersey and the IKEA Foundation. Source: https://startnetwork.org/start-fund.

[6] SEADRIF is a regional platform providing ASEAN countries with financial solutions and technical advice to increase their financial resilience to climate and disaster risks. The initiative was developed in partnership with the World Bank. Source: www.seadrif.org/.

Annex A. Progress since the 2014 DAC peer review recommendations

Towards a comprehensive Japan development effort

Recommendations 2014	Progress
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.	Partially implemented

Vision and policies for development co-operation

Recommendations 2014	Progress
Japan should use the updating of its ODA Charter to emphasise its focus on meeting international development effectiveness commitments.	Implemented
Japan should make clearer the rationale for allocating aid across countries, channels and instruments.	Partially implemented
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.	Partially implemented
Japan should ensure it has updated guidance and increased capacity to deliver on its policy objectives for gender equality and women's empowerment.	Implemented

Aid volume and allocation

Recommendations 2014	Progress
Japan should develop a roadmap to increase ODA to make progress towards meeting the 0.7% ODA/GNI target.	Not implemented
Japan should continue to increase the share of ODA allocated to countries where assistance is most needed, including LDCs, bearing in mind international commitments.	Implemented

Organisation and management

Recommendations 2014	Progress
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.	Partially implemented
Japan should introduce medium-term workforce planning, for both MOFA and JICA.	Partially implemented
Japan should develop further its programme of learning and development for staff, including a focus on policy and operational priorities.	Partially implemented

Development co-operation delivery and partnerships

Recommendations 2014	Progress
Japan should reverse the decline in the share of its aid that is untied.	Partially implemented
Japan should introduce more comprehensive risk management procedures as part of its corporate governance and management, including for anti-corruption and fraud.	Implemented
Japan should further engage with civil society in the countries where it works, based on a strategy and clear guidelines.	Partially implemented
Japan should introduce a more flexible approach to strategy and programming in fragile states.	Implemented

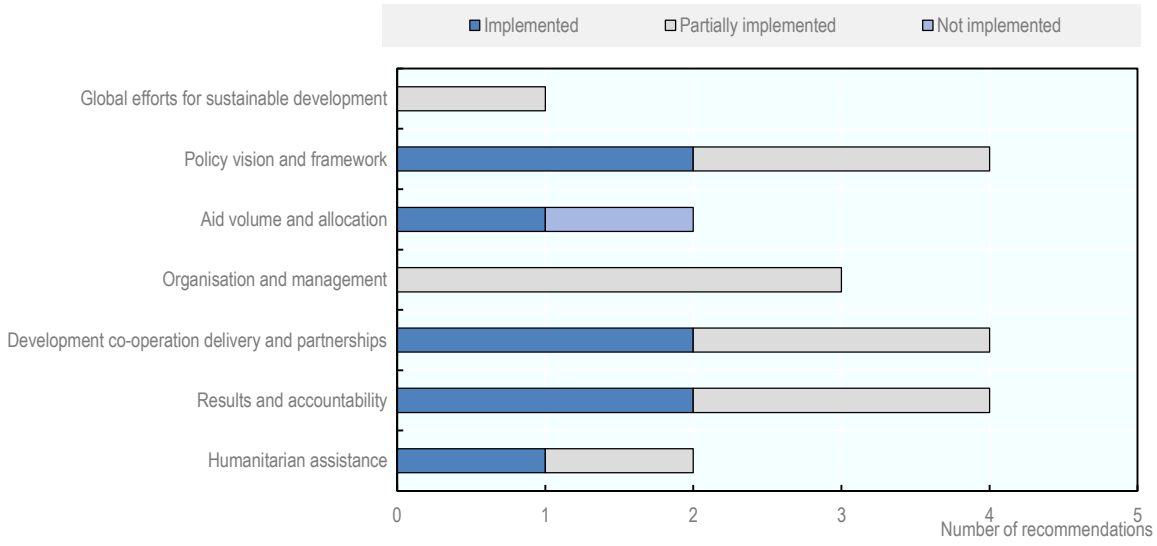
Results and accountability

Recommendations 2014	Progress
Japan should continue efforts to introduce performance indicators and measures in its country and thematic policies and programmes.	Partially implemented
JICA should be more strategic in its evaluation coverage, based on criteria related to risk and knowledge management.	Partially implemented
Japan should develop and adequately fund a strategy for improving communications to enhance domestic development awareness and engagement.	Implemented
Japan should increase its efforts to implement the common transparency standard by publishing more timely, comprehensive and forward-looking information.	Implemented

Humanitarian assistance

Recommendations 2014	Progress
Japan should actively share its approach to disaster risk reduction and disaster response with other donors.	Implemented
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.	Partially implemented

Figure A.1. Japan's implementation of 2014 peer review recommendations



Annex B. OECD/DAC standard suite of tables

Table B.1. Total financial flows

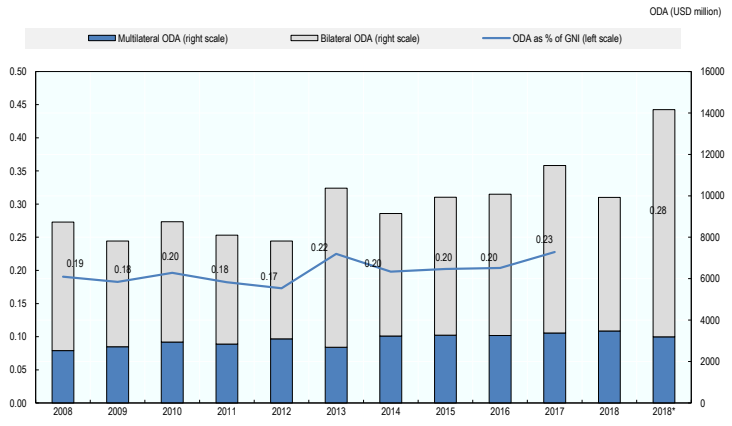
USD million at current prices and exchange rates

Table 1. Total financial flows
USD million at current prices and exchange rates

Japan	2004-08	2009-13	2014	2015	2016	2017	2018
							Grant equivalent
ODA grant equivalent	..	..	..	-	-	-	**14 164**
ODA grant equivalent (at constant 2017 USD million)	..	..	..	-	-	-	**13 963**
ODA grant equivalent (as a % of GNI)	..	..	..	..	..	..	***0.28***
							Net disbursements
Total official flows	**10 102**	**15 706**	**8 548**	**8 095**	**7 784**	**8 493**	**10 784**
Official development assistance	**10 096**	**10 737**	**9 483**	**9 203**	**10 417**	**11 463**	**10 064**
Bilateral	7 233	7 123	6 129	6 166	7 048	8 080	6 543
Grants	6 451	6 896	5 197	5 010	5 583	5 500	5 278
Non-grants	782	227	932	1 156	1 466	2 580	1 264
Multilateral	2 863	3 614	3 355	3 037	3 368	3 382	3 522
Other official flows	**6**	**4 969**	**- 936**	**-1 108**	**-2 633**	**-2 970**	**719**
Bilateral: *of which*	130	4 840	- 936	-1 108	-2 633	-2 970	719
Investment-related transactions	-	-	-	-	-	-	-
Multilateral	- 124	129	-	-	-	-	-
Officially guaranteed export credits	**-1 588**	**- 123**	**- 699**	**2 746**	**2 229**	**1 598**	**- 341**
Net Private Grants	**379**	**534**	**467**	**498**	**365**	**475**	**522**
Private flows at market terms	**15 692**	**36 511**	**32 403**	**26 569**	**29 457**	**27 133**	**42 703**
Bilateral: *of which*	17 054	**36 589**	33 583	26 376	29 941	28 046	42 462
Direct investment	16 307	30 267	27 329	25 800	29 588	23 935	30 916
Multilateral	-1 362	- 79	-1 180	193	- 484	- 913	241
Total flows	**24 585**	**52 627**	**40 718**	**37 908**	**39 834**	**37 699**	**53 667**
for reference:							
ODA net flows (as a % of GNI)	*0.21*	*0.19*	*0.20*	*0.20*	*0.20*	*0.23*	*0.20*
ODA net flows (at constant 2017 USD million)	*9 673*	*8 571*	*9 143*	*9 930*	*10 080*	*11 463*	*9 922*
Total flows (as a % of GNI) (a)	*0.52*	*0.94*	*0.85*	*0.83*	*0.78*	*0.75*	*1.04*
ODA to and channelled through NGOs - In USD million	*298*	*364*	*292*	*280*	*267*	*267*	*224*
ODA to and channelled through multilaterals - In USD million	*3 222*	*5 008*	*4 773*	*4 718*	*4 932*	*4 987*	*5 245*

a. To countries eligible for ODA.

