Chapter VI

Global Challenges and Japan’s “Soft Aid” Policy

In the 21st Century, the world is facing many challenges, some old and some new which threaten the human existence. These challenges, known as global challenges, confront the whole world whether they are developed, developing or underdeveloped. The United Nations General Assembly in September 2000 adopted the Millennium Development Goals (MDG) as new targets of International development. As an extended version of International Development Strategy (IDS) launched by Development Assistance Committee (DAC) of the Organization of Economic Co-operation and Development (OECD) in 1996, the MDGs have defined the following goals to be achieved mostly by 2015:

1. Eradicate extreme poverty and hunger.
2. Achieve universal primary education.
3. Promote gender equality and empower women.
4. Reduce child mortality.
5. Improve maternal health.
6. Combat HIV and AIDS, malaria and other diseases.
7. Ensure environmental sustainability.
8. Develop a global partnership of development.

These global challenges that the world is facing have been short listed as the Millennium Development Goals. These are serious challenges when we consider the fact that one in five people in the world earns less than one dollar a day, and that too irrespective of the several international initiatives since the UN Development Decade in 1960s.1

A) Environmental Issues:

It is widely recognised as one of the most important challenges confronting the world. The United Nations Conference on the Human Environment, organised in Stockholm in 1972, recognised it as one of the significant steps in the direction of

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environment conservation. A series of incidents occurred in the 1970s and the 1980s which drew the global attention toward this problem. The depletion of the ozone layer and global warming started threatening the existence of humankind. *The Earth Summit* at Rio-de Janeiro in June 1992 is considered to be a milestone in the global initiative of environmental conservation. *A Convention on Biological Diversity* and *Agenda 21* was adopted in this summit and a basic course for international action was also worked out. Given the widespread degradation and destruction of the environment, this problem is highly diverse in its nature. We can divide them into 2 categories.  

1. Environmental pollution problems:
   1. Air pollution: depletion of the ozone layer, global warming, acid rain etc.
   2. Ocean problem
   3. Hazardous waste
   4. Worsening of the urban residential environment.

2. Natural resource problems: deforestation, desertification, preservation of wildlife species etc.

**Global Environmental Problem and Japan's ODA:**

Japan claims to be serious about tackling this problem in its official statements since the inception of its “soft aid” policy in 1990s. Arguably, it has taken a number of measures to combat the environmental problem facing the world. Though, some of the measures have been very controversial, the Japanese efforts cannot be underestimated when we assess its ODA policy over the years.

Japan's ODA was the world’s largest for the period 1991-2000. In 1999, its annual aid budget reached US$ 15.3 billion—a world record (MOFA 2002). In 1998, Japan became the largest donor to 42 countries, including Indonesia, China, Thailand, India, and the Philippines (MOFA 2001). Its ODA budget ranked second only to the US in 2001; however, total contributions for the past 10 years from Japan (US$ 118 billion) are still larger than those of the US (US$ 93 billion). Another important feature of Japan’s ODA is that since the late 1980s the programme has articulated a

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core strategy for addressing environmental sustainability along with economic growth in developing countries. It was aimed to serve the country’s interest for leadership in international environmental affairs. This new policy became visible on the eve of the Arche Summit in 1989 when Japan pledged to expand its aid contributions in the environmental field. This pledge was immediately followed by an announcement to provide 300 billion yen (approximately US$ 3 billion) in environmental ODA from 1989-1991. Specific areas subject to Japan’s environmental ODA were to include improvements in residential environment (water supply and sewage systems and disposal facilities), disaster prevention (like floods), pollution control measures (air and water), and energy, forestry, and nature conservation (MOFA 1996).

In addition, at the 1992 Earth Summit, Japan promised to boost its environmental ODA to between 90 and 100 billion yen (approximately US$ 6.9 billion and US$ 7.7 billion) in the 5 years from fiscal year 1992. This represented one of the Summit’s largest pledges (MOFA 1996; Potter 1994, p.201). Over two-thirds of the environmental aid in FY 1992 consisted of government loans, whereas only 11.1 percent and 5.9 percent was for grant aid and technical cooperation respectively. In actual donations, Japan disbursed 40 percent more than the pledged amount, 1.44 trillion yen (approximately US$ 13.3 billion) by the end of 1996 (MOFA 1998). On a grant basis, the focus was on environmental conservation activities in three countries: China, Thailand and Indonesia. In each instance, facilities were provided with grant aid and experts were dispatched or on-site training was conducted in the respective countries. Japan-China Friendship Environmental Protection Centre in China, the Environmental Research and Training Centre in Thailand and the Environmental Management Centre in Indonesia were such examples of Japanese aid efforts in that direction.

The ODA Charter of 1992 first officially described the increasing focus on environmental issues in the developing countries along with other goals for poverty reduction, peace building, and economic development. The charter strengthened the

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goal of environmental conservation: “Environmental conservation is also a task for all humankind, which all countries, developed and developing alike, must work together to tackle” (MOFA 1999b). Similar statements are found in the national action programme for Agenda 21, issued in 1993, which indicated that “Japan would work cooperatively with developing countries to identify appropriate environmental projects through policy dialogue (Yamamoto 1994)”. More recently, this pledge was restated in the “Medium Term Policy on ODA” (MOFA 1999a).

One area of significant Japanese aid contribution is related to the environmental concern in its official documents. The Japanese officials believe that the environmental problem has been a serious global issue to which Japan needs to address itself as it is clearly manifested in its aid philosophy adopted as a Charter in 1992. The major statement of Japan’s commitment to this issue came at the 1989 Paris Summit when it announced an expenditure target of approximately US$ 2.25 billion over a three year period beginning in FY 1989. Protection of forests and assistance to the developing world was considered to be priority areas to deal with this problem. In 1992, Japan made massive new commitments for this problem and identified the environment as a central consideration in aid policy guidelines.6

This emphasis was accelerated with the enactment of the ‘Basic Environment Law’ in 1993 and the ‘Environmental Impact Assessment Law’ in 1997. In addition, the government announced the Initiative for Sustainable Development towards the 21st Century (ISD). Under the ISD, sustainable development was stressed as the primary goal of foreign aid along with human security and ownership (MOFA 1999c). From the Japanese government’s point of view, sustainability is achieved when a balance is struck between economic efficiency and environmental sustainability.7

The status of the biggest aid donor since 1989 gave Japan the opportunity to influence global environmental conditions and policies of the developing world. Japan initiated the foundation of the UN World Committee on Environment and Development and it had also a share in the propagation of the ‘sustainable development’ strategy.

