With the end of the Cold War in 1990, new and dramatic turns took place on the international stage like the disintegration of the USSR, the birth of a unipolar world, the emergence of several economic and regional trade blocs, globalisation of the economy and society, remarkable advancement and increasing power of military forces, the rapid expansion of the Chinese economy etc. As a result of all these developments in the world’s history, many scholars questioned Japan’s ability to protect its national interests in such a rapidly changing global environment.

From Japan’s perspective, this question is not only significant but complicated and controversial too. We find that until the 1980s, its aid policy was highly neo­mercantilist, aimed to protect its private sector’s interest through ‘tied-aid’ policy. At that time, political interests and humanitarian considerations were not clearly visible in the country’s foreign policy. After the oil crisis of 1973-74 especially, multilateralism and globalisation of aid took place, along with other issues. Japan softened its aid and tried to improve its quality in the 1990s. New aid visions and humanitarian considerations were felt necessary to combat not only Japan bashing but to play a more active, vibrant and meaningful role to protect its politico-economic interest internationally. Aid was used as an important tool to secure its national interest in this direction. Japan remained a top donor for almost a decade since 1989 (when Japan had replaced the US as top donor, for the first time); while at the same time, it also successfully expanded its aid vision. Due to the collapse of its bubble economy in early 1990s, Japan faced a serious economic recession and stagnation in the following years and therefore started losing public support for increasing budget allocation for aid. Mounting domestic criticism and a demand for effective implementation of aid and transparency in the whole decision making system of the concerned aid ministries and aid agencies forced the government to come out with a new philosophy in the post Cold War era.

Although Japan had made significant improvements over the years in the terms, quality and priority sectors of aid allocation, largely due to international and domestic factors which emerged in the 1990s, pressure from the NGOs and civil
society inside and outside Japan, aid recipients, the UN and the OECD, yet its effort was still below the DAC standards. Compared to other DAC members, Japan retained a characteristic ODA profile in which loan assistance, infrastructure and production industry based trade-related projects and Asia-oriented policies played a dominating role. The percentage of bilateral aid committed for economic infrastructure in 1977-78 (40.5 %) was almost identical to that spent in 1997-98 (41.2 %). Japan’s bilateral aid for social and administrative infrastructure was only 6.6 percent in 1977-78 (DAC’s average was 20%) (Arase 2005:26). MOFA, especially in the post Cold War era, came to realise bilateral ODA as a critically important tool to secure Japan’s own independent political interests such as regional leadership role and a permanent UNSC seat etc. Japan’s Medium Term Policy on ODA calls for “greater emphasis on poverty alleviation programmes and various aspects of social development, human resources development, policy related assistance and other ‘soft’ types of aid. However, it appears that Japan still has a long way to go in the implementation of its “soft aid” policy and DAC’s strategy in its own policy statements.

The late emergence of civil society generally since the 1980s and particularly since the 1990s has been a very significant development as far as Japan’s “soft aid” policy is concerned. Civil society and the NGOs have been quite critical about the misuse of aid funds, irregularities and corruption cases involving top officials and poor ODA results. They raised demands for a transparent, efficient and effective implementation of aid programmes and have a greater say in policy making in the later years. The domestic critics were particularly critical about the ODA “iron triangle” (the interrelated interests of bureaucrats, the private sector, and the ruling LDP that intersected and structured aid policies). This “structural corruption” failed to use Japanese tax revenue wisely and efficiently, or to take proper account of the recipients’ needs, their environment, and poverty alleviation. All this criticism and civil society’s activism impelled the Japanese government to go ahead for the ODA Policy Charter in 1992 and the Revision of the ODA Charter in 2003.

Problems Related to Grant Aid, Technical Aid and Loans in Japan’s ODA Policy:

Grant aid, which is administered by the MOFA (general grant aid), focuses its attention more on higher education, cultural centres, urban hospitals and sanitation needs. Loan aid, which is administered by JBIC, continues to play a large part in
Japan’s ODA scheme and tends to fund relatively large physical infrastructure and production related projects. Technical aid occupies a large role in Japan’s aid programmes, accounting for about one third of it. It is complex, uneven in quality, and often not well coordinated. Technical aid includes the acceptance of trainees, the despatch of experts, project-type technical co-operation, development studies, and a volunteer corpse service. JICA implements only half of Japan’s technical co-operation with almost every other main ministry and agency in the government supervising its own special technical co-operation schemes. On the basis of the 1999 figures for Japanese overseas aid, technical assistance (co-operation) accounts for about 32 percent of total bilateral ODA, while grant aid accounts for around 25 percent and loans account for the remaining 43 percent. Technical co-operation is receiving increasing attention from the Japanese government and from the development agencies. In 1998, Japan spent a total of 364.1 billion yen on technical co-operation, of which JICA used up less than half (42.7 %) for technical cooperation aid (Yen 155.8 billion or US$ 1.187 billion). When MOFA reports on the use of Japanese ODA for technical cooperation, it only provides data on JICA’s activities in its Annual Report on Japan’s ODA. No information is provided on how the remaining 58.1 percent of ODA for technical co-operation is being used (Yen 208.3 billion). In 1998, nearly 8,500 members of study teams were despatched abroad for feasibility studies for subsequent projects and programmes. The vast majority of these (269) studies were regarding ‘hard’ projects - i.e., technical, concerned with infrastructural, environmental or agricultural projects; some were studies for regional or sectoral development plans. A very small minority appears to have been for ‘soft’ projects - i.e., directly concerned with economic, or social and welfare issues, although there were several health-sector and health-project-related studies. Technical aid is primarily delivered through JICA. Part of the emphasis comes from Japan’s philosophy of ‘self help’. But it is hard to know how much of it is successful, as the evaluations done are all reasonably positive, based on the selected comments of beneficiaries or government officials for evidence. Following DAC’s recommendations, JICA should make more effort to make it demand driven, encourage its incorporation into sectoral and national expenditure plans, and hire more local experts. This will not be easy for JICA to do, because Japanese technical co-operation is almost always ‘tied’ to Japanese providers, which adds pressure for disbursement and reduces the ownership of the project by recipient countries. In
general, the practice of “tying” aid has been estimated to reduce the value of aid by up to 30 percent, and the World Bank, in the 2000 *World Development Report* on Poverty, called for an end to the practice.

In addition to the philosophical considerations, there are political interests attached to the traditional Japanese ODA profile which are dominated primarily by economic factors. From its inception in the 1950s to the early 1990s, Japanese aid was criticised for being ‘tied’ to procurement in Japan. Its grant and technical aid has always been fully ‘tied’ in principle but loan aid is a different matter. Japan has been willing to ‘untie’ this area of aid. Due to international pressure, Japan reached a 100 percent ‘untied’ status in loan assistance in 1996 and MOFA publicised it widely. But in the late 1990s, under bureaucratic pressure and the private sector’s interests, ‘tied’ aid loans were reintroduced in small measures. The private sector was upset by the fact that Japanese business won only 19 percent of Japanese ODA contracts in 1999, due to the fact that Japanese loan aid had become untied to comply with OECD norms. Unfortunately, even after years of being a leader on aid, ‘untying’ Japanese aid seems to be moving in the wrong direction. The year 1999 saw Japan’s highest proportion of tied aid loans in ten years - 16.4 percent and Japan was severely criticised for putting on hold an OECD/DAC resolution that would have ‘untied’ aid to the LDCs. Instead of taking action to further ‘untie’ aid, Japan, in its 1999 *Annual Report on Aid*, called for efforts to “develop tied aid within the limits of international rules to make use of the special technology and management know-how of Japanese companies” (Arase 2005). The *Keidanren*, which is the voice of the large-scale private sector in Japan, immediately issued an ODA policy proposal claiming that the MOFA dominated process that produced the Medium-Term ODA Policy Outline “was not made open to the public, nor was the involvement of the private sector satisfactory.” The document again stated: *Keidanren requests the Japanese government to effectively expand Japan-tied assistance that will be well received internationally...This type of assistance must be implemented...as the core of the (ODA) yen loan program* (Arase 2005:271-72).

Japanese aid is run by an entrenched bureaucratic system whose roots extend back to Japan’s postwar reparation programmes. The system features horizontal linkages between almost all the main ministries (MOFA, MOF, MITI, and EPA) and agencies, and downward linkages from this level to JICA, JBIC, and a number of
smaller aid implementing organisations. A crucial factor supporting this horizontally coordinated, but vertically segmented structure is the hegemonic rule of the conservative LDP, under which the system developed. Unfortunately, it lacks the political will to reform it even today. The ODA Charter of 1992 and the Revised ODA Charter of 2003, serves as the legal basis for its ODA policy. The document is a cabinet order that reflects an agreement among the central bureaucracies on how they will manage the ODA programme, and in effect it legitimises the institutional status quo.