ODA net disbursements
At constant 2017 prices and exchange rates and as a share of GNI



* ODA as percentage of GNI is in grant equivalents basis

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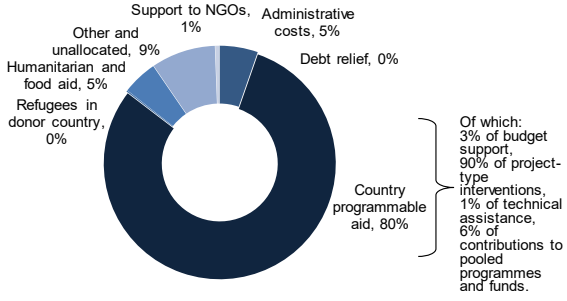
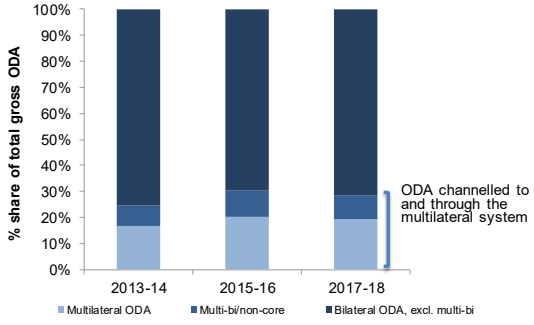
Table B.2. ODA by main categories

Japan	Constant 2017 USD million					Per cent share of gross disbursements					Total DAC
	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018	2017 %
Gross Bilateral ODA	**12 119**	**12 939**	**13 005**	**15 079**	**13 534**	**79**	**80**	**80**	**82**	**80**	**74**
Budget support	790	811	1 036	915	328	5	5	6	5	2	2
of which: General budget support	355	214	729	660	328	2	1	4	4	2	1
Core contributions & pooled prog.& funds	1 232	1 556	1 480	1 179	1 552	8	10	9	6	9	13
of which: Core support to national NGOs	94	108	145	125	102	1	1	1	1	1	1
Core support to international NGOs	96	93	66	49	28	1	1	0	0	0	0
Core support to PPPs	1	1	1	28	26	0	0	0	0	0	0
Project-type interventions	9 173	9 704	9 615	11 995	10 495	60	60	59	65	62	39
of which: Investment projects	6 734	7 056	6 383	7 126	5 781	44	44	39	39	34	13
Experts and other technical assistance	119	127	126	130	118	1	1	1	1	1	3
Scholarships and student costs in donor countries	194	47	51	181	183	1	0	0	1	1	2
of which: Imputed student costs	-	-	-	-	-	-	-	-	-	-	1
Debt relief grants	-	-	15	19	23	-	-	0	0	0	0
Administrative costs	607	651	681	659	721	4	4	4	4	4	5
Other in-donor expenditures	3	2	1	2	2	0	0	0	0	0	9
of which: refugees in donor countries	1	0	0	0	0	0	0	0	0	0	9
Gross Multilateral ODA	**3 234**	**3 277**	**3 259**	**3 382**	**3 472**	**21**	**20**	**20**	**18**	**20**	**26**
UN agencies	575	458	477	450	453	4	3	3	2	3	4
EU institutions	-	-	-	-	-	-	-	-	-	-	9
World Bank group	1 161	1 560	1 579	1 595	1 904	8	10	10	9	11	5
Regional development banks	767	531	514	504	451	5	3	3	3	3	3
Other multilateral	731	728	689	832	664	5	4	4	5	4	6
Total gross ODA	**15 353**	**16 216**	**16 264**	**18 461**	**17 006**	**100**	**100**	**100**	**100**	**100**	**100**
of which: Gross ODA loans	7 108	8 100	8 167	10 144	9 200	46	50	50	55	54	6
Bilateral	7 108	7 534	7 603	9 579	8 330	46	46	47	52	49	5
Multilateral	-	566	565	565	869	-	3	3	3	5	1
Repayments and debt cancellation	**-6 210**	**-6 286**	**-6 184**	**-6 999**	**-7 084**						
Total net ODA	**9 143**	**9 930**	**10 080**	**11 463**	**9 922**						
For reference:											
Country programmable aid	*10 246*	*9 142*	*10 591*	*12 031*	*10 993*						
Free standing technical co-operation	*1 925*	*1 903*	*2 004*	*2 223*	*1 888*						
Net debt relief	*- 6*	*28*	*15*	*19*	*23*						

Composition of bilateral ODA, 2018, gross bilateral disbursements



Share of ODA channelled to and through the multilateral system, two year average



ODA flows to multilateral agencies, 2018

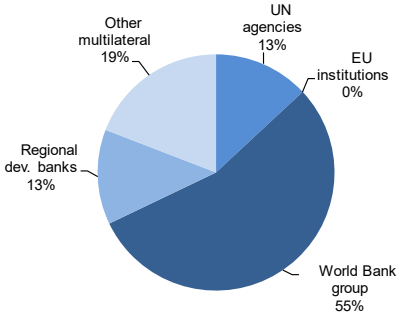


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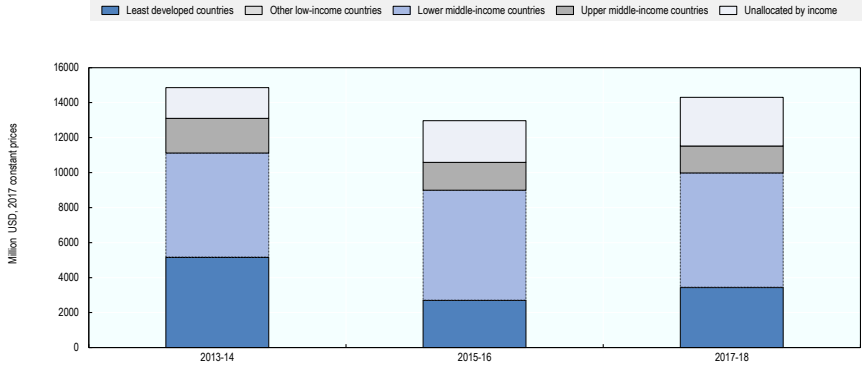
Table B.3. Bilateral ODA allocable by region and income group

Gross disbursements

Japan	Constant 2017 USD million					% share					Total DAC
	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018	2017%
Africa	1 872	2 303	1 857	2 116	2 280	17	21	17	16	20	**40**
Sub-Saharan Africa	1 239	1 615	1 171	1 291	1 252	11	15	11	10	11	**34**
North Africa	288	269	415	412	535	3	2	4	3	5	**4**
Asia	7 383	7 176	7 100	9 242	7 587	68	65	64	70	66	**30**
South and Central Asia	3 287	3 710	3 919	5 353	4 985	30	33	35	40	43	**18**
Far East	3 817	3 434	3 108	3 509	2 518	35	31	28	27	22	**11**
America	418	471	411	369	442	4	4	4	3	4	**9**
North and Central America	140	195	187	190	234	1	2	2	1	2	**4**
South America	256	264	208	164	197	2	2	2	1	2	**4**
Middle East	663	816	1 060	925	806	6	7	10	7	7	**13**
Oceania	123	139	175	321	216	1	1	2	2	2	**2**
Europe	355	207	499	256	211	3	2	4	2	2	**5**
Total bilateral allocable by region	**10 814**	**11 112**	**11 102**	**13 229**	**11 543**	**100**	**100**	**100**	**100**	**100**	**100**
Least developed	2 331	2 794	2 607	3 491	3 378	23	26	25	29	31	**39**
Other low-income	5	7	15	15	12	0	0	0	0	0	**1**
Lower middle-income	6 063	6 344	6 219	7 111	5 954	60	60	59	58	55	**41**
Upper middle-income	1 736	1 446	1 744	1 557	1 528	17	14	16	13	14	**19**
More advanced developing countries	6	7	6	11	-	0	0	0	0	-	**0**
Total bilateral allocable by income	**10 141**	**10 598**	**10 590**	**12 185**	**10 873**	**100**	**100**	**100**	**100**	**100**	**100**
For reference [2] **:**											
Total bilateral	12 119	12 939	13 005	15 079	13 534	*100*	*100*	*100*	*100*	*100*	***100***
of which: Unallocated by region	*1 304*	*1 828*	*1 903*	*1 850*	*1 992*	*11*	*14*	*15*	*12*	*15*	***32***
of which: Unallocated by income	*1 978*	*2 342*	*2 414*	*2 894*	*2 661*	*16*	*18*	*19*	*19*	*20*	***39***
Fragile and conflict-affected states (as per DCR of each year)	*3 211*	*3 812*	*3 889*	*4 257*	*4 607*	*26*	*29*	*30*	*28*	*34*	***35***
SIDS (as per data provided to UN)	*226*	*255*	*309*	*313*	*377*	*2*	*2*	*2*	*2*	*3*	***2***
Landlocked developing countries (as per data provided to UN)	*1 344*	*1 433*	*1 332*	*1 752*	*1 223*	*11*	*11*	*10*	*12*	*9*	***14***

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.
2. 'Fragile and conflict-affected states' group has overlaps with SIDS and Landlocked developing countries and can therefore not be added. For the same reason, these three groups cannot be added to any income group.