Japan, irrespective of its aid and other policy initiatives, has been criticised strongly over the years for its contribution to global environmental degradation, particularly its exploitation of tropical forests.\(^8\) The fact that Japan imported 30 percent of all tropical timber in the world and half of all tropical hardwood logs traded internationally, the country is also the largest market for tropical plywood. Japan has come under intense criticism from conservationists because of the ecological impact of this position on tropical forests in East Asia, particularly Malaysia and Indonesia. In this context, Japan’s ODA is said to be negatively implicated in adding deforestation rather than establishing the basis for a sustainable exploitation of timber resources.\(^9\) However, addressing environmental problems has been considered as one of the primary issues in Japan’s "soft aid" policy and in the revised ODA charter of 2003, it got important attention as well.\(^10\) The main steps taken by Japan for environmental conservation are:

1. Providing technology and know-how:

In the 1950s and 1960s, Japan faced a series of serious environmental problems posed by Yokkaichi asthma and Minamata disease but was somehow able to overcome them. The government at the national and local levels introduced some of the toughest environmental standards in the world. The private sector also took initiative to develop suitable technologies to combat them and consequently the situation improved greatly in the following years. Against the background of these experiences, the government formulated an action programme to fight global warming in October 1990 and made clear its intention to stabilise its per-capita carbon dioxide emissions at the 1990 levels by the year 2002. Likewise, it also responded positively to the international agreements and in 1993 enacted the ‘Basic Law on the Environment’. From its experiences, Japan also built up technologies to control pollution and the expertise for using them. The technology and knowhow have now become powerful weapons as policy makers in Tokyo believe in its aid scheme in its Fight against environmental pollution.

In 1993, Japan joined the US to work together on global issues. This agreement is known as the ‘Common Agenda’. In Indonesia, an effort has been made to strengthen the Bio-diversity Conservation Project. In Palau, a joint Japanese-US Coral Conservation Research Centre to protect coral reefs has been undertaken. In Kenya, Tanzania, Ethiopia, Malawi and other parts of Sub-Saharan Africa, a technological cooperation has been undertaken for wildlife conservation. In 1990, Mexico was extended over 70 billion of yen loan to help in reducing the level of sulphur dioxide emissions. In Brazil too, at Cuanabana Bay Basin, the Sewerage System Construction Project was helped by Japanese aid. Afforestation programmes in the Aravalli Hills in Gujarat in India and the Upland Plantation and Land Development Project at Citarik Sub-Watershed in Java are some other noteworthy examples. The Japanese government, JICA and OECF have developed systems that would take into account the overall project implementation process. The problem of population resettlement has been an important issue too. In 1989, OECF drew up environmental guidelines and in 1990, JICA also drew up guidelines under several main headings.\(^{11}\)

As mentioned earlier, Japan considers the environment problem as one of the main problems facing the world today. It has formulated the “Environmental Conservation Initiative for Sustainable Development” (Eco ISD) and has provided support for measures to combat it. On the occasion of the UN General Assembly Special Session on the Environment and Development (UNGASS) Conference in June 1997, Japan announced its “Initiative for Sustainable Development towards the 21\(^{st}\) Century (ISD)”. It was a comprehensive package of Japanese guidelines for the ODA led environmental policy and programmes and in the years ahead. In FY 1998, ODA for environmental purposes came to 413.2 billion yen; an amount equivalent to 24.5 percent of the total in ODA committed that year.

2. Measures against Global Warming (The Kyoto Initiative):

At the third session of the Conference of the Parties (COP 3) to the UN Framework Convention on Climate Change which was held in Kyoto in December 1997, Japan made an announcement of its Kyoto Initiative. It was a package of measures designed to provide ODA to developing countries to tackle global warming.

In FY 1998, JICA furnished technical assistance for the training of about 1000 personnel in measures against global warming. Additionally, yen loans totalling 243.3 billion yen were extended under special terms (0.75 % interest and 40 years of repayment) to 20 projects for this purpose.

3. The Environmental Centre Approach:

The main objective of this approach is ‘capacity building’ in recipient countries and to encourage them for formulating their own environmental programmes. This strategy has been applied in tandem with grant aid for centre construction and project type technical cooperation including dispatch of experts, the acceptance of trainees from recipient countries and the supply of equipment. The main objective has been to help with the human resources development of environmental administrators and organisational foundations in implementing their own environmental research and training. Japan has provided assistance of this type to six countries: Thailand, Indonesia, China, Chile, Mexico and Egypt. They have conducted training programmes and seminars for a total of more than 7,400 personnel.

4. The Japan China Environmental Model Cities Plan:

The goal of this plan is to select several cities and have them serve as models of effective environmental planning for other cities throughout China. Japan and China organised a committee of experts to study the plan. This committee selected Chongquing, Guiyang and Dalian as the three model cities. Japan provided yen loan funding of up to 40.5 billion yen for this project.

5. Environmental Assistance through collaboration with NGOs:

In FY 1998, Japan disbursed 700 million yen (12 % of the total for grass root projects grant assistance) for 132 environmental projects. Additionally, 60 million yen was disbursed to subsidise 15 NGO-led projects in reforestation, assignment of experts and other environmental protection related areas.¹²

Analysis of Japanese ODA Policy on Recipient Country Energy Sector: Case Studies of Indonesia and the Philippines:

The Japanese government believed that facilitating development in the energy sector played an important role in efforts to meet sustainable development in the LDCs. For this reason, Japan actively provided substantial ODA for energy projects. Furthermore, it recognised that technology could play a significant role in social, economic and environmental improvements.\textsuperscript{13} The development of large, centralised power systems were given top priority in particular. According to a report from the Japan Centre for Sustainable Environment and Society (JACSES), a Japanese NGO, large coal-fired power plant projects (i.e., facilities larger than 500 MW) constituted 10 percent of all ODA supported coal-plant projects, whereas one-third of ODA-financed hydroelectric power plant projects involved dams with electrical capacities greater than 500 MW. There are two assumptions behind this reliance on large-scale advanced technology: first, that economic improvement and environmental enhancement are compatible under the concept of sustainable development and second, that advanced technology (large and centralised energy-related infrastructure) is important for sustainable development.

Contrary to these assumptions, however, this strategy of promoting large, centralised energy infrastructure has frequently created tragic social and environmental consequences in recipient countries. We have two cases to demonstrate the sort of effect Japanese aid policy can have on recipient countries. The Paiton coal-fired power plant construction project in Indonesia and the San Roque multipurpose dam project in the Philippines are noteworthy examples of typical Japanese energy ODA.