Japan still has perhaps the most fragmented, complicated and opaque system of aid administration of any donor country. Tokyo lacks a centralised aid policy and a central headquarters for its aid administration and formulation. The National Diet, which is Japan’s national legislature, has not created a statutory basis for the ODA policy. The bilateral ODA policy today is co-ordinated among some 13 cabinet-level bureaucratic actors in accordance with an ODA Policy Charter. Japan’s general grant aid, technical co-operation, and loan aid are implemented by separate bureaucracies who create serious problems of ODA policy coherence and co-ordination. Bilateral aid is ‘request based’ i.e., recipient governments must submit formal requests to the Japanese government through diplomatic channels for individual projects or programmes. On the Japanese side, the relevant implementing agency differs according to the type of aid requested (i.e., MOFA for grants, JICA for technical cooperation, and JBIC for loans), and the functional category of the request introduces further actors and procedures. This is to say, different Japanese ministries (with different agenda) have a say in the ODA policy and decision making in different sectors. For example, a technical co-operation project in food export development will involve MOFA and JICA, and at the same time, require the involvement of the Ministry of Agriculture, Forestry and Fishing in decision making and implementation. Similarly, a loan-financed power dam project will involve MOFA and JBIC, as well as MOF (which has formal supervision of JBIC) and the MITI (which supervises power dam constructions). Due to the complexity of this system and lack of a uniform standard or procedure, decisions on project approval are made on a case-by-case basis through an opaque process of consultation. Not surprisingly, this ‘request-based’ system has often been criticised for being overly complex, opaque, and lacking overall coherence and strategic direction.
The role of overall policy co-ordination within the Japanese government was given to MOFA in the late 1990s but MOFA still must manage a consensus among the many bureaucracies administering their own parts of ODA. Top policymakers tend to be career bureaucrats with loyalties outside the ODA agencies. They possess general skills but little true expertise in either development theory or field experience, and they value bureaucratic negotiations and compromise. Aid experts are hired on a contract basis to carry out limited activities while work of a clerical nature takes up much of the time and energy of JICA and JBIC staff.

Japan’s ODA field staff also lack visibility in target countries. MOFA, JICA and JBIC usually maintain their separate field offices. Other Japanese government agencies associated with technical co-operation and their activities are often uncoordinated. Due to these complexities and the centralisation of decision making in Tokyo, a lot of the time of the field staff is consumed in managing communications and paperwork with Tokyo. Also, lack of language and expertise among the field staff, that is appropriate to the needs of the recipient countries has been another major obstacle. The involvement of Japanese NGOs in “soft aid” is relatively limited. Less than three percent of the ODA budget was being devoted to activities of NGOs which was a very small amount in terms of their role in implementation. This is unfortunate because greater NGO involvement could boost manpower and administrative capacity for proper implementation of any project in the field. It is true that Japanese NGOs are relatively new in comparison to their Western counterparts, but the Japanese government should encourage these NGOs with more favourable funding and less restrictive regulations.

Japan’s ‘self-help’ and ‘request based’ principles have always been an integral part of its aid policy. Tokyo believes in the importance of recipient ‘self-help’ efforts. Ohno expresses it as follows: “Aid is neither charity nor the moral obligation of the rich. Aid should support self help efforts of developing countries and contribute to fostering their national pride.”\(^1\) Associated with it are Japan’s ‘request-based’ aid principle and the use of loans in ODA. The ‘request-based’ aid principle leaves it to the recipient government to formulate aid requests. Japan believes that it is intended to respect the sovereignty of the recipients. ODA loans are part of ‘self-help’ because

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though grant aid can be taken for granted, the need to repay loans calls for a better utilisation of aid and bars frivolous aid requests. In this there is greater dignity from which the recipient country can draw pride. Critics, however, say that the procedure of making aid requests can be difficult for recipients due to the complexities involved in it, which can ultimately be exploited by some who advocate dubious proposals to benefit private interests. Since aid requests must be made by the government of the recipient countries, this rule undermines the role of the local government or civil society. This rule also makes it difficult for Japan to develop a proactive aid approach and to collaborate with national, sub-national, international, and civil society actors. Japan’s Asia-centric, production sector oriented, and loan dependent ODA policy has been opposite to the policies of other DAC members who give priority to “soft aid” programmes, which feature technical co-operation and institution building, and target the poorest populations, according to the new MDGs.

The 1992 ODA Charter was a list of objectives that dedicated Japan’s aid to improving human welfare, discouraging military development, encouraging environmentally sustainable development, and improving democracy. Domestic calls for reform and greater transparency, as well as the new Development Partnership Strategy on ODA, prompted MOFA to form the Council on ODA Reforms for the 21st Century in the mid-1990s. Its final report in 1998 set three main goals for Japanese ODA: demonstrating humanitarian concern for poverty alleviation, managing pressing global issues, and improving Japan’s ‘soft’ contribution to security by spreading more of its ODA beyond Asia. The 1999 Medium Term ODA Policy outlined stronger domestic demands for transparency, effectiveness, and accountability. It pledged that Japan’s efforts would give more attention to poverty and social development using wider partnership strategies, along with new initiatives to help countries affected by the Asian financial crisis, the highly indebted poor countries, and those needing conflict prevention/recovery assistance. The Revised ODA Charter again reinforced Japan’s aid effort in universalistic terms of humanitarianism, peace and democracy. It stated, “The objectives of Japan’s ODA are to contribute to the peace and development of the international community, and thereby to help ensure Japan’s own security and prosperity.” The Revised Charter cites Japan’s commitment to deal with global issues, but it also emphasises Japan’s need for secure access to resources, and its interest in closer economic partnership with Asian countries. It reaffirms Japan’s
traditional emphasis on “self-help”; the provision of aid by Japanese enterprises, a geographical focus on Asia, a sector emphasis on physical infrastructure projects, and “coordination between Japan’s ODA and other official flows such as trade insurance and import export finance.” In marked contrast to the 1999 Medium Term Policy Outline, which specifically committed Japan’s support to the 1996 Development Partnership Strategy of the OECD, the revised ODA Charter of 2003 fails even to mention the Millennium Declaration or the MDGs in its rationale for giving aid. Thus, the self-oriented aims of Japanese ODA, which previously were mostly implicit, became more explicit in the 2003 Revised ODA Charter. While JICA is being used to extend aid that is more responsive to international norms and expectations, JBIC is being used to continue a tradition of loan assistance that is responsive to Japan’s bilateral and Asian regional diplomatic needs as well as to its economic and commercial interests.