Gross bilateral ODA by income group, 2013-18



StatLink https://doi.org/10.1787/888934176131

Table B.4. Main recipients of bilateral ODA

Japan	2013-14 average			Memo:		2015-16 average			Memo:		2017-18 average			Memo:
	Current USD million	Constant 2017 USD mln	% share	*DAC countries' average %*		Current USD million	Constant 2017 USD mln	% share	*DAC countries' average %*		Current USD million	Constant 2017 USD mln	% share	*DAC countries' average %* [1]
Myanmar	2773	2514	17		India	1 669	1 701	13		India	2 304	2 288	16	
Viet Nam	1782	1668	11		Viet Nam	1 501	1 532	12		Bangladesh	1 360	1 351	9	
India	1425	1332	9		Bangladesh	517	526	4		Viet Nam	1 032	1 027	7	
Indonesia	769	713	5		Iraq	482	485	4		Indonesia	579	575	4	
Afghanistan	553	511	3		Indonesia	439	452	3		Iraq	463	459	3	
Top 5 recipients	**7 302**	**6 738**	**46**	**25**	**Top 5 recipients**	**4 608**	**4 695**	**36**	**21**	**Top 5 recipients**	**5 737**	**5 699**	**40**	**18**
Iraq	544	503	3		Philippines	422	438	3		Myanmar	458	454	3	
Thailand	511	475	3		Myanmar	429	435	3		Philippines	457	453	3	
Bangladesh	420	392	3		Afghanistan	309	317	2		Thailand	330	328	2	
Philippines	365	344	2		Thailand	293	294	2		Mongolia	302	302	2	
Sri Lanka	323	302	2		Pakistan	210	213	2		Uzbekistan	245	244	2	
Top 10 recipients	**9 466**	**8 755**	**59**	**39**	**Top 10 recipients**	**6 272**	**6 391**	**49**	**33**	**Top 10 recipients**	**7 530**	**7 480**	**52**	**30**
Pakistan	246	231	2		Jordan	205	212	2		Egypt	217	215	2	
China (People's Republic of)	234	216	1		Sri Lanka	203	208	2		Sri Lanka	212	211	1	
Tanzania	226	208	1		Kenya	194	200	2		Afghanistan	211	210	1	
Kenya	225	207	1		Ukraine	185	180	1		Kenya	193	192	1	
Turkey	172	161	1		Uzbekistan	175	178	1		Cambodia	179	178	1	
Top 15 recipients	**10 569**	**9 778**	**66**	**46**	**Top 15 recipients**	**7 233**	**7 370**	**57**	**41**	**Top 15 recipients**	**8 543**	**8 485**	**59**	**37**
Mongolia	151	140	1		Egypt	163	164	1		Jordan	153	153	1	
Cambodia	135	126	1		Mongolia	146	147	1		Turkey	149	148	1	
Côte d'Ivoire	135	123	1		Tanzania	144	144	1		Pakistan	147	147	1	
Malaysia	119	110	1		Cambodia	123	125	1		Mozambique	147	146	1	
Mozambique	118	109	1		Morocco	121	123	1		Tunisia	133	132	1	
Top 20 recipients	**11 226**	**10 385**	**70**	**52**	**Top 20 recipients**	**7 931**	**8 073**	**62**	**47**	**Top 20 recipients**	**9 272**	**9 210**	**64**	**42**
Total (143 recipients)	**14 146**	**13 108**	**88**		**Total (140 recipients)**	**10 383**	**10 594**	**82**		**Total (142 recipients)**	**11 607**	**11 529**	**81**	
Unallocated	1 861	1 744	12	36	Unallocated	2 333	2 378	18	41	Unallocated	2 797	2 778	19	54
Total bilateral gross	**16 007**	**14 852**	**100**	**100**	**Total bilateral gross**	**12 716**	**12 972**	**100**	**100**	**Total bilateral gross**	**14 404**	**14 307**	**100**	**100**

StatLink https://doi.org/10.1787/888934176150

Table B.5. Bilateral ODA by major purposes

Commitments - Two-year average

Japan	2013-14 average		2015-16 average		2017-18 average		DAC
	2017 USD million	%	2017 USD million	%	2017 USD million	%	2017 %
Social infrastructure & services	**2 903**	**16**	**3 656**	**18**	**3 127**	**16**	**34**
Education	633	4	537	3	748	4	7
of which: basic education	58	0	52	0	78	0	2
Health	429	2	722	4	413	2	5
of which: basic health	300	2	352	2	178	1	3
Population & reproductive health	50	0	46	0	39	0	6
Water supply & sanitation	1099	6	1 585	8	1 300	7	4
Government & civil society	442	3	427	2	404	2	10
of which: Conflict, peace & security	81	0	87	0	83	0	3
Other social infrastructure & services	251	1	339	2	223	1	2
Economic infrastructure & services	**7886**	**45**	**10 761**	**52**	**10 391**	**55**	**17**
Transport & storage	5336	30	7 340	36	8 602	45	8
Communications	98	1	90	0	31	0	0
Energy	2394	14	3 294	16	1 696	9	6
Banking & financial services	47	0	26	0	46	0	2
Business & other services	11	0	12	0	15	0	1
Production sectors	**1394**	**8**	**1 216**	**6**	**2 033**	**11**	**7**
Agriculture, forestry & fishing	643	4	707	3	1 613	8	5
Industry, mining & construction	619	4	451	2	367	2	1
Trade & tourism	132	1	57	0	54	0	1
Multisector	**1285**	**7**	**2 450**	**12**	**1 296**	**7**	**8**
Commodity and programme aid	**1 641**	**9**	**796**	**4**	**788**	**4**	**3**
Action relating to debt	**988**	**6**	**28**	**0**	**21**	**0**	**1**
Humanitarian aid	**908**	**5**	**1 037**	**5**	**704**	**4**	**13**
Administrative costs of donors	**599**	**3**	**666**	**3**	**690**	**4**	**6**
Refugees in donor countries	**1**	**0**	**0**	**0**	**0**	**0**	**11**
Total bilateral allocable	**17 604**	**100**	**20 610**	**100**	**19 052**	**100**	**100**
For reference:							
Total bilateral	*17 642*	*82*	*20 712*	*88*	*19 924*	*83*	*76*
of which: Unallocated	*38*	*0*	*103*	*0*	*873*	*4*	*0*
Total multilateral	*3 825*	*18*	*2 702*	*12*	*4 015*	*17*	*24*
Total ODA	***21 467***	***100***	***23 415***	***100***	***23 939***	***100***	***100***

Commitments

	2013-2014		2015-2016		2017-2018	
	Constant 2017 USD million	% Bilateral Allocable	Constant 2017 USD million	% Bilateral Allocable	Constant 2017 USD million	% Bilateral Allocable
Gender equality	2,638	*18*	6,936	*36*	8,498	*46*
Environment	7,322	*50*	9,063	*47*	8,162	*44*
Rio markers						
Biodiversity	590	*4*	1,319	*7*	337	*2*
Desertification	123	*1*	54	*0*	124	*1*
Climate change Mitigation only	4,445	*30*	6,709	*34*	5,777	*31*
Climate change Adaptation only	1,879	*13*	2,149	*11*	2,369	*13*
Both climate adaptation and mitigation	249	*2*	311	*2*	167	*1*

StatLink https://doi.org/10.1787/888934176169

Table B.6. Comparative aid performance of DAC members

Basis	*Grant equivalent*				*Net disbursements*				*Commitments*	
	Official development assistance				Share of multilateral aid				Grant element of ODA	Untied aid % of bilateral
	2018		2018	2012-13 to 2017-18 Average annual % change in real terms	2018				commitments 2018	commitments 2018
					% of ODA		% of GNI			
	USD million	% of GNI	USD million		(b)	(c)	(b)	(c)	% (a)	(d)
Australia	3 149	0.23	3 149	-5.5	19.0		0.04		100.0	100.0
Austria	1 170	0.26	1 167	2.0	58.6	26.2	0.15	0.07	100.0	48.5
Belgium	2 312	0.43	2 348	0.9	43.1	16.8	0.19	0.07	95.8	98.0
Canada	4 660	0.28	4 641	0.4	24.7		0.07		91.1	97.2
Czech Republic	305	0.13	305	8.6	67.2	7.4	0.09	0.01	100.0	57.5
Denmark	2 590	0.72	2 577	-0.6	30.3	18.3	0.22	0.13	100.0	97.0
Finland	984	0.36	984	-4.5	51.6	27.3	0.19	0.10	99.6	95.4
France	12 136	0.43	12 840	2.5	42.6	22.0	0.19	0.10	79.5	98.1
Germany	24 977	0.61	25 670	14.2	24.2	11.3	0.15	0.07	86.9	85.1
Greece	290	0.13	290	4.4	86.7	13.4	0.12	0.02	100.0	87.9
Hungary	285	0.21	285	13.1	54.7	11.5	0.11	0.02	100.0	76.7
Iceland	74	0.28	74	12.2	17.6		0.05		100.0	8.8
Ireland	934	0.31	934	2.4	43.2	18.5	0.14	0.06	100.0	100.0
Italy	5 190	0.25	5 098	14.0	58.0	20.4	0.14	0.05	99.6	92.2
Japan	14 164	0.28	10 064	3.3	39.4		0.08		78.5	67.2
Korea	2 355	0.14	2 420	5.0	25.8		0.04		88.4	51.8
Luxembourg	473	0.98	473	2.6	27.4	18.8	0.27	0.19	100.0	99.0
Netherlands	5 659	0.62	5 617	0.9	33.3	21.9	0.20	0.13	100.0	96.8
New Zealand	556	0.28	556	3.2	16.8		0.05		100.0	80.6
Norway	4 258	0.94	4 258	1.8	24.2		0.23		100.0	100.0
Poland	766	0.14	759	11.9	68.6	7.6	0.09	0.01	97.7	27.0
Portugal	411	0.18	388	-5.6	66.0	13.5	0.11	0.02	97.8	76.1
Slovak Republic	138	0.13	138	11.5	76.5	17.2	0.10	0.02	100.0	70.3
Slovenia	84	0.16	84	7.2	64.9	9.8	0.10	0.02	100.0	51.2
Spain	2 841	0.20	2 540	5.2	74.1	23.7	0.13	0.04	99.8	87.2
Sweden	5 848	1.04	5 847	4.1	34.4	26.8	0.36	0.28	100.0	91.4
Switzerland	3 101	0.44	3 097	1.4	24.7		0.11		100.0	96.2
United Kingdom	19 410	0.70	19 462	5.6	36.6	27.1	0.26	0.19	99.2	100.0
United States	34 152	0.16	33 787	0.5	11.4		0.02		100.0	60.2
Total DAC	**153 271**	**0.30**	**149 852**	**3.9**	**29.8**		**0.09**		**91.8**	**78.7**

Notes:

a. Excluding debt reorganisation.
b. Including EU institutions.
c. Excluding EU institutions.
d. Excluding administrative costs and in-donor refugee costs.
.. Data not available.