A) The Paiton Coal-Fired Power Plant Construction Project in Indonesia:

A US$ 2.6 billion venture was launched in 1995 by the Paiton Energy Company (PEC), a joint holding of Mitsui & Co. Ltd. of Japan, Mission Energy Company and GE Capital Corporation of the US, and Batu Hitam Perkasa of Indonesia. The consortium constructed two 615 MW coal-fired power plants, using domestic coal in the Paiton District of the Indonesian island of East Java. The plants

were designed to keep up with the increased electricity demand in East Java province (JBIC 2002). For the project, a maximum of US$ 900 million was financed mainly by the Japanese government-owned JBIC, the Export-Import Bank of the US, and several Japanese and US commercial banks. In addition, approximately US$ 100 million of Japanese ODA was provided for construction of grid extensions and transformer substations to distribute electricity from the new plants. 14

Instead of spurring economic growth and environmental sustainability, however, this capital-intensive project had a negative impact on the local communities and the ecosystem. First, people had to pay an extremely high utility charge. The tariff was set at 8.6 cents (US) per kilowatt hour of electricity, which is 32 percent higher than comparable tariffs in Indonesia and 60 percent higher than those in Philippines. Users are powerless to challenge the price because the project is based on an agreement that the government owned electric company (PLN) must purchase fixed volumes of electricity from PEC for 30 years, under any circumstances. Moreover, the PEC project is a component of an electricity liberalisation policy adopted by the government and as such, has displaced older, allegedly less efficient state electricity enterprises. It has reduced the job security of the workers, increased unemployment, decreased medical welfare coverage and eroded unity among workers. In addition to these social costs, the project has also contributed to global environmental problems. An estimated 195 million tons of carbon dioxide are annually emitted from these plants. This amount is equivalent to 61 percent of carbon dioxide emissions in Indonesia in 2001 and 17 percent in Japan in the same year. Such levels of carbon dioxide emissions are certainly unhelpful to combat any global warming. 15

In sum, with ODA and the private sector's support, Japan has managed to facilitate a project that has increased the cost of electricity, harmed the economic condition of the sector's workforce, contributed little, if any, to economic development, and significantly increased Indonesia's greenhouse gas emissions - impacts that are hardly desirable for sustainable development inspired projects.

B) The San Roque Dam in the Philippines: This project was a US$ 1.9 billion venture and implemented by the San Roque Power Corporation (SRPC), a joint

holding of Marubeni (41%) and Kansai Electric Power Co. of Japan (7.5%) and Sithe Energies Inc. of the United States (51%- 29% was owned by Marubeni). The purpose was to construct a 345 MW hydroelectric power plant. Approximately US$ 410 million was financed by JBIC and several Japanese commercial banks. An additional US$ 400 million was loaned by JBIC to the National Power Corporation, the government-owned electric utility. This project was aimed to control flooding and support irrigation in Central Luzon and the Cordillera province. Its provision of much needed electricity from arguably the cleanest source is cited to substantiate Japanese ODA’s claim of sustainability. But the economic impact of this project is likely to be enormous. According to a report from ECA Watch (2002), “the cost of power from San Roque is highly inflated and SRPC stands to gain massive profits from the project, whether or not it successfully produces power.” Electricity consumers have to pay inflated bills also. Moreover, a huge capital has been diverted into a wasteful project. A US$ 2.0 billion infusion could have had significant results in other areas. This project generated immense profits for Japan and the US but damaged the Philippines socially and environmentally. Indigenous people have been insufficiently compensated for their displacement. It is estimated that 150,000 indigenous people living in 39,504 hectares classified as watershed areas were dislocated, and more than a thousand hectares of farmlands and fishponds were wiped-out. All this resulted in the collapse of their social system, disappearance of traditionally valued knowledge and technologies, large-scale deforestation, degradation of water quality occurred from seawater intrusions and contamination by toxic chemicals from mining and long-lasting environmental problems.

As the above two examples show, Japanese ODA has contributed to promoting large and centralised energy-related infrastructure to realise economic growth, often at the expense of environment conservation. The premise that economic expansion and environmental sustainability are compatible, often seems tenuous and the heavy reliance on and behalf in modern technology neglects a wide range of social and ecological effects. Japanese development strategy demonstrates the fundamental weakness in its basic assumption. In both the Paitan and San Roque projects, there is no evidence that environmental sustainability was achieved. The only evident impact was the support of economic growth. Both economic and environmental considerations were treated as subordinate to economic goals. The second weakness
of Japanese ODA can be identified in its recognition of technology transfer as a vital factor to achieve sustainable development in the LDCs. In this regard, its policy raises the risk of what Claude Alvares (1992) has called "technological colonialism."  

The Japanese government identified environmental conservation as a priority for its foreign aid projects with the aim of realizing sustainable development in LDCs. This new orientation was motivated by an interest in addressing the environmental destruction caused by past Japan-funded projects in recipient countries. Some of the aid recipient countries have indeed suffered from severe problems arising from these projects, including the degradation of their ecosystem and losses of social and cultural values, as it is evident from above two examples among many others. The problem has been very severe for energy sector development in aid bound LDCs.

**Japan's ODA Strategy for Energy Sector Development:**

Within its broad commitment for environmental conservation, in the 1990s, the Japanese government began to highlight the importance of contributions to energy sector development in LDCs. Between 1992-2001, Japan provided substantial ODA for energy projects reaching up to US$ 19.7 billion. ODA in the energy sector consists of bilateral support (including grants and loans) and multilateral support (grants). Among these, Japan's contributions in the form of bilateral ODA loans have been the most important. Loans for the energy sector accounted for up to 98.4 percent of all bilateral energy ODA during 1997 and 2001. Energy constituted the largest sector in the fiscal year 2001-2002, with a share of 37.3 percent among Japan's total ODA financing or 206.2 billion yen (approximately US$1.6 billion; JBIC 2002).

Although policy prescriptions promise a change in performance, an empirical analysis of energy sector ODA suggests otherwise. Energy sector ODA has frequently been offered to fossil fuel-based and large hydropower projects, which will likely contribute to additional environmental degradation in recipient countries. An analysis of energy-related projects financed under bilateral ODA will clearly demonstrate this. All energy-related projects financed under bilateral ODA loans between fiscal years 1993-2001 have been analysed. Bilateral ODA in the form of grants is not examined here because it was less than 5 percent of total ODA financing in the energy sector.

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Energy projects financed under bilateral ODA have been categorised into 4 types: 1. fossil fuel-based, 2. hydropower, 3. transmission line, and 4. environmental conservation related. (All data is derived from the JBIC annual reports, between the fiscal years 1993-2001).

It has been found that since fiscal year 1993, Japan has provided 2,280 billion yen (approximately US$ 20.1 billion) in financing for energy related bilateral ODA loan projects. 1999 showed a sudden decrease, dropping by about half when compared to 1998. Presumably, this trend can be attributed to Japan’s declining economic performance in the later half of the 1990s (Castellano 2000). As expected, Japan’s bilateral ODA loans in the energy sector give great importance to Asia. China and India received 448.1 billion yen (approximately US$ 3.9 billion or 19.7 % of the total) and 399.7 billion yen (approximately US$ 3.5 billion, or 17.5 % of the total), respectively. Among the top ten recipients, nine are from Asia, which received most of the loans (85.0%) financed through the JBIC in the past decade, totalling 1.9 trillion yen (approximately US$ 17.1 billion). The remaining 15.0 percent went to other regions: Eastern Europe and the former USSR (5.0%), South America (4.7%), Middle-East (3.7%), and Africa (1.5%). Among Japan’s 32 energy-related bilateral ODA loan-recipient nations, there were 13 Asian countries. Bilateral ODA financing in the energy sector has concentrated on fossil fuel-based and larger scale hydropower projects.