How far has Japan been successful in achieving its objectives through its aid policy? What is the reality of Japan’s aid? Why does Japan give aid? These are some important and relevant questions in this context. The first hypothesis in this work – i.e., Gaiatsu and the role of US interests in Japanese aid policy, or in other words, the premise that Japan succumbed to US pressure and international interests while formulating its aid policy, – has been found to be very controversial. Since the US-Japan Security Treaty of 1960, Japan has been a close ally of the US on all fronts and these two countries have been working together closely for political, economic and strategic objectives. Japan’s foreign policy is often viewed as driven primarily by the US grand strategy. Scholars like Tuman and Strand believe that Japan’s aid policy was not under pressure by the US strategic interests from 1979 -1998 (Tuman and Strand: 2006). Other scholars (Calder 1988; Anderson 1993; Katada 1997; Stein 1998; Miyashita 1999) have argued that Japan’s foreign policy is partly ‘reactive’ to gaiatsu (foreign pressure) exercised by the US. As a variant of the neorealist theory of hegemonic stability, the framework of gaiatsu argues that Japan uses foreign aid as a resource to help the US, the hegemonic state maintains openness and stability in the international system. The decision to promote US interests in Japan’s foreign policy is assumed to be the rationale for the Japanese state because gaiatsu safeguards the interests of Japanese multinational firms, which in turn depend upon strong bilateral relations with the US and ongoing access to the US market. Calder (1998) and others
who talk about *gaiatsu*, opine that Japan gives aid to regimes that support the US security and economic interests. Katada (1997) and Stein (1998) argue that Japanese aid decisions have been tied to the promotion of a certain US economic policy agenda. Since the emergence of the debt crisis of 1982 and Asian economic crisis of 1997, the US has sought to pressure governments in Asia and other developing countries to implement market-oriented reforms (Smith 2000: 255-256). These reforms, known as Structural Adjustment Programmes (SAPs), entail a reduction in social spending and subsidies to domestic manufacturers, tariff reduction, deregulation, and elimination of barriers to Foreign Direct Investment (FDI). The US government’s support for structural adjustment was based upon a broad commitment to international openness and the expectation that US multinational firms would be able to take advantage of market-oriented economic reforms (Smith 2000). In seeking increased Japanese ODA to countries implementing reforms, the US hoped to mitigate the effects of adjustment while sustaining domestic political support for reform. Partly in response to this pressure, Stein (1998) believes that the 1992 ODA Charter specifically recognised that ‘Japan will provide support to structural adjustment, so that the entrepreneurship and the vitality of the private sector in recipient countries can be fully exerted in the market mechanisms’ (MOFA 1992, Section 3.2 (e); and 2.4). Aid officials interpreted the IMF adjustment programmes as being consistent with Japan’s new commitment to structural adjustment (Stein 1998). Thus, several studies suggest that Japan responded to US pressure by increasing ODA to countries during their early phases of IMF adjustment programmes (Stein 1998:28, 40). Calder (1988), Anderson (1993), Katada (1997), Stein (1998), Miyashita (1999) hypothesise that in order to protect Japan’s bilateral relations with the US, policy makers reacted to US pressure (*gaiatsu*) and took its strategic interests into account as they formulated aid policies. Tuman and Strand argue that although many studies hypothesise that *gaiatsu* (foreign pressure) is an important influence in the Japanese aid programme, they find little empirical support for any link between Japanese aid in Asia and the US *gaiatsu* regarding security and economic reforms. Japanese foreign policy strategies are often described as circumscribed by Article 9 of its ‘MacArthur’ constitution, constraining Japan’s military dependency and its economic prowess. Japan has sought to exercise diplomatic influence through multilateral and bilateral pathways. It contributes more capital to the United Nations than the UK, France or Russia - all permanent members of the UN Security Council - combined. Since the
early 1980s, Japan has greatly increased its contributions to the World Bank and the IMF. In addition to its multilateral efforts, it has also become a major provider of bilateral ODA. Japan also increased its share of ODA amongst members of the DAC from 12 percent in 1980 to 20 percent in 1998 (Wan 2001, p.30). In 1998, Japan’s ODA per capita was roughly three times that of the US.