StatLink https://doi.org/10.1787/888934176188

Table B.7. Comparative performance of aid to LDCs

	Bilateral ODA to LDCs 2018			Total ODA to LDCs (Bilateral and through multilateral agencies) 2018			Grant element of bilateral ODA commitments[a] to LDCs (two alternative norms)		
							Annually for all LDCs Norm: 90%		3-year average for each LDC Norm: 86%
	USD million	% bilateral ODA	% of GNI	USD million	% total ODA	% of GNI	2017	2018	2016-2018
				Net disbursements			*Commitments*		
Australia	571	22.4	0.04	868	27.6	0.06	100.0	100.0	n
Austria	57	11.9	0.01	319	27.3	0.07	100.0	100.0	c
Belgium	422	31.6	0.08	744	31.7	0.14	99.8	99.3	c
Canada	1 069	30.6	0.06	1 645	35.4	0.10	100.0	100.0	n
Czech Republic	16	15.9	0.01	65	21.2	0.03	100.0	100.0	c
Denmark	452	25.1	0.13	726	28.2	0.20	100.0	100.0	c
Finland	133	27.9	0.05	314	31.9	0.11	100.0	100.0	c
France	1 244	16.9	0.04	3 390	26.4	0.12	75.1	77.0	c
Germany	2 711	13.9	0.07	4 956	19.3	0.12	99.8	97.4	c
Greece	0	0.4	0.00	60	20.6	0.03	100.0	100.0	c
Hungary	29	22.5	0.02	68	23.9	0.05	100.0	100.0	n
Iceland	26	42.6	0.10	32	43.6	0.12	100.0	100.0	c
Ireland	253	47.7	0.09	386	41.3	0.13	100.0	100.0	c
Italy	367	17.2	0.02	1 318	25.8	0.06	97.5	97.0	c
Japan	3 279	53.8	0.06	5 370	53.4	0.10	87.8	84.8	c
Korea	642	35.8	0.04	969	40.0	0.06	94.6	92.2	c
Luxembourg	177	51.7	0.37	224	47.2	0.46	100.0	100.0	n
Netherlands	608	16.2	0.07	1 352	24.1	0.15	100.0	100.0	c
New Zealand	104	22.5	0.05	132	23.7	0.07	100.0	100.0	c
Norway	769	23.8	0.17	1 242	29.2	0.27	100.0	100.0	c
Poland	88	36.9	0.02	220	29.0	0.04	85.0	82.7	c
Portugal	54	41.2	0.02	129	33.1	0.06	94.4	93.9	n
Slovak Republic	1	3.2	0.00	25	18.3	0.02	100.0	100.0	n
Slovenia	1	2.0	0.00	13	16.0	0.02	100.0	100.0	c
Spain	102	15.5	0.01	673	26.5	0.05	100.0	100.0	c
Sweden	1 175	30.6	0.21	1 916	32.8	0.34	100.0	100.0	c
Switzerland	591	25.3	0.08	951	30.7	0.13	100.0	100.0	c
United Kingdom	3 203	26.0	0.11	6 407	32.9	0.23	100.0	100.0	c
United States	9 634	32.2	0.05	11 360	33.6	0.05	100.0	100.0	c
Total DAC	**27 779**	**26.4**	**0.06**	**45 873**	**30.6**	**0.09**	**96.2**	**95.5**	..

Notes:

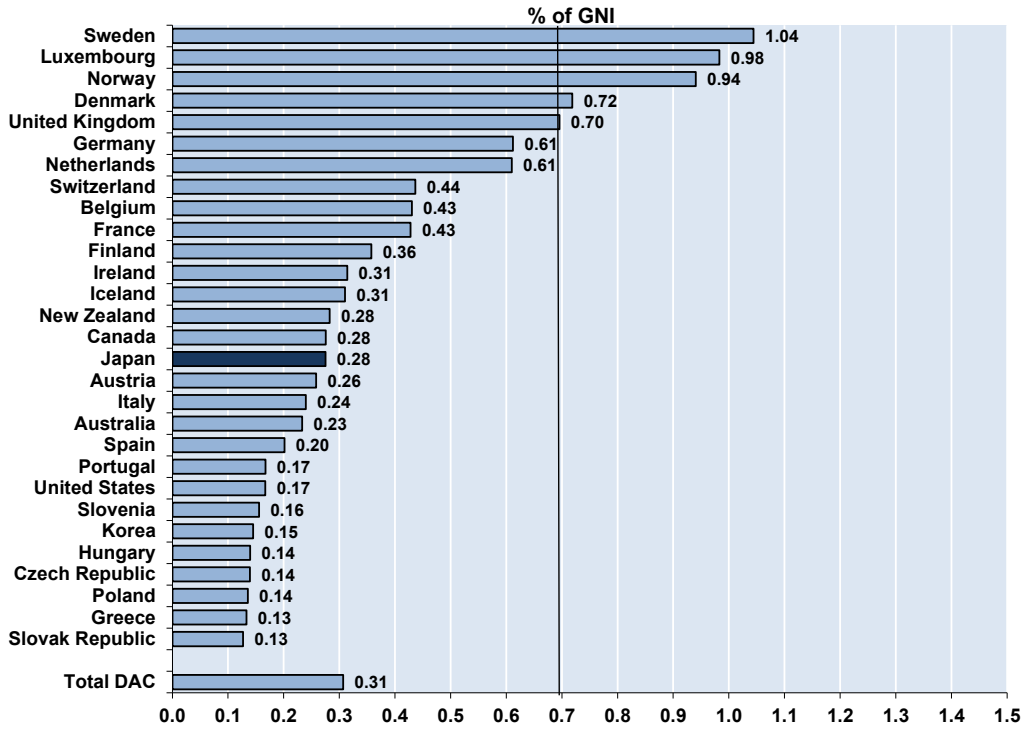
a. Excluding debt reorganisation. Equities are treated as having 100% grant element, but are not treated as loans.

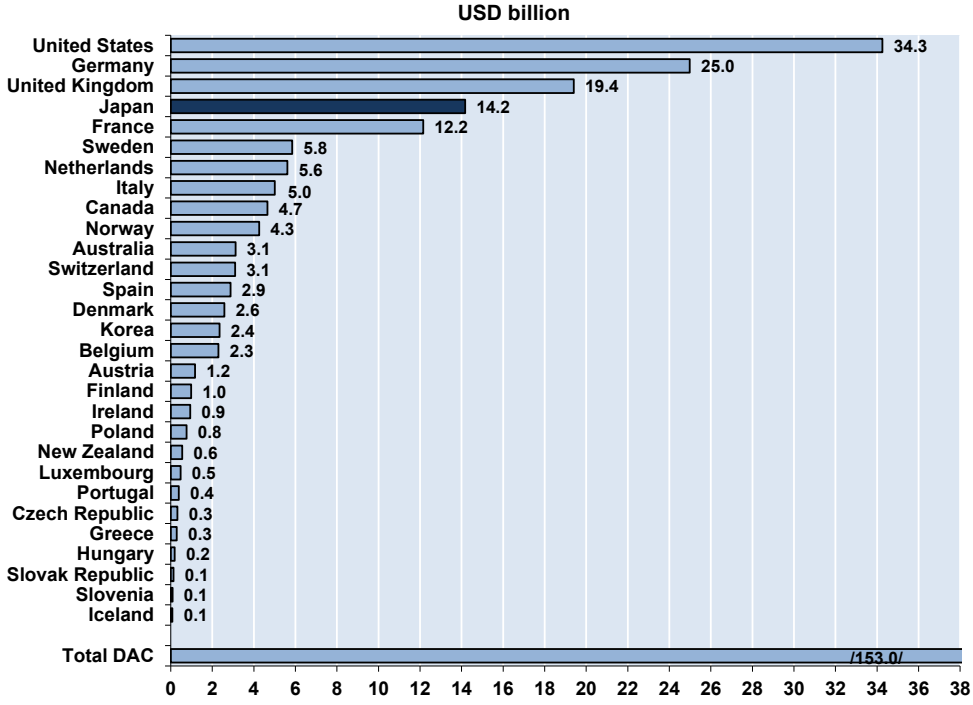
b. c = compliance, n = non compliance.

.. Data not available.