1. Fossil Fuel-Based Projects: Japan provided 1.1 trillion yen (approximately US$ 9.7 billion) in loan to support 63 fossil fuel-based projects. This expenditure represented 48.5 percent of total energy related bilateral ODA loans. Among fossil fuel-based projects, power generation was dominant. Between the years 1993-2001, 860 billion yen (approximately US$ 7.6 billion) in loans supported a total of 53 projects. This amount represented 77.8 percent of all fossil-fuel based ODA. China, India, Vietnam, Malaysia, and Indonesia were the five largest recipient countries; together they received about 84.3 percent of the financing over the past decade. A close examination of these projects reveals that environmental considerations played little or no role in their design.

2. **Hydropower Projects**: These projects represented the second largest component of Japan’s bilateral ODA financing in the energy sector. Between the years 1993-2001, 42 hydropower projects received approximately 594.3 billion yen (approximately US$ 5.2 billion).

3. **Transmission Line Projects**: They received a modest level of financing from Japan’s ODA compared to fossil fuel-based and hydropower projects until 2001. Between the fiscal years 1993-2001, a total of 367.3 billion yen (approximately US$ 3.2 billion, or 16.1 % of total bilateral loans for energy ODA) was organised to finance 44 projects. More than half (53.7%) of the total loans allocated for transmission line projects were provided to Thailand, India and Philippines.

4. **Environmental Conservation related Projects**: They accounted for the smallest portion, about 8.3 percent of the total energy-related bilateral ODA financing by Japan until 2001.

An overall analysis of Japan’s bilateral ODA to the energy sector from 1993-2001 makes it clear that the majority of loans have supported conventional energy projects, especially those based on fossil fuels and larger scale hydropower. In contrast, environmental friendly projects have been generally neglected. Over these years, the actual value of environmental conservation-related projects declined, as did the ratio of environmental conservation – related to conventional energy projects. In this respect, Japan’s energy related ODA changed little despite pledges since the late 1980s to increase environmental friendly projects. Although Japan proclaimed an interest in protecting the environment in developing countries, the ODA strategy still actively facilitates fossil fuel based and larger scale hydropower projects, which have little capacity to enhance environmental conditions in aid-recipient nations.

**Environmental Impact of Japan’s ODA Loan Projects in the Energy Sector**:

The dominance of fossil fuel-based projects has led to significant carbon dioxide emissions from recipient countries. Over the lifetime of operations, an estimated 2,204 million tons of carbon dioxide would be emitted from energy projects partially or wholly financed by the JBIC between the fiscal year 1993 and 2001. This sum was more than the total carbon dioxide emissions for ten years from 1992 of any country in Central and South America except for Brazil. Most carbon dioxide
emissions from ODA energy projects would come from Asian countries as it was predicted. Through their lifetimes, projects in Asian countries were expected to release an estimated 2.1 billion tons of carbon dioxide, accounting for 93 percent of the total carbon dioxide emissions from all Japan’s ODA projects. This amount was equivalent to the sum of emissions from 1999 to 2001 by Japan (Energy Information Administration 2005). Most of the carbon dioxide emissions were from coal based power generation projects. An estimated 2.1 billion tons of carbon dioxide – 95 percent of the total carbon dioxide amount from ODA energy projects—would be released due to construction of new coal thermal power plants.¹⁸

**Japan’s Environmental Aid Policy: Critical Appraisal**

While the Japanese government was keen to demonstrate its new found global environmental consciousness, it was not immune from criticism of its environmental aid programme. A US group in 1990 claimed that since the Japanese programme was highly diverse, it could do more harm than good in solving the problem due to overriding goals and lack of expertise in this field. Critics also claimed that ODA projects have led to illegal and excessive logging in Papua New Guinea. Criticism about environmental impact of aid projects have also been made from time to time. Japan received huge criticism for its contribution to global environmental degradation, especially its exploitation of tropical forests notably in Malaysia and Indonesia as mentioned earlier.¹⁹ Japanese ODA has not fulfilled its promise of promoting environmentally sustainable development, as clearly mentioned in its ODA Charter of 1992. Despite repeated statements since the mid 1990s of the necessity of achieving environmental sustainability in LDCs, there is little evidence that this objective has been accomplished. There has been a regular funding of fossil fuel based and large hydropower projects, which have showed no decline over the past decade (1992-2001). One of the direct consequences is substantial green-house gas


emissions from recipient nations of Japanese aid. In particular, its ODA contribution to carbon dioxide emissions in Asia is likely to be significant.\textsuperscript{20}

This analysis throws into doubt the validity of Japan’s promise to realise environmental sustainability in developing countries by means of its ODA energy programmes. In order to seriously address this problem with ODA, Japan needs to establish a more effective project selection and design process and to monitor its performance carefully. Specifically, Japan needs to make a strategic shift from financing environmentally problematic fossil-fuel based and larger hydropower projects in support of energy efficiency and renewable-based options. Otherwise, Japan’s ODA will fail to contribute to sustainable development in developing countries.\textsuperscript{21}

In assessing Japan’s global environmental concerns in the mid-1990s, Potter (1994) criticised Japan’s ODA policy, indicating that “the perception of the importance of environmental issues has led to Japanese initiatives which affect the aid program, but the basic nature of the aid program remains” (Potter 1994. p. 208). Unfortunately, this statement remains valid almost a decade later.

These and similar arguments have been strongly opposed in Japanese official statements. The OECF environmental guidelines have been designed to strengthen the environmental considerations in developing countries while considering a project application. One outspoken critic of Japan’s environmental aid, Sumi Kazuo, considers the OECF guidelines as, ‘back-room environmental consideration,’ where the assessment of whether a project measures up to standards takes place internally, without independent outside scrutiny (Rix 1993:127). He argues that there should be many strict guidelines in the aid programme concerning the environmental and social impact of development programmes on the recipient country. There should be strict national standards on environmental assessment in Japan that can be a reference point for assessment of ODA projects.

There is always a possibility of bureaucratic infighting in Tokyo where the Environment Agency is one of the weak players in the aid administration. Moreover, there have not been serious studies to this date of the environmental impact of Japan’s


\textsuperscript{21}Ibid, p. 423.
aid. Japan's involvement in controversial projects such as the Narmada Dam in India have highlighted some of the problems inherent in an aid programme which concentrates mainly on quantity over quality rather than its broader, often devastating impact.