For many years, Japanese ODA was concentrated in Asia, and Asian countries received an average of 60 percent of its aid during the 1980s and 1990s. This amount was greater than any other region (Grant and Nijman 1997:42; 1998). Moreover, while the US was shifting ODA to other developing areas in the aftermath of the Vietnam conflict, Japanese aid to Asia grew rapidly. Almost a decade long economic recession in the 1990s led to cutbacks in Japan’s aid programme, but the commitment of Japanese aid policy makers to Asia remained strong (Katada 2002).

The results of all these studies suggest that there is partial variation in the determinants of Japanese ODA across different regions of the developing world. For example, though there are some strategic US interests associated with Japanese aid in Africa, they are not there in other areas, including Asia and Latin America (Tuman et. al., 2001; Tuman and Ayoub 2004). Similarly, although human rights abuse have been shown to be relatively important determinants of Japanese aid to Africa, recent studies, including Tuman and Strand’s work (2006), find that there is no effect of human rights and democracy on Japanese aid policy in Asia or Latin America. The findings do not conclusively demonstrate that the US pressure has no effect on the disbursement pattern of Japanese ODA in Asia. However, many studies have shown mixed effects of the US gaiatsu on Japanese ODA in Asia, Africa and Latin America.

The second hypothesis of this study, - Mercantilism and the role of Japan’s national economic interests, has been found to be quite relevant. Japan’s aid is well grounded in the neorealist theory that states seek to maximize their economic interests for national security and prosperity (Gilpin 1987). In Japan’s case, neo-realists argue that Japan employs its ODA policy as an instrument (tool) to protect its commercial interest abroad (Hook and Zhang 1998; Schraeder et. al., 1998:298-300). As Arase (1994:172) notes: What distinguishes Japanese ODA is the structural inclusion of private sector actors in policy making and implementing structures......As a result of this structural inclusion, co-ordination of ODA with Japanese trade and investment objectives is a normal result, even if modalities change over time.
The mercantilist explanation of Japan's ODA has gained importance because of the rapid growth in FDI to Asia after the 1985 Plaza Accord. In addition to the post-Plaza Accord emphasis on ODA as a lubricant for FDI, prior to which Japanese aid policy in Asia was often focused on export promotion. Some scholars hypothesise that the Japanese state ties ODA to the entry of Japanese firms in the recipient country, with attendant consequences for partners of trade (Chan 1992: 7, 11; Inter American Development Bank 1993:43-45; Rix 1996:81; Tuman and Emmert 1999). As participants in ODA projects, Japanese firms tend to import finished products from Japan to meet the domestic demand in the recipient country. In addition, Japan may give ODA to create a favourable relationship with countries in Asia that can serve as a low-wage base for exports for Japanese firms or as a base for exporting raw materials (Chan 1992:7; Anderson 1993; Hirata 2002). As many analysts have observed, Japan is extremely dependent upon oil imports and other important raw materials. Historically, Japanese ODA might have been given to oil exporting countries including Asian countries, in order to guarantee Japan's oil supply (Hirata 2002). One might therefore expect Japan's aid to concentrate on Asian oil exporting countries. Since the inception of the aid policy in the 1950s, mercantilism and economic interests have been considered dominating factors in Japan's ODA policy.

In the third hypothesis of this study, viz., Japan's commitment to humanitarian considerations and co-operation between rich and poor countries, one can find a perspective that is compassionate and concerned about the welfare of nations and its people truly idealistic. Idealists hypothesise that states use foreign policies to advance humanitarianism and BHNs like poverty alleviation, improvement of health facilities and education, empowerment of women/WID, protection of ecology and environment, peace, development and human security etc., in LDCs (Kegley 1993). Japan has been particularly active in addressing these issues since 1990. In the ODA Charter of 1992, it was stated clearly that 'environmental preservation and development should be pursued in tandem.' Along with environmental issues, BHNs have also been given emphasis in Africa and some other parts of the world where conditions are really dismal. The main reason of this remarkable shift from its traditional aid policy was the realisation of a humanitarian perspective and a new aid vision. This would also help to protect Japan from its detractors as Japan bashing (in order to combat Japan bashing) had become quite
common before the 1990s. This new orientation was also a culmination of several 
other international and domestic factors that emerged after the end of the Cold War. 
However, in spite of Japan's idealistic humanitarian concerns, most of the 
environmental projects supported by Japan's aid have been unsuccessful and 
destroyed ecology; it has forced people to migrate which in turn, has resulted in mass 
displacement and unemployment. In addition to this, the interest of the Japanese 
private sector is largely responsible for environmental destruction in recipient 
countries, despite a pledge for sustainable development in ODA Charter of 1992. Yet, 
at the same time, aid for health and education has been largely successful, and less 
controversial in nature.