StatLink https://doi.org/10.1787/888934176207

Figure B.1. Net ODA from DAC countries in 2018





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Annex C. Field visit to Ghana and Cambodia

As part of the peer review of Japan, a team of reviewers and the OECD Secretariat visited Ghana in December 2019 and Cambodia in January 2020 to gather input from Japan's development co-operation staff and partners. Meetings were held with staff of the Embassy of Japan, the Japan International Cooperation Agency, government officials, multilateral organisations, other bilateral donors, academics and opinion leaders, representatives of Japanese businesses, and Japanese, Ghanaian and Cambodian civil society organisations.

Development context in Ghana and Cambodia

Ghana: a stable democracy looking beyond aid

Ghana transitioned to multi-party democracy in 1992, and in 2017 witnessed its third peaceful transition with the inauguration of President Nana-Akufo Addo. The next elections will be held in December 2020.

Ghana is a lower middle-income country, with gross domestic product (GDP) growth of 6.5% in 2018 and gross national income (GNI) per capita of USD 2 130 (World Bank, 2019[1]). Ghana ranks 142nd in the human development index (slightly above Cambodia's 146th ranking), with a value of 0.596 (UNDP, 2019[2]). Poverty in Ghana has fallen in the last two decades thanks to a better-educated workforce, increased profitability of cocoa and other cash crops, and improved access to infrastructure. However, at the same time inequality has intensified. The three northern regions and the Volta region have poverty rates of over 55% and 37% respectively (World Bank, 2018[3]).

Ghanaians' new vision, *Ghana Beyond Aid*, calls for transforming the economy through investment to move the country away from aid dependency (Government of Ghana, 2019[4]). Today, the formal private sector plays a relatively small role in Ghana's economy; foreign direct investment (FDI) has been around USD 3 billion in the past decade and is primarily in capital-intensive, job-poor sectors, while the government continues to partner with donors to fill the gap in delivery of basic services. Japan is the eighth largest donor overall in Ghana, and the fourth largest bilateral donor, providing 3% of overall ODA in 2018 (Figure C.1), with average disbursements of USD 60.7 million in 2017-18. One-quarter of Japan's ODA disbursements was invested in the energy sector, 20% in health, 15% in fishing, 8% in agriculture, and 4% in education. A total of 29% of ODA was allocated across other sectors.

President Akufo-Addo of Ghana has shown global leadership on the Sustainable Development Goals (SDGs), co-chairing together with Norwegian Prime Minister Solberg the 17-member Advocates for the United Nations Sustainable Development Goals group. Ghana presented its Voluntary National Review in 2019, and a parliamentary ad-hoc committee was set up at the end of 2019 to monitor Ghana's performance in implementing the SDGs (Al-Hassan, 2019[5]).

Figure C.1. Aid at a glance – Ghana

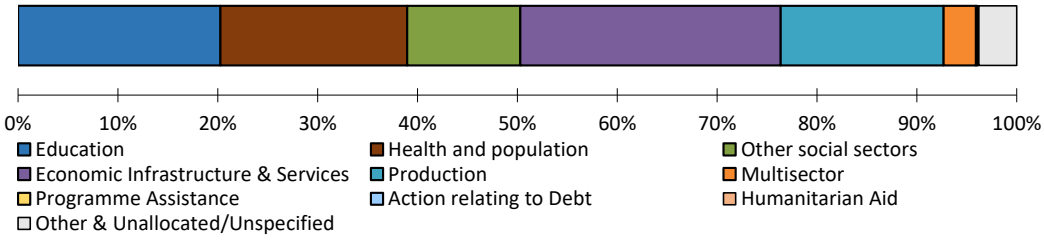
Ghana

Receipts	2016	2017	2018
Net ODA (USD million)	1 319	1 263	1 068
Bilateral share (gross ODA)	45%	44%	52%
Net ODA / GNI	2.4%	2.2%	1.7%
Other Official Flows (USD million)	315	453	31
Net Private flows (USD million)	1 345	73	425
Total net receipts (USD million)	2 978	1 790	1 523

For reference	2016	2017	2018
Population (million)	28.5	29.1	29.8
GNI per capita (Atlas USD)	1 830	1 900	2 130

	Top Ten Donors of gross ODA (2017-18 average)	(USD m)
1	International Development Association	261
2	United States	226
3	IMF (Concessional Trust Funds)	140
4	African Development Fund	93
5	Global Fund	80
6	Germany	66
7	United Kingdom	62
8	Japan	61
9	Canada	57
10	EU Institutions	55

Bilateral ODA by Sector (2017-18)



Source: OECD (2020[6]), *Aid at a glance (webpage)*, www.oecd.org/dac/financing-sustainable-development/development-finance-data/aid-at-a-glance.htm.

StatLink https://doi.org/10.1787/888934176245

Cambodia: a fast-growing, post-conflict society

The 1991 Paris Peace Agreement provided the basis for Cambodia to emerge from a period of political instability, conflict and the mass killings of the Khmer Rouge regime. The United Nations Transitional Authority in Cambodia – which included Japan's first participation in peace-keeping operations – was tasked with building a stable environment in advance of elections in May 1993. The 1993 constitution provided for a market-based economy anchored in a constitutional monarchy, with the Prime Minister as head of government and the Monarch as head of state. The Cambodian People's Party lost the 1993 elections but refused to accept the results; its leader, Hun Sen, became second prime minister alongside Prince Norodom Ranariddh of the royalist political party, Funcinpec. Hun Sen seized power in a 1997 military incident, which saw Ranariddh temporarily leave the country, and Hun Sen's administration has been in power since 1998. The Cambodia National Rescue Party narrowly lost elections in 2013 and in November 2017 was dissolved by the Supreme Court after a complaint that it was plotting to overthrow the government. The Cambodian People's Party won all 125 seats in parliament at the July 2018 election.

Cambodia is the fastest-growing country in Southeast Asia with 7.0% estimated real GDP growth in 2019 driven by garment exports and tourism. A lower middle-income country, its GNI per capita was USD 1 390 in 2018 (World Bank, 2019[7]) and it ranks 146th in the human development index with a value of 0.581 (UNDP, 2019[2]). The national poverty headcount ratio has fallen rapidly, dropping from 50.2% in 2003 to reach 17.7% in 2012. Cambodia has a relatively low rate of urbanisation, and some 90% of the poor live in rural areas.

The *National Strategic Development Plan 2019-2023* was approved by the government in July 2019. It is complemented by the *Rectangular Strategy Phase IV for Growth, Employment, Equity and Efficiency in Cambodia*, which focuses on enhancement of the agricultural sector; rehabilitation and construction of physical infrastructure; private sector development and employment; and capacity building and human resource development. The need for good governance touches each of these areas.

The Royal Government of Cambodia has adapted the global goals to its national context, publishing the Cambodia Sustainable Development Goals (CSDGs) Framework (2016-30) (Royal Government of Cambodia, 2018[8]). These include an additional goal CSDG 18: end the negative impact of mines/explosive remnants of war and promote victim assistance, to which the Japanese Government's support for the Mine Action Centre contributes. In its Voluntary National Review, presented in 2019, Cambodia noted three main challenges: financing the ambitious SDG agenda in a context where the public expects improved services but official development assistance (ODA) is declining; the threat of climate change and the need to combat environmental degradation; and gaps in governance and mobilising all actors to achieve the CSDGs (Royal Government of Cambodia, 2019[9]).

A *Development Cooperation & Partnerships Strategy 2019-2023* outlines how the government aims to mobilise and manage development finance flows to ensure effectiveness and impact (Royal Government of Cambodia, 2019[10]). It is based on the principles of ownership, partnership and results, and outlines mechanisms and tools to be used with development partners, including technical working groups, sectoral multi-stakeholder dialogue, government and non-government organisation (NGO) consultations, and joint monitoring indicators. Cambodia received an annual average of USD 721 million in net ODA receipts (2016 prices) from 2010-17 (OECD, 2019[11]).[1]

Figure C.2. Aid at a glance – Cambodia

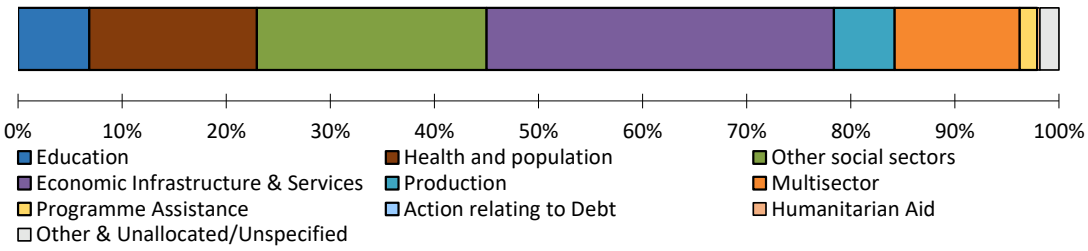
Cambodia

Receipts	2016	2017	2018
Net ODA (USD million)	728	856	773
Bilateral share (gross ODA)	62%	68%	67%
Net ODA / GNI	3.9%	4.1%	3.4%
Other Official Flows (USD million)	-12	84	-23
Net Private flows (USD million)	403	412	486
Total net receipts (USD million)	1 120	1 353	1 236

For reference	2016	2017	2018
Population (million)	15.8	16.0	16.2
GNI per capita (Atlas USD)	1 140	1 230	1 380

Top Ten Donors of gross ODA (2017-18 average)		(USD m)
1	Japan	179
2	Asian Development Bank	121
3	United States	97
4	France	89
5	EU Institutions	71
6	Korea	68
7	Australia	55
8	Germany	48
9	Sweden	30
10	Global Fund	25

Bilateral ODA by Sector (2017-18)



Source: OECD (2020[6]), *Aid at a glance (webpage)*, www.oecd.org/dac/financing-sustainable-development/development-finance-data/aid-at-a-glance.htm.