An Alternative Policy for Japan's ODA to Accomplish Sustainable Development in LDCs: Promoting Small and Decentralised Renewable Energy Technology.22

Critics feel that Japan has generally been committed to large scale spending on environmental assistance (e.g., assisting Mexico in controlling air pollution) rather than assisting less developed countries where the environmental degradation is more serious. If Japanese foreign energy aid policy is unlikely to deliver social as well as environmental progress to the LDCs, perhaps it is the time to consider an alternative to a policy that emphasises a large, centralised energy-related infrastructure. There is a need to promote small and decentralised renewable energy technology of the type of "soft aid" to sort-out the problem. There are three reasons to suggest this policy. First, poor people, who remain mostly neglected under contemporary development schemes, would directly benefit from this policy. Because the installation of large, centralised technology in rural areas where demands for energy resources are often extremely low is not economically competitive, people in remote villages have long remained without electricity. In contrast, the installation of small and decentralised renewable energy technology systems is economically and technologically suitable for rural communities. Promotion of such technology could increase the potential of bringing electricity to those most in need. Electricity generated for these areas allows not only lighting, pumping of water and refrigeration of medicines but also better communication, which in turn can reduce the isolation of rural populations and enhance their social life and safety. Moreover, the technology creates educational opportunities for women and children by freeing them from time-consuming activities such as fuel collection. In the end, small-scale renewable energy could contribute to improving the welfare of the poor. Second, traditional knowledge and skills would be protected through this alternative policy. We have seen in the Paiton and San Roque projects as mentioned earlier, that indigenous people's knowledge and technology are underestimated and displaced by modern technology because large, centralised

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infrastructure depends on experts and operational approaches that are out of the ambit of indigenous people. In contrast, small-scale renewable energy technology could be managed by local people, allowing them to participate in the decision-making process, thereby empowering the latter who have indigenous knowledge and practices. This would allow the community's values to co-exist with the new technology, and as a result, the culture of the indigenous and their livelihood-based relations with ecosystems could be enhanced. **Third,** environmental degradation would be significantly reduced. As renewable energy technology produces no greenhouse gas or other toxic chemicals in the process of supplying energy service, it contributes positively to long-term environmental health. A renewable-based energy system could allow communities to decide their development aspirations without being locked into the environmental contradictions of modern energy technologies and their reliance on massive resource extraction.

We find that instead of leading to sustainable development, Japanese energy ODA projects have tended to reproduce a common pattern of social and environmental risks. It has produced little evidence of fostering sustainable development despite the fact that this is its proclaimed objective or principle as mentioned (i.e., 'environmental conservation and development should be pursued in tandem') in the ODA Charter of 1992. If Japan is to seriously tackle energy problems in the developing world in a manner consistent with sustainability, it is recommended that the Japanese government should shift toward a "soft aid" policy that promotes small and decentralised renewable energy technology. Such a policy, as discussed above, has a far greater potential to improve social and environmental conditions in the LDCs while preserving indigenous cultures, knowledge and livelihood-based relations with eco-systems. Some progress has definitely been made with the introduction of the OECF guidelines, but much work has yet to be done to ensure that environmental impact becomes a major consideration in assessing aid requests and in ensuring that Japan’s environmental aid actually has a positive impact in alleviating global environmental problems.

**B) Japan’s Aid for Health and Medical Care:**

It is a well-known fact that in developing countries a huge population has to suffer from poor health and lack of medical services. Therefore, MDGs have set the following three goals in the health sector to address this grave issue: to reduce child
mortality, to improve maternal health, and to combat HIV and AIDS, malaria and other infectious and parasitic diseases in these countries. Realising its role, Japan also feels an urgent need to address these issues in a comprehensive way. Therefore, these issues have been given adequate importance in its aid policy, after 1990 in general, and especially after the announcement of Okinawa Infectious Diseases Initiative (IDI) at the G8 Kyushu-Okinawa Summit in July 2000. According to the guidelines, Japan is providing aid for children's health, maternal health and reproductive health. Japan has assisted by giving aid for a project in Indonesia for reproductive health needs. Reducing Maternal Mortality Ratio (MMR) is considered to be the most difficult to achieve among the three MDGs in the health sector. Japan is providing assistance in this sector in collaboration with UNICEF, UNFPA and IPPF (International Planned Parenthood Federation, an international NGO).

Japan's Own Experience in Public Health Activities and its "Soft Aid" Policy:

Japan's active contribution to international efforts in the fight against this issue is highly commendable especially after the 1990s, when the country realised its role in the contribution of "soft aid". In the postwar period, Japan developed a Public Health Centre (PHC) system, trained public health workers, promoted measures for maternal and child healthcare and enhanced healthcare services in schools. These steps significantly contributed to the rapidly reducing Infant Mortality Rates (IMR). The country also took major initiatives for the eradication of infectious and parasitic diseases. By linking public health activities with measures for eradicating tuberculosis, Japan succeeded in sharply reducing the number of T.B. related deaths in the post war years. Okinawa in Japan has a history of successfully eradicating malaria, filaria and other fatal diseases. Drawing upon these experiences, Japan targeted this area for aid contribution.

Global Parasitic and Infectious Diseases and Japan's Initiative to Control them:

Tuberculosis, Malaria, Polio, Filaria, Schistosomiasis, Dracunculus medinensis (Guinea worm) and many more infectious and parasitic diseases are increasingly becoming a serious threat in the developing world. The government of these countries lack adequate measures, techniques and know-how to safeguard their citizens. This issue is becoming quite serious in the socio-economic development of these countries. The risk of infection in developing countries is heightened by the high
rate of population growth, poverty, gender disparities, fragile health and medical systems, inadequate preventive, care and treatment services, lack of safe water supply, malnutrition, etc. Poor health in turn aggravates poverty again. Ragnar Nurkse, a well known economist has analysed this vicious circle of poverty in the developing countries. Amartya Sen, another prominent economist and Nobel Laureate has also advised countries to tackle the health issue in the developing world, in order to break the poverty cycle. Therefore, there is an urgent need to break this vicious cycle of poverty for the socio-economic development of the developing world. As it is clear, eradication of infectious and parasitic diseases should be a central part of the development programmes of developing countries because this is considered to be one of the main reasons of the underdevelopment of these countries. In the 21st century, the problem has become global and many international institutions, organisations and developed countries are becoming aware about addressing this threat to human kind. Japan also took an initiative to extend its "soft aid" especially after the 1990s and a number of measures have been taken by the government on bilateral and multilateral grounds since then.

**Tuberculosis and Japan’s Efforts for its Eradication:**

It is considered to be the world’s most common re-emerging infectious disease. It is estimated that approximately 1.8 billion people are infected with this disease mostly in Asia and other developing countries. According to the World Health Organisation (WHO), 8 million people develop active T.B. every year and it takes the lives of more than 2 million people a year. Improper treatment has led to the proliferation of multi-drug resistant tuberculosis, which is spreading among HIV infected populations. The following are the major efforts taken by Japan for its eradication:

- Expansion and effective implementation of DOTS (Directly Observed Treatment, short course)
- Promotion of the WHO anti-tuberculosis programme in the Western Pacific region.

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Development of DOTS-plus programme (research, resistance testing, surveillance) for multi-resistant T.B.