As Japanese NGOs and civil society grew over the years, they started playing 
an active role and wanted greater participation with MOFA and other ministries in aid 
decision making and implementation at the grassroots level (Hirata 2002). As a result 
of increased NGO activity, poverty reduction and the alleviation of food shortages 
have become important goals of Japanese aid projects. A number of studies have 
found that poverty, as measured by lower GNP per capita, is associated with Japanese 
ODA in the recipient countries of Asia, Africa, and Latin America (Chan 1992:11; 
Inukai 1993; Cingranelli and Gomez 1996; Katada 1997; Tuman et. al 2001; Tuman 
and Ayoub 2004).

Japanese aid has been linked to political liberalisation or improvements in 
human rights, particularly since changes in the ODA Charter were adopted in 1992 
(Sato 1994; Rix 1996:83; Grant 1998:47; Hirata 2002; Neumeyer 2003). It was 
clearly stated in the ODA Charter of 1992 that Japan would emphasise humanitarian 
concerns, specifically poverty reduction, along with improvement of human rights and 
democracy, when formulating aid policy (MOFA 1992, Sections 2.4 and 3.2-b). 
However, in the case of countries like China, Myanmar and Peru, Japan has not been 
strict about these guidelines. It can be expected that ODA to countries which are 
showing conformity to its official guidelines will be increased (Okuizumi 1995). 
Since 1990, NGOs grew in importance as they helped in promoting humanitarian 
goals as a consequence of which, Japan gained international ascendancy and image 
enhancement. This was necessary and would to ward off the continuous criticism that 
was being levied against Japan for promoting its exports, securing the interest of the
private sector, providing poor quality of aid, being self-orientated and avoiding BHNs.

The fourth hypothesis of this study is that there has not been a significant improvement in the recipient countries as a consequence of Japan’s “soft aid”. In this context, the response has been found to be mixed. China has been a major recipient and the main beneficiary of Japan’s aid for many years. Indonesia and other ASEAN countries have attracted huge FDI and as a result, have benefitted significantly. Environmental aid has not been very successful and Japanese aid is largely responsible for incompatible projects, degradation and destruction of local environment, mass displacement and unemployment, emission of high level of carbon dioxide etc., in recipient countries, as it has been discussed earlier. Aid for health and education has got a comparatively good response, largely due to the involvement of NGOs in Africa, Afghanistan and other countries. Bangladesh, Nepal, Indonesia, Philippines, China, Vietnam, Laos, Cambodia, Mongolia, Mozambique have been the major beneficiaries of Japan’s grant aid. As far as Japan’s technical co-operation is concerned, China, Indonesia, Thailand, Vietnam, Philippines, ROK, Malaysia, Cambodia, Laos and Myanmar have been the main recipients. China, India, Indonesia, Pakistan, Vietnam, Philippines, Thailand, Peru, Brazil have been the main recipients of Japan’s loan aid. If we count bilateral ODA as a total, China (12.32%), Indonesia (8.00%) and India (7.34%) were the three main recipients in 2001-02 (ODA White Paper 2003: Goals of the Revised ODA Charter).

The fifth hypothesis that Japan’s political aspirations are linked with its “soft aid” policy appears to be true when the development of the aid policy since the end of Cold War, and particularly the enactment of the ODA Charter of 1992 is considered. The revision of the Charter in 2003, re-emphasises the need to play a global role in order to secure political interests, along with other goals. After the end of the Cold War, international ascendancy has been a main factor in Japan’s aid vision and Japan’s ambition to secure a permanent seat in the United Nations Security Council should be seen in this light. Japan has realised that it is already contributing more than some of the permanent members in the Council and based on that, seeks support from the aid recipient nations. The emergence of China as a regional and global political and economic power has again stimulated Japan’s ambitions to play a more vibrant role which is commensurate to its position and power. Japan wants to
play a major role in the formation of East Asian Community comprising of ASEAN + 3 and Australia, New Zealand and India. Since ASEAN countries, China and India have been major aid recipients; Japan is now aspiring to play a main role in East Asia which is always vital in the protection of its political and economic interests.

Based on the outlines of the aid objectives in the Revised ODA Charter of 2003, the final hypothesis of this study that Japan’s “soft aid” policy is not solely aimed to develop the recipient countries certainly seems to be true. The objective of its ODA is to contribute to the peace and development of the international community and thereby help ensure Japan’s own security and prosperity. In fact, ODA has been an integral tool to secure Japan’s economic, political and wider international objectives in the fast changing global power structure. In the last five decades, Japan has largely been successful in achieving its objectives. Now Japan is looking forward to securing the same, in the years to come.