StatLink https://doi.org/10.1787/888934176264

Japan is the largest DAC donor in Cambodia, providing 11% of overall ODA, with average disbursements of USD 179 million in 2017-18 (Figure C.2). Forty-six per cent of Japan's ODA was invested in economic infrastructure and services, 16% in other social infrastructure and services, and 11% in health and population, and multi-sectoral ODA. The remaining 16% was allocated across other sectors.

Towards a comprehensive Japanese development effort

Japanese investment and the realisation of the Tokyo International Conference on African Development (TICAD) agenda offer huge potential in Ghana

Ghana's vision beyond aid aligns closely with the objectives of the TICAD goals: "to deepen trade and investment; capacity and skills development…" (MFA, 2019[12]). Japan, strongly encouraged by Ghana, is seeing an increase in its FDI and hopes to capitalise on the continent-wide free trade arrangement. While corruption is low, it is still an obstacle for businesses operating in or planning to invest in the country (Rahman, 2018[13]).[2] Recently, Toyota decided to set up an assembly plant in Ghana.[3] Official business delegations from Tokyo regularly explore opportunities, and an office of the Japan External Trade Organisation (JETRO) will open in Ghana in 2020. Japan is adding value to sustainable development in Ghana, including through its promotion of *Kaizen* (continuous quality improvement), which is enhancing work practices across government and the private sector. The Japan Bank for International Cooperation (JBIC) financed a Japanese joint venture's deepwater floating production storage and offloading (FPSO)

unit to operate the T.E.N. (Tweneboa, Enyenra, Ntomme) offshore oil field. Opportunities abound for Japan to use its own experience to drive innovation, and transfer leading technology and skills to benefit start-ups and the creative industry in Ghana.

Beyond the private sector, a few Japanese NGOs operate in Ghana, notably in the northern regions. Japan also has about 50-55 Japan International Cooperation Agency (JICA) volunteers who work with local NGOs and local government in the fields of information and communications technology, health, and community development. Finally, Japan provides scholarships for university students and government officials to study in Japan, as well as short term training opportunities. Ghana is a priority country for achieving universal health coverage (UHC), which Japan has promoted at the G20 and as part of the TICAD agenda. Japan's long-standing commitment to sector budget support in Ghana has made an important contribution to UHC via the Ghana Health Service's Community-Based Health Planning and Services (CHPS).

Japan is well-positioned to influence the business environment in Cambodia

The Royal Government of Cambodia recognises there are challenges to its ambition of achieving diversification and creating value-addition in industry and services. These include high transport costs, inefficiencies in logistical systems, high electricity prices, informal fees and a complicated business environment. Expected liberalisation of goods, services and investment in the Asia-Pacific region will provide Cambodia, as a member of the Association of Southeast Asian Nations (ASEAN), an opportunity to absorb greater investment, in turn enabling it to create more and better-quality jobs. To do so, it needs to improve working conditions and promote investment (Royal Government of Cambodia, 2018[14]).

Japan is well-positioned to influence the business environment. A long-standing partnership with Cambodia gives Japan the ability to raise issues of concern with government – identified during engagement between the embassy, the Japanese Business Association of Cambodia, JICA, and JETRO.[4] Resolving these issues in turn helps to improve the business environment, benefiting all foreign investors as exemplified in announcements by Prime Minister Hun Sen during a visit to Tokyo in May 2019.[5] The presence of Japanese companies in Cambodia gives confidence to other investors, and is seen as raising the benchmark for labour and safety standards – e.g. for women in the garment industry – and improving management practices, as most large Japanese companies are required to apply the same standards abroad as they do in Japan. An opportunity exists for Japan to reinforce the importance of responsible business conduct amongst Japanese companies – to reinforce their reputation – and in Cambodia, for example by working with the government's Anti-Corruption Unit to identify risks in specific sectors.

As is the case in Ghana, Japan collaborates with Cambodian civil society organisations and Japanese NGOs, and supports the work of JICA volunteers. It promotes collaboration between public and private sectors, supporting local government activities in Cambodia and offers scholarships for Cambodian officials to study in Japan; this offer of scholarships does not, however, extend to representatives from civil society.

Japan's policies, strategies and aid allocation

Aid to Ghana mostly involves grants and technical co-operation, with a focus on the poorer northern regions

Japan's latest Country Development Cooperation Policy for Ghana was revised in 2020, after the mission to Accra took place. The previous one dated from 2012 (MFA, 2012[15]). A more recent internal country analysis paper identifies the priority sectors as health, education and governance (human capacity), infrastructure, and industry (including agriculture). A recent attempt to concentrate on fewer sectors was not successful. Sector budget support for the health sector was last committed in 2016, and is now being phased out. Japan does not articulate its commitment, philosophy, or strategy in Ghana beyond the very

short country development co-operation policy. As a recent TICAD evaluation found, this is a missed opportunity to create synergies across programming and to build understanding for citizens in Japan and in partner countries about mutual benefits and how Japan intends to contribute to Ghana's own development (Mizuho Information & Research Institute Inc., 2018[16]).

In most middle-income partner countries, Yen loans feature prominently in Japan's portfolio. Yet in Ghana ODA consists primarily of grant aid and technical co-operation alongside scholarships, JICA volunteers, grassroots grants programme with NGOs, private sector support, and a recently signed Yen loan project. While Japan intends to design each co-operation in such a way as to create synergies across its development programme, there is an opportunity for Japan to achieve greater synergies across these modalities. In 2002, Japan stopped providing new ODA loans and shifted to grants when Ghana accessed the Highly Indebted Poor Countries (HIPC) initiative to keep a strong foothold in the infrastructure sector. In December 2016, Japan and Ghana signed the first loan agreement in 17 years for the construction of a new bridge across the Volta River.[6] Since Ghana is now at high risk of external debt distress and not eligible to borrow non-concessional loans, Japan is exercising caution in extending any further loans, which in fact limits the expansion of its country programme.

Ghanaian stakeholders appreciate Japan's reliability and recipient-driven approach to development co-operation: annual needs surveys submitted by government counterparts are the basis for project formulation. Japan's commitment to leave no-one behind is visible in its support to those hardest-to-reach areas in the upper regions where poverty rates are the highest. It works through sector budget support for the Ghana Health Service's CHPS, the rehabilitation of a hospital, and embedding technical experts. Similarly, Ghana's infrastructure investments focus on the "big impact" of trunk roads, connecting the port to the rest of the country and improving access to and from Ghana's breadbasket. JICA has financed feasibility studies for seven different public-private partnerships in Ghana linked to nutrition and health, including between the Ghana Health Service and the Ajinomoto Group, a major Japanese food manufacturer. The goal is to improve nutrition through local soybean production to create a nutrition supplement added to porridge and widely used in Ghana (Japan for Sustainability, 2014[17]).

Japan's infrastructure investments face growing competition in Cambodia

The overall goal of Japan's 2017 Country Development Cooperation Policy for Cambodia (MFA, 2017[18]) is to help Cambodia establish the socio-economic foundations necessary to achieve upper middle-income country status by 2030. Its three priorities are promoting regional connectivity and industrial development;[7] improving quality of life, particularly in urban areas through support for water supply and sewage systems;[8] and strengthening governance. Japan provides a mix of technical co-operation, grants and Yen loans with the amount disbursed varying annually.[9] It recently embarked on a significant public-private partnership in the water sector, and offers finance to explore small-scale investment opportunities. As noted for Ghana, achieving synergies across this mix of modalities could result in the whole being greater than the sum of the individual parts.

In 2010 China, a non-DAC member, replaced Japan as the top donor to Cambodia[10] and by 2017, Chinese grants and loans far outstripped those of Japan in agriculture (USD 40.3 million versus USD 14.3 million), energy, power and electricity (USD 65.9 million vs USD 4.9 million) and transport (USD 86.4 million versus USD 60.8 million) (Royal Government of Cambodia, 2018[19]). In light of this, a recent evaluation of country assistance to Cambodia suggested that given it is no longer the "top donor", Japan should look to become the "best donor", focusing on quality infrastructure and quality co-operation (Waseda University, 2018[20]). Given the high cost of and time needed to prepare its projects, and the growing interest of development finance institutions in Cambodia,[11] it will be important for Japan to make a strong case for its comparative advantage in relation to investments in quality infrastructure.

The recent evaluation of Japan's support in Cambodia argued that the 2012 country assistance policy de-emphasised the nuance on poverty reduction included in the 2002 policy (Waseda University, 2018[20]). In

this regard, the 2017 policy is very similar to its predecessor. Japan does not explicitly set out in its policy how its three priority areas improve the lives of the poorest and most vulnerable in line with the 2030 Agenda commitment to leave no-one behind. Investing in National Road 1 from the Vietnamese border to Phnom Penh and National Road 5 from Phnom Penh to the Thai border clearly contributes to the Greater Mekong Sub-region's southern economic corridor, offering access to markets and providing a base for manufacturing and industry to generate more jobs. Price subsidies for poor people are included in Japan's water supply investments. However, unlike in Ghana, Japan does not have a particular geographic focus enabling it to target specific areas in Cambodia where poverty rates are high. When Japan updates its Cambodia country analysis paper, it might consider drawing on IDPoor[12] to identify opportunities to focus more explicitly on poverty reduction in its portfolio.