Practical research for improved access to the effectiveness of DOTS based on the PHC

Malaria and Parasitic Diseases and Japan’s Efforts to Control Them:

According to the WHO, almost 300 million clinical cases of malaria occur worldwide each year and over 1 million people die. The highly affected area is Africa. The African Summit on malaria held in Nigeria in April 2000 emphasised that malaria has constituted a barrier to development and poverty alleviation in Africa. Parasitic diseases also pose a serious threat in developing countries. Japan has tried to address this problem in following ways:

- Promotion of the “Hashimoto Initiative” for Global parasitic disease control in collaboration with WHO’s Roll Back Malaria (RBM) initiative. At the 1998 Birmingham Summit, the then Prime Minister, Hashimoto proposed several steps to improve the effectiveness of international cooperation against parasitic diseases based on Japan’s own experiences. He suggested the establishment of centres for human resource development and research in Asia and Africa and the formation of centre-led international networking through collaboration with the WHO and the G8 countries in the fight against parasitic diseases. On the occasion of Tokyo International Conference on African Development II (TICAD II) held in October 1998, it was announced that these centres (Thailand, Kenya and Ghana) would be focal points for promoting South-South cooperation in the field of human resource development.

- South-South cooperation: (example: Mekong Project). Anti-malaria programme in the six countries of the Mekong River basin (Yunnan Province of China, Myanmar, Lao PDR, Thailand, Cambodia and Vietnam). As part of WHO’s RBM initiative such international organisations as WHO, UNICEF, UNDP and ADB, and major countries including Japan are cooperating in implementing malaria control.

- Sentinel epidemiological surveillance of malaria.

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24 ibid, pp 3-4.
Operational research and evaluation on measures for controlling malaria.
Ensuring safe water supplies.

Japan's Measures against Infectious and Parasitic Diseases:

Japan contributed with "soft aid" for this purpose with a focus on the following points:

1. Strengthening health sector in developing nations:
   - Policy dialogue and advisory support for policy formulation, development of health systems etc.
   - Sustainable health and medical sector reform with a view to ensuring cost recovery.

2. Human resources development:
   - Training of experts for infectious and parasitic diseases and public health in developing countries.
   - Through interaction with Japanese experts.

3. Partnership with civil society, donor countries and international organisations:
   - Collaboration with Japanese, local and international NGOs, etc.
   - Strengthening of partnership relations with donor countries, WHO, UNAIDS and other international organisations.

4. South-South co-operation:
   - Support for the exchange of knowledge and experiences among developing countries.
   - Sharing of success cases and lessons learned in developing countries, including Japan and developing countries.

5. Promotion of research activities:
   - Support for the development of global network of research institutions on infectious and parasitic diseases.

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Promotion of research on infectious and parasitic diseases in impoverished countries with a focus on benefiting the poor.

Promotion of international cooperation in vaccine research and development.

6. Promotion of public health at the community level:

- Support through health services in schools in basic education.
- Ensuring of the safe water supply.
- Strengthening of the function of community health services.

As mentioned above, health and medical care has been recognised as a highly humanitarian field of assistance with a direct bearing on the lives and health of individual citizens.\(^{26}\) Infectious diseases, most notably HIV and AIDS, malaria and tuberculosis have become major obstacles to economic and social development particularly in developing countries. Therefore, measures to fight these diseases have become very important for poverty alleviation.\(^{27}\) Japan showed keen interest and was actively involved in efforts to reduce the problem in the 1990s and its efforts have become one of the key areas for co-operation and assistance under the Japan-US Common Agenda. It has established aid for the development of core healthcare systems at the national and regional levels.\(^{28}\)

**Population and AIDS: Japan’s Contribution**

According to the Joint United Nations Programme on HIV and AIDS (UNAIDS) Report, people affected with HIV and AIDS worldwide, were estimated at 34.3 million as of 1999. It has also been estimated that 18.8 million people have died of AIDS. In 1999, about 5.4 million people were infected by these diseases and another 2.8 million died of AIDS. Sub-Saharan Africa was found to be most seriously affected. A sharp decline on the average life expectancy has been noticed and the UNDP report revealed that the average life expectancies have been shortened by 17 years in African countries with HIV infection rates exceeding 10 percent. It has

\(^{26}\) "Japan’s Official Development Assistance," Summary 1999, Ministry of Foreign Affairs, Japan (Association for Promotion of International co-operation, Tokyo, December, 1999), p. 54.


\(^{28}\) "Japan’s Official Development Assistance," Summary 1999, Ministry of Foreign Affairs, Japan (Association for Promotion of International co-operation, Tokyo, December 1999), p. 54.
consequently reduced the size of the working population and led to the stagnation of economic and social development.29

In February 1994, Japan announced its “Global Issues Initiative on Population and AIDS” (GII) to contribute a total of US$ 3 billion over the ensuing seven years (to FY 2000) for active aid projects in these fields. It adopted a comprehensive approach by the perspectives on reproductive health articulated in the action plan of the International Conference on Population and Development (ICPD) held in Cairo in September 1994. These perspectives were designed to provide direct assistance for efforts in family planning and controlling the spread of AIDS, maternal healthcare, primary education and the empowerment of women.

By 1998, Japan had sent ‘project formulation missions’ to a total of 15 countries. A team was sent to Zambia in December 1998 to put together projects for Japanese and US collaboration in the fields of population, AIDS and child health. Various international organisations and NGOs have also supported Japanese efforts. By the end of FY 1998, Japan had already extended more than US$ 3.7 billion for GII related ODA projects. At the UN General Assembly Special Session on Population and Development (ICPD plus 5) in 1999, State Secretary for Foreign Affairs Nobutaka Machimura presented Japan’s GII related ODA contributions and made an announcement that Japanese policy would continue to actively supply aid in the healthcare field.30

The major Japanese efforts to address population and AIDS related issues are 31

▼ Sharing of knowledge among developing countries: South-South cooperation.

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30 “Japan’s Official Development Assistance” Summary 1999, Ministry of Foreign Affairs, Japan (Association for Promotion of International Co-operation, Tokyo, December 1959), pp. 54-55.

31 Japan’s Initiative in the Fight Against Infectious and Parasitic Diseases on the occasion of the Kyushu-Okinawa G8 Summit (Okinawa Infectious Diseases Initiative), Ministry of Foreign Affairs, Japan, July 2000, pp 1-6, retrieved 16th Dec 2002 from http://www.mofa.go.jp/policy/oda/summit/infection.html
• Support for preventive measures, including the distribution of contraceptives, safe syringes and assistance related to the supply of drugs.

• Information, education and communication programmes for young people linked with reproductive health.

• Care and counselling for AIDS orphans.

• Prevention of mother to child transmission and measures for High Risk Groups (HRGs) (commercial sex workers, truck drivers, etc.)

• Supply of safe blood.

• Co-operation with international efforts for vaccine development.

• Measures for HIV and AIDS-T.B. co-infection.