**Recommendations to Make Japanese ODA More Effective:**

Japanese ODA policy is largely determined by its bureaucracy and in Tokyo, many decisions are made by bureaucrats. A large amount of loan aid as well as emphasis on economic infrastructure have been the main characteristics of its aid policy, over the decades. Japan remained a top donor in terms of the quantity of aid disbursed from 1991-2001, and now it is the second largest donor after the US. However, DAC’s way of measuring quality in strict economic terms by looking at ‘grant share’ and ‘grant elements’ placed Japan at the bottom of the list while giving its ODA the status of low quality.

The strong emphasis on economic infrastructure reflects Japan’s domestic situation. Infrastructure is an area where Japan is strong, due to its considerable know-how, the number of its well-trained engineers and its many construction companies. However, this type of aid generally fails to create goodwill among the poor people in developing countries. Thus, even though the governments that get the loans and the construction companies that get the orders are pleased, a human face is not given to its aid.

In the post Cold War era in 1990s, a considerable change in Japanese aid policy was noticed with the inclusion of ‘softer’ types of aid. The problem with “soft” areas of aid is that these are not necessarily Japan’s strong points. They require many
more personnel with field experience, something that Japan has a shortage of today. In order to speed up the process, Japan could co-operate more with other donors. It would be significant to create joint projects with experienced people and take other steps in this regard. Japanese NGOs are an underutilised resource and many of them have extensive experience of working in developing countries. Giving such NGOs adequate support and financial assistance would prove very useful. Protection of the environment is another major area which enjoys huge support within Japan and this is one area that is well suited for further technical co-operation.

There was considerable debate on Japanese aid in the 1980s. It was criticised for being aid without a human face and lacking any humanitarian feeling behind it. Since then, Japan has adopted the ODA Charter in 1992 and the Revised ODA Charter in 2003. Goals have become more specific and aid policies have been improved towards the aim of "soft aid". However, there is still considerable work to be done in this area. Goals need to be analysed and divided into secondary objectives. Programmes and projects should be planned and evaluated accordingly. This is more important as Japan moves away from economic infrastructure into softer types of aid that are more difficult to evaluate. Japan should broaden sectoral allocation away from infrastructure and more into health and education, i.e., "soft aid". To support this broadening, knowledge of country circumstances will be required, along with decentralisation of staff and decision-making authority to the country-level. In the best interest of effective aid, there should be reconsideration on aid flows to richer non-Asian countries and certain Asian countries where the aid policies are poor and need to be improved.

Japan also needs to refine the methods for the evaluation of technical aid. It should move away from "request-based" aid because the problem with this method is not the principle but the practice. Efforts should be made to ensure that technical assistance is, in fact, recipient-driven and, as much as possible, channelled through sectoral and national expenditure plans. In addition to this, Japan, should not increase the volume of 'tied' aid. Its history of 'untied' aid is of high value, and it would be unfortunate to backtrack now. Instead, more emphasis should be placed on using local expertise as per DAC's guidelines.

The ODA policy is much too fragmented at the organisational level with too many ministries, all pushing their own interests and agenda. When all their different
interests become incorporated into the ODA policy, the goals become blurred. Therefore, Japan needs to streamline its organisation.

Since the end of the Cold War, Japan has been focusing on poverty alleviation and development issues in "soft aid" policy. This will not only require that the recipient countries take more ownership and responsibility in aid implementation, it will also require changes in donor practices.

**Major Issues in Formulation and Implementation of Japan’s “Soft Aid” Policy:**

**A) Structure and Institutions:**

As mentioned earlier, Japan faces some serious problems in its “soft-aid” policy formulation and its implementation in the developing world. The current institutions and organisational structure could be a major obstacle in the smooth functioning of its "soft aid" policy in various ways.

The complexity of the present ODA structure may be increasing the challenge of such a volume. The involvement of four major ministries and fourteen external agencies makes the ODA policy making slow to change, a problem that is shared by most people in the Japanese government (the ministries involved include Finance, International Trade and Industry, Foreign Affairs, and the Economic Planning Agency). However, structural reform was attempted in this direction by merging OECF (Overseas Economic Co-operation Fund) with JEXIM (Export-Import Bank of Japan). As other donor countries tried to streamline their institutions for better formulation and implementation of their aid scheme, Japan had to face a challenge of this sort immediately. Accountability and responsibility of concerned ministries were considered vital in this direction. In addition to this, internal ODA structures should also be developed which support "soft aid" policy.

Although internal structural changes are important, the inclusion of external stakeholders is considered to be equally important in the process of change. As Japan moves to delivering new types of aid and aid to new countries, domestic public support for ODA policies will be increasingly important. “Soft aid” is more politically oriented than hardware aid, and enjoys less economic rationale for Japan than hardware aid, which often helps domestic firms to sell products.