Organisation and management

Japan's collaborative and systematic approach could be complemented by a focus on external risks, quicker processes and more investment in staff capacity

In both Cambodia and Ghana, working relationships between the embassy and JICA are open and collegial, formalised through meetings of the ODA Task Force. Meetings are held each month in Ghana and three times a year in Cambodia. While the embassy and JICA form the core membership of the task force, other Japanese agencies and NGOs can be invited to provide input. The task force reviews proposals submitted by partner governments through needs surveys and sends recommendations to Tokyo for approval.

Japan's systematic approach to formulating, appraising and designing projects is appreciated by partner governments, as is the fact that it implements these to the agreed-upon specifications and delivers them on time. Nevertheless, partners speak of quite long project preparation phases, which can take up to one year for technical co-operation and two-to-three years for grant aid and in large part due to the preparatory survey and cabinet approval. This reduces Japan's attractiveness when compared with other development partners, such as the multilateral development banks who have reduced their preparation times.

Preparation of ODA loans and grants is the responsibility of the government, while consultants (including Japanese consultants) support their preparation. In Ghana, the implementation of Japan's grant aid for infrastructure is restricted to Japanese contractors, which has the benefit of encouraging technology transfer and building the capacity of Ghanaian engineers and employing local contractors. Ghanaian authorities are unlikely to refuse grant aid, particularly for quality infrastructure investment. However, the lack of international competitive bidding does not guarantee that Ghana is getting value for money for the services rendered.[13] In Cambodia, Japanese firms have won the majority of international competitive bidding processes due to the requirement for specific experience and expertise. Nevertheless, a joint venture involving South Korean and Vietnamese companies was successful in winning a contract.

Since the last peer review, JICA has increased investments in the capabilities of permanent staff. Nevertheless, there are contracted Japanese staff who supplement JICA staff in country offices, and in the embassies in Cambodia and Ghana, though to a much lesser extent. Locally engaged staff lead most of the monitoring missions, are key to engagement with partner government personnel and retain institutional memory. While JICA provides locally engaged staff with a range of capacity building opportunities, investing in them more – including by improving the terms and conditions of their employment – could enhance their motivation and job satisfaction, enabling them to add even more value to Japan's development co-operation. Looking to the future in Ghana and in order to align with the government's own vision beyond aid, JICA will need further support from Tokyo to build the skills and capacity to roll-out private sector investment finance, and to find creative ways to support small and medium-sized enterprises (SMEs) and start-ups for which no current scheme is available.

As noted in Chapter 4, JICA has introduced enhanced risk management procedures since the last peer review. In both Ghana and Cambodia it has a strong focus on internal financial controls and security risks, but could do more to address external risks specific to particular sectors – especially infrastructure where Japan plays a strong role – and the modalities it uses. Making information about complaints procedures more widely known would also help Japan ensure that it is seen to be committed to addressing corrupt practices. While it has made initial efforts to prevent and address the risk of sexual exploitation and abuse linked to development co-operation, discussions with Japan and other development partners indicate that there has been limited outreach to government and implementing partners to date. Japan includes provisions related to sexual harassment in codes of conduct. Extending beyond this focus on harassment to address sexual exploitation and abuse and to develop prevention mechanisms in relation to government and implementing partners will enhance Japan's ability to adhere to the recently-agreed DAC Recommendation.

Partnerships, results and accountability

Japan is an appreciated operational partner but could work more collaboratively

The governments of Cambodia and Ghana have systems in place for co-ordinating across government and amongst development partners. Well-established mechanisms in Cambodia include: bilateral consultations;[14] 20 Technical Working Groups, which have been in place since 2004 with Japan currently leading on gender, infrastructure and regional integration;[15] joint monitoring indicators to track progress; sub-national partnership dialogue; a Development Cooperation and Partnerships Report; and an ODA and NGO Database to which Japan contributes (Royal Government of Cambodia, 2019[10]).

In Ghana the heads of co-operation meet monthly and sector group meetings involving the government and other development partners take place on a quarterly or semi-annual basis. Japan is a valued development partner in a number of sectors, and recently led the health sector working group, where it was recognised for the way it faithfully represented other development partners' views in discussions with the Government of Ghana.

In both countries, a rolling plan provides clarity over Japan's current and projected ODA expenditure and Japan shares its sector investments with government and other development partners through technical working groups. While Japan co-ordinates well with others, it prefers to manage its own contributions directly, working in parallel rather than co-financing, as seen in the water sector in Cambodia and the transport sector in Ghana. Japan's technical co-operation is clearly appreciated by government and development partners working in the same sectors. It is primarily free-standing. However, in Ghana technical co-operation complements Japan's infrastructure projects by building capacity on road and bridge maintenance, responding to a gap identified during project implementation. In Cambodia and other countries there is scope for Japan to support a more diverse mix of technical experts providing advice to government, particularly where Japanese approaches may not be the most appropriate in the context.

Multilateral partners appreciate JICA's know-how and operational capacity. In Ghana, Japan helped develop, print, and disseminate a maternal and child health record book, and it initiated a new project with the United Nations International Children's Fund (UNICEF) bringing together civil society and the private sector. In Cambodia, Japan is supporting a two-year UNICEF programme to deliver on the Global Partnership to End Violence Against Children. However, such examples are rare as Japan does not normally engage in joint donor support of multilateral programmes or co-financing arrangements. Most of the funding provided by Japan at country level through multilateral organisations originates from Japan's supplementary budget, which is generally reserved for emergency contexts and ongoing crises (Chapter 7). Multilateral agencies submit proposals to the embassy and JICA to access supplementary funding in August, and decisions on these proposals are taken in Tokyo towards the end of the calendar year. Funding for successful proposals is disbursed in February or March (at the end of the Japanese fiscal year)

and must be executed in the next 12 months. The process takes time and is inherently unpredictable and burdensome for multilateral partners, embassies, and Tokyo.

Japan's long-term commitment to provide government-to-government aid is valued by ministries and their implementing agencies, as are its training and scholarship programmes for the public and private sectors. Japan could make better use of this alumni network and other stakeholders – academics, think tanks, local civil society organisations, innovators and other private sector actors – in discussions about how Japan might best support its partner countries' paths towards sustainable development. Local NGOs appreciate Japan's grassroots grant assistance. As noted in Ghana, Japan could do more to support NGO work at the community level, for example by allowing administrative costs (to manage, monitor and report) in project budgets, and working with the Government of Ghana to recognise the complementary nature of NGO services.

Japan has a clear monitoring system, with country office staff visiting projects at least every two months, and it uses government sources for baseline data and indicators wherever possible. While the application of the Plan, Do, Check, Act cycle has become more flexible, more of a shift towards managing for results would alleviate the need for mid-term reviews and systematic final evaluations, and allow for more timely adjustments during project implementation. Japan places high value and importance on conducting joint site visits and joint evaluations with official counterparts in ministries and implementing agencies and strengthening the capacity through its technical assistance; this was confirmed by government officials in Ghana and Cambodia. Evaluations play a role in informing subsequent phases and future project design.

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Notes

[1] ODA to Cambodia has increased steadily in the past three years, reaching USD 690 million in 2015, USD 728 in 2016 and USD 831 in 2017 (2016 prices).

[2] Ghana ranked 80 out of 180 in the Corruption Perceptions Index. Source: https://knowledgehub.transparency.org/assets/uploads/helpdesk/overview-of-corruption-and-anti-corruption-in-ghana-2018.pdf.

[3] A Toyota vehicle assembly plant is set to be operational in Ghana by August 2020. In discussions with the Government of Ghana, Toyota pressed the point that its investment would higher demand for new vehicles in Ghana. The Government said it would help incentivise this by banning the sale of used vehicles and the use of vehicles older than a certain number of years. Due to the presidential election expected later in 2020, it is unlikely that such a decision would be formalised before then.

[4] The Japanese Business Association of Cambodia recently identified 21 obstacles to doing business in Cambodia, including the cost of electricity compared with Thailand and Viet Nam and regular outages, slow and duplicative customs clearance and border procedures, inconsistencies and differences in application of tax and labour regulations to Cambodian and foreign companies, and examples of corrupt practices.

[5] At the May 2019 Cambodia Investment Seminar, Prime Minister Hun Sen announced the elimination of *Camcontrol*, reduced fees to scan containers, reduced rates for electricity and measures to stabilise supply. He later announced the abolition of the prepaid corporate tax. See www.jetro.go.jp/en/jetro/topics/2019/1905_topics1.html.

[6] This is parallel financing with the African Development Bank responsible for the construction of the Ghana Eastern Corridor Road.

[7] Strengthening the management and maintenance of irrigation facilities, and improving agricultural productivity, are also part of this priority.

[8] Japan also invests in urban transport, and expanding access to power. Co-operation in the health and social security sectors aims to support universal health coverage in Cambodia.

[9] In 2017, Japan disbursed USD 56.2 million, comprising grants of USD 6.8 million to 188 projects (17 of which received more than USD 1 million), and loans of USD 49.4 million to 9 projects. In 2018, it disbursed USD 169.1 million, comprising grants of USD 96.3 million to 301 projects (13 of which were received more than USD 1 million) and loans of USD 72.7 million to 10 projects.