Child Health:

In the second half of the 1980s, the number of polio patients world-wide exceeded 30,000. But the figure steadily declined throughout the 1990s. According to the WHO, 6,659 cases were reported in 1999, mostly in Africa and South Asia. Japan has designated the East Asian and Western Pacific region countries as priority regions for polio eradication and has actively supported anti-polio programmes in these regions.

- Successful Polio eradication in the Western Pacific region: Japan has endorsed and actively assisted international efforts towards the promotion of child health as a top priority in the field of polio eradication. In 1994, child health was added to the Japan-US Common Agenda and since then, these two countries have been collaborating closely to provide aid for projects in this field. In 1998, WHO called for an all-out effort to eradicate it world-wide by the year 2000. Since FY 1993, Japan has provided supplies of polio vaccine, cold-chain equipment (for the transport of refrigerated vaccine) and related diagnostic equipment to the countries of East Asia and Western Pacific region in priority. By FY 1998, Japan had extended three billion yen in aid for polio eradication programmes throughout the region, the largest share of any donor (37% of the total). Encouraged by the success, in 1996, the Japanese
government announced its aid to Africa. In FY 1999, Japan dispatched Japan Overseas Cooperation Volunteers (JOCV) teams to Africa, mainly for surveillance activities conducted in collaboration with the US Peace Corps.  

C) Japanese ODA and Women in Development:

It is estimated that 70 percent of the poor people in the whole world are women. For women’s empowerment and gender equality, education, health, economic and social participation, the “Japanese Initiative on Women In Development” (WID) was announced in 1995 based on the ODA Charter of 1992. Many projects related to WID were technical cooperation projects such as the dispatch of experts and the acceptance of trainees and small-scale grant aid projects rooted in regions through NGOs. Japan was actively supporting Afghan women, suppressed under the Taliban regime and years of war and conflict which resulted in their miserable plight and displacement. Many became refugees, widows and orphans. Japan dispatched experts to the Ministry of Women’s Affairs in Afghanistan, accepted trainees from the Ministry, assisted in rehabilitation schools for girls, helped in constructing women’s community centres through NGOs, and provided support to the refugees through the Trust Fund for Human Security. Not only in Afghanistan but in Cambodia too, where a large section of the women community have been affected by a long period of civil war which came to an end in 1991, and since 1996, Japan dispatched experts on several occasions, to address their problems. Experts were also dispatched to the Government of Indonesia in 1999 as policy advisors on WID.

D) Japanese ODA and Challenge of Basic Education:

Japan has been making strong efforts to address this challenge through MOFA, JICA and MEXT (Ministry of Education, Culture, Sports, Science, and Technology). Basic Education for Growth Initiative (BEGIN) announced in 1992, stated three priority areas for Japan’s assistance in primary education: (1) ensuring ‘access’ to education; (2) improving ‘quality’ of education; and (3) improving ‘management’ of education.

34 Ibid, pp. 137-139.
For ensuring ‘access’ to education, Japan provided educational facilities, study materials etc., for primary and secondary education through grant aid. In 2001, approximately 550,000 children worldwide (300,000 in Asia and 230,000 in Africa) benefitted from school construction, distribution of study materials and provision of classroom equipment by Japan. In order to improve the ‘quality’ of education, Japan also supported scientific and mathematical education and improvements of school management capacity. Based on its own experience, Japan placed priority on teacher training, improving teaching methods, and developing study materials since 1990s. Since 1998, through the “Strengthening of Mathematics and Science in Secondary Education (SMASSE)” project, Japan assisted Kenya in its development. ‘Improvement’ of management is one area where Japan thinks that it can successfully utilise its own education experience to contribute to development of education: formulation of educational plans, policies and administration in developing countries. Japan implemented the “National Regional Education Support Plan Formulation Study” for Malawi and since 2000, carried out school mapping, studies and analyses of educational conditions, and used all this information to formulate educational development plans.

Among these three priority sectors, the support for access to education which is mainly aimed for construction of school buildings, accounts for approximately over 70 percent of the entire budget in support for the basic education sector in Japan. It is quite evident that in this area, developing countries have to face a lot of challenges such as: shortage of infrastructure, teachers, teachers training, curriculum development and improvement, HIV and AIDS education, etc. These areas are ‘soft areas’ which require immediate global attention and support. Japan believes that overall strategy-administrative initiatives, participation of children’s parents and the wider community are integral and essential elements for a sustainable and effective outcome in this sector.

E) Population, Food and Energy:

Global issues like population etc., were already advocated as priority issues in the original ODA Charter of 1992 and it has been re-emphasised again in the revised ODA Charter of 2003. The world population which reached 6 billion in 1999 is expected to reach about 8.9 billion people by 2050. This population increase is considered to be a major obstacle in the socio-economic development in developing
countries. Overpopulation also leads to the destruction of the global environment. It also leads to shortage of food and there are about 800 million people in the world suffering from chronic malnutrition. This huge overpopulation also causes a great deal of pressure on existing energy resources. Japan is highly conscious about this problem and appears to be serious about addressing these global issues. Japan claims that it contributes to the reduction of the consumption of fossil fuels and helps to prevent global warming by using the energy conservation technology developed in Japan to improve energy efficiency in the generation and distribution of electricity in developing countries. However, it has been subject to severe criticism as has been discussed earlier, especially in the cases of Indonesia and the Philippines.

F) Natural Disasters:

Frequently occurring natural disasters in the world due to abnormal weather conditions, global warming, depletion of the ozone layer and certain other factors have become a serious global threat to mankind. Therefore, international effort is required to address this problem. Japan has a lot of experience of facing natural disasters such as earthquakes, typhoons, floods and volcanic eruptions therefore it started high quality cooperation for both disaster prevention and post-disaster reconstruction in the 1990s. It also actively contributed to the international community by utilising a variety of the lessons learned, knowledge, technology and human resources developed through these experiences. Japan dispatched the Japan Disaster Relief Rescue Team to the affected countries and provided emergency assistance materials and emergency grant aid between the years 1992-2001.

G) Terrorism:

Terrorism has also become a global challenge in the 21st century and developing countries often lack sufficient measures to control it. Japan places importance on improving the capacity of developing countries to combat terrorism. It has provided training and organised seminars mainly to the countries in the Asia-Pacific region in the 1990s.

H) Drugs and International Organised Crime:

The drug problem including illegal narcotics is becoming a serious global challenge in recent times. Japan has provided support for the prevention of drug related crimes and the improvement of the policing capacity. Japan has provided
assistance for the cultivation of alternative crops through NGOs, so that residents were able to exist without relying on the cultivation of drugs. Assistance was also provided through NGOs. Japan also held seminars, etc., to strengthen measures to combat human trafficking and alien smuggling (ODA White Paper 2003).

**New Policy Framework:**

As mentioned earlier, the concept of “soft aid” was introduced in an ODA report by MOFA, as part of a three-component balancing of goals for Japan’s ODA. A balance was to be sought between (1) ‘hard’ and “soft” assistance; (2) traditional and new types of aid; and (3) large-scale and small-scale projects. The three pairs attempt to make clear contrasts between new and traditional styles of ODA.

The first new aspect mentioned in the MOFA list was “soft aid”. The emphasis in this area on human resource development was not entirely new for Japan, as training and education have been emphasised historically as a basis for nation building. However, the new “soft aid” framework allowed Japan’s ODA to be engaged in providing policy advice on far more complex and delicate subjects than those technical and apolitical subjects which Japan has historically dealt with. Some recent projects in the health sector illustrate how “soft aid” can be integrated with ‘hard aid’ in a comprehensive package. A project to develop a health and medical care delivery system in Bolivia is one such example. The Santa Cruz Hospital in eastern Bolivia was built with 4.5 billion yen of Japanese grant aid in 1985. Since then, Japan has been providing technical support to upgrade hospital management capacity as well as to establish a district healthcare system based on the hospital.

In another example, a public health project in Thailand aimed to conduct a comprehensive analysis of health needs and the current system in the target area, and to make a proposal for an alternative community healthcare system to be incorporated into Thailand’s Eighth National Health Plan. This is a dramatically new approach in comparison with the more traditional health sector assistance by Japan. This project is also unique, as it was "offered" by Japan at the outset of the consultation process with the Thai authority, rather than at the latter's request. The other two new aspects listed in Japan's ODA report were "new types of aid" and "small-scale projects." The new types of aid would focus on global issues (such as environment, population, AIDS,

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and humanitarian aid) and on cross-sectoral themes (such as WID, poverty alleviation, participatory development, transition to the market economy and democratisation).

These new elements of ODA policy have been adopted in response to discussions held in a series of major international conferences. Japan also reacted to these trends by allocating more resources to new issues and reorganising some ODA administrative structures. Based on the reports of study groups, for example, guidelines were established by both JICA and OECF to make sure each project had components addressing poverty alleviation, WID, and other relevant areas. In addition, both agencies developed guidelines and checklists to eliminate from projects certain factors that might cause negative impacts on environment. Finally, as for ‘small-scale projects’, more resources were hoped to be directed to these through the increased use of NGOs. In trying to balance these three aspects of aid, the Japanese government tried to incorporate both traditional and new styles of Japanese development assistance in one policy framework. By depicting them as a matter of balance, MOFA has both confirmed the conventional approach to hard, large-scale development projects as the strength of Japan's foreign assistance, and expanded the scope of the ODA to more ambitious and proactive approaches such as “soft” and “new types of aid”. By seeking to combine both the ‘hard’ economic infrastructure-building and the “soft” policy advice approaches, Japan was incrementally moving towards the implementation of “soft aid” without abandoning its historical strengths. The next section examines the degree to which Japanese aid allocations reflect this new aspect of aid policy.

**New Strategy in Practice**

In the absence of clear definitions of “soft aid”, “new types of aid”, and “small-scale projects”, and inadequate data associated with each, it becomes challenging between policy and action. Available data shows that the new strategy

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36 These themes include the promotion of democracy, good governance, WID, and participatory development. Global issues include environment and sustainable development, AIDS and population, and social development, including poverty alleviation. Conferences which brought forth these issues have included UN Summit for Children (1991, New York); UN Conference on Environment and Development (1992, Rio de Janeiro); UN Conference on Human Rights (1993, Vienna); Population (1994, Cairo); World Summit for Social Development (1995, Copenhagen); and UN Conference on Women (1995, Beijing).

was not fully reflected in budgetary allocations, as there continued to be a strong hard aid orientation in Japan's ODA spending patterns. In terms of sectoral allocation, economic infrastructure projects continued to receive the largest allocation at 41 percent in 1994.\textsuperscript{38} It was the second-highest level among the DAC countries as a proportion allocated to the economic infrastructure. Although the social sector's share grew from 17.5 percent in 1992 to 22.6 percent in 1993, the allocations for the education, health, and population sectors remained virtually unchanged.\textsuperscript{39} In fact, most of the increase in the social sector was actually consumed by water and sanitation projects which were predominantly hardware or 'hard aid' projects.

Grant aid in Japanese ODA is intended for hardware-type assistance. For instance, of the 14 billion yen that was spent on twenty-two health projects in 1993, most of it was devoted to hospital construction and medical equipment. Although the other type of Japanese aid, technical cooperation, is intended for training and technical transfer, the large part of it goes to tertiary care facilities with a focus on curative service rather than preventive care.\textsuperscript{40} A heavy emphasis on the high-tech oriented curative care at the tertiary level with hardware assistance has not changed.

The expansion of new types of aid, the second component of Japan's new aid initiative, does not necessarily translate into higher allocations to "soft aid". Large amounts of resources were being directed to new types of aid, especially the environment. During 1992 and 1993, the total spending on environment-related projects already surpassed half the five-year target - 900 billion to one trillion yen - announced at the UN Conference on Environment and Development (UNCED) in 1992. As of July 1995, the Environment Agency was involved in seven project-type technical cooperation projects, including the Japan-China Environment Preservation Centre. The centre was completed in 1992 with grant aid of 10 billion yen, and the Environment Agency and MITI provided technical assistance through JICA. Similarly, three billion yen were pledged for population and AIDS between 1994 and 2000. Japan was seeking to collaborate with USAID, UNFPA, and WHO on these issues, due to limited domestic experience and expertise in the areas of population and AIDS.

\textsuperscript{39}OECD, DAC Report 1995.
\textsuperscript{40}MITI Annual Report on Economic Cooperation, 1995
Perhaps this cooperation would lead to more "soft aid" components in Japan's project development in these new areas.

**Sectoral Allocation of Japan's ODA (in percentage)**\(^{41}\).

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<tr>
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<tbody>
<tr>
<td>Multi sector/other</td>
<td>6.2</td>
<td>3.1</td>
<td>8.7</td>
<td>10.9</td>
</tr>
<tr>
<td>Action relating to debt</td>
<td>-</td>
<td>-</td>
<td>4.3</td>
<td>10.0</td>
</tr>
<tr>
<td>Commodity and programme aid</td>
<td>29.0</td>
<td>14.0</td>
<td>22.0</td>
<td>11.8</td>
</tr>
<tr>
<td><strong>Social infrastructure and services</strong></td>
<td><strong>3.7</strong></td>
<td><strong>8.7</strong></td>
<td><strong>11.2</strong></td>
<td><strong>17.6</strong></td>
</tr>
<tr>
<td>Production sectors</td>
<td>29.8</td>
<td>25.6</td>
<td>17.1</td>
<td>9.5</td>
</tr>
<tr>
<td>Economic infrastructure</td>
<td>29.3</td>
<td>48.5</td>
<td>36.4</td>
<td>40.2</td>
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</tbody>
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Note: The above table shows how Japan's aid for social infrastructure and services increased gradually over the years. It also reflects the importance given by Tokyo to sectoral allocation.