[10] According to the Council for the Development of Cambodia China provided USD 154.1 million in 2010 compared with USD 140.0 million from Japan; in 2017, China's aid had risen to USD 223.5 million (16.57% of total ODA) followed by Japan on USD 126.4 million (9.37%).

[11] In February 2020, the European Investment Bank, International Fund for Agricultural Development and Royal Government of Cambodia launched a USD 125 million project to improve roads, road safety and resilience to natural hazards, as well as other key rural infrastructure, such as local markets. See www.eib.org/en/press/all/2020-038-eib-invests-eur-51m-to-improve-rural-infrastructure-and-economic-outlooks-for-200000-rural-families-in-cambodia. In addition, the International Finance Corporations committed portfolio in Cambodia stood at USD 266 million as of December 2017.

[12] IDPoor was established in 2006 in the Ministry of Planning and is used to target pro-poor measures to the poorest and most vulnerable households. See https://mop.idpoor.gov.kh/.

[13] Ghanaian authorities find that the length of time to prepare projects is a hindrance, but they tend to be ambivalent about the fact that aid is tied, given that the bulk of Japanese infrastructure investments are grant aid. Ghana is at high risk of debt distress, so authorities are not in a position to easily refuse grant investments.

[14] A record of recent policy dialogues with Cambodia on Japan's official development assistance can be found here: www.cdc-crdb.gov.kh/cdc/japan.htm.

[15] For details of the 20 technical working groups see www.cdc-crdb.gov.kh/cdc/japan.htm.

Annex D. Organisational charts

Figure D.1. Organisation of the Japan Foreign Service

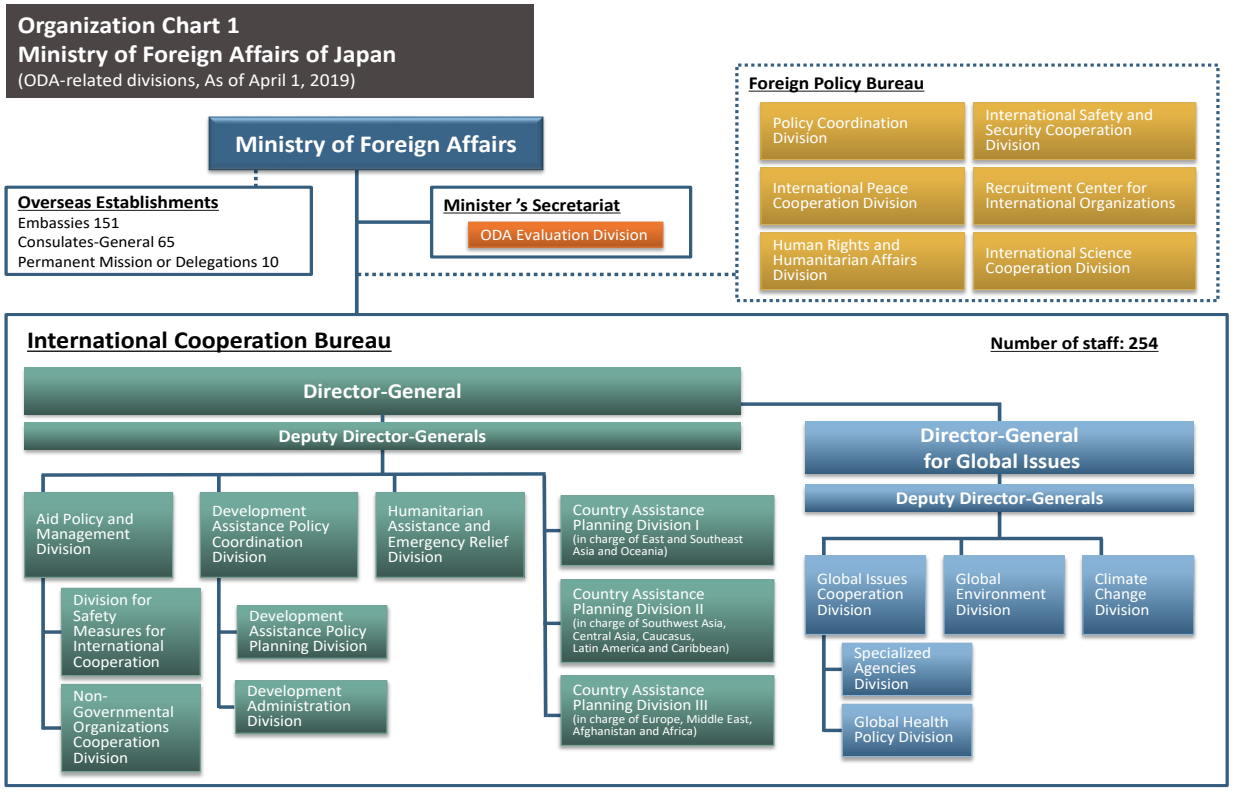
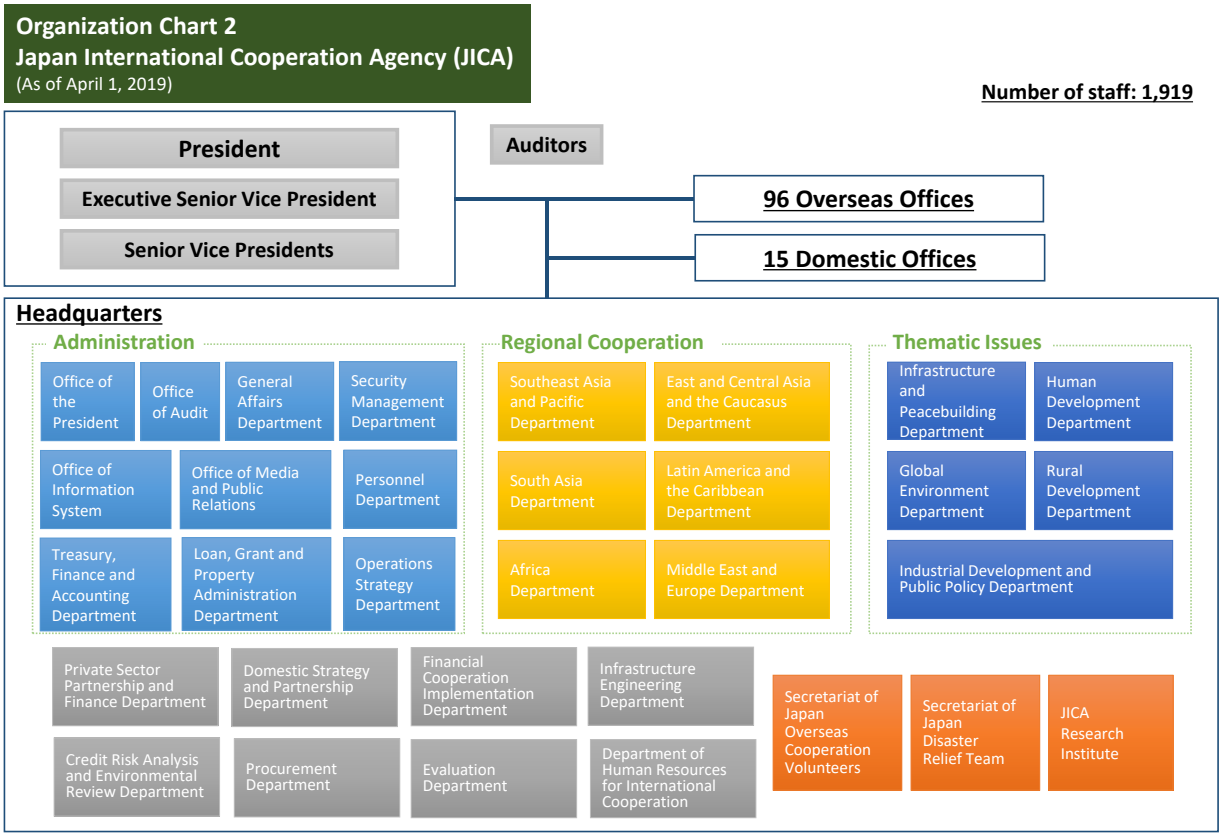


Figure D.2. JICA's Organisational Structure



OECD Development Co-operation Peer Reviews

JAPAN

The OECD's Development Assistance Committee (DAC) conducts reviews of the individual development co-operation efforts of DAC members once every five to six years. DAC peer reviews critically examine the overall performance of a given member, not just that of its development co-operation agency, covering its policy, programmes and systems. They take an integrated, system-wide perspective on the development co-operation activities of the member under review and its approach to fragility, crisis and humanitarian assistance.

Japan combines diplomatic, peace and development efforts to achieve sustainable development and implements the Sustainable Development Goals (SDGs) through a whole-of-society approach. It values self-reliant development, country ownership and the mutual benefits of development co-operation for Japan and its partner countries. Japan is recognised as a global champion of disaster risk reduction. Increasing official development assistance could strengthen Japan's leadership and commitment to the SDGs and a mechanism would help ensure coherence between domestic policies and global sustainable development objectives. Whole-of-government country policies would ensure synergies across Japan's portfolio and it could be more explicit about how programmes reduce poverty. More streamlined systems and procedures would make Japan a more agile donor.

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