The increasing use of "soft aid" will thus have to be popularly supported in Japan if these and other obstacles are to be overcome. A greater effort should be made
to integrate NGOs into their aid policy formulation and implementation. There are remarkable examples of Scandinavian countries where NGOs play a crucial role in mobilising domestic support backing the government's initiatives and aid policies in general. The role of other institutions like civil society consisting of universities and think tanks can also play a significant role in this direction. Therefore, an open dialogue should be invited by the Japanese government, within the government structure and bureaucracy and outside of it, involving civil society, universities, think tanks and NGOs. The government can also come forward to strengthen the capacities of NPOs (Non-Profit making Organisations), private organisations and consulting firms to receive their contributions to the aid policy making process. Think tanks in Japan are usually associated with large banks and their focus is generally limited to economic analysis. Thus, there is a growing need for policy analysis think tanks, which go beyond economic policies. The government can take a new policy to encourage these institutions to take up issues of development assistance. Japanese consulting firms have been and will be important actors in this. A few of them are definitely active participants in the design and implementation of "soft aid". This is largely because of limited "soft aid" human resources. Recent changes in the system allow foreign firms to participate in the research and planning field of JICA projects. Such opportunities should be utilised for interactions with non-Japanese expertise and foreign firms should be allowed in the implementation of "soft aid" in the developing world.

In the long run, strengthening the NGO sector needs to be considered as a measure of ODA institutional building by the Japanese government. In this direction, recent moves by the government to strengthen their relationship with NGOs should be further considered. NGOs are known to be important partners in "soft aid" implementation by many donor countries. They have comparative advantages of flexibility and grassroots approaches that are often essential elements for the successful implementation of "soft aid". In fact, many of the Japanese NGOs have been engaged in "soft aid" for specific issues or they have been working in certain countries for a number of years. Their experience, knowledge of local needs, and established network are valuable assets in the government's efforts for the promotion of "soft aid". In addition to this, NGOs can also evaluate the government's development assistance policy and give realistic suggestions for improvement. Most
of the Japanese NGOs are much younger than their western counterparts. Many of them face organisational and financial difficulties in their operation. There was a survey of 276 NGOs conducted in 1994 out of which, 80 percent had annual budgets which were less than US$1 million and 60 percent had been created in the last 10 years. According to a 1995 survey, the weak financial base of many NGOs is one reason for shortages of skilled personnel in the NGO sector. The government can assist them to grow and to develop professional management by modifying the current legal system that works against establishing a stronger NGO sector in Japan.

Private sector actors and international NGOs should partner with local NGOs. In development aid in general, and "soft aid" in particular, these recipient-country NGOs are increasingly viewed as being critical to incorporate the aid. As the Japanese government has little experience with them, and is not connected to NGO networks in recipient countries, international NGOs and the experience of other organisations in developing countries should be harnessed to ensure the effective involvement of the recipient country's NGOs.

B) Human Resources:

The shortage of human resources for development assistance in Japan's aid policy has been a matter of serious concern for a long time. Shortages are evident in two categories of ODA personnel. One is the category of managers of ODA policy and project implementation at government ministries and agencies. JICA's staff numbers some 1,100 and OECF some 300. By adding those in other ministries, including MOFA, who are engaged in aid administration, Japan's ODA is run by some 1,900 staff. This number is very small when compared with that of other donor countries and agencies, especially given the amount of foreign aid Japan provides in its ODA. Both the US and Germany have almost four thousand staff in their respective foreign aid agencies. In order to illustrate the financial responsibility of each staff, Kohama calculated the amount of foreign aid handled per staff in various aid agencies by using an example of the aid flow to Indonesia in 1989. While one staff member at the USAID, the Dutch aid agency, and the World Bank were in

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charge of US$ 8.3, US$ 19.5 and US$ 31.3 million respectively, only one Japanese staff member was responsible for as much as US$ 54.4 million.

As Japan's ODA budget burgeoned, the tasks and responsibilities of each staff member grew proportionally. With a limited administrative capacity, large-scale, mainly ‘hardware’ projects have been favoured by the aid bureaucracies because of their “spendability” – i.e., the capacity to disburse ODA budget quickly, as a way of accomplishing numerical targets. “Soft aid”, however, usually involves much smaller amounts of money than ‘hardware’ aid, and requires more intense use of people. Therefore, promotion of "soft aid" will require expansion of the government ODA personnel. Although generalist aid administrators and managers are lacking at government agencies, a second human resources shortage is in the area of senmonka, or specialists. In some areas, only a third of the total requests for experts are reportedly met. Language problems and constraints in the workplace are common problems. Under the traditional lifetime employment system in Japan, there has been very little movement in the job market until recently. Furthermore, work experience in developing countries is not generally regarded as a positive asset in professional development. This may be particularly true for professionals with highly advanced technical skills, such as health professionals and engineers. For instance, in the medical area, Japan is facing a totally different set of health issues as compared to many other developing countries.

The main causes of disease and poor health in developing countries - infectious diseases, malnutrition, and maternal deaths - are no longer major health issues for medical professionals in Japan. These human resource constraints present an obstacle to the expansion of "soft aid". Several efforts have been made in the past few years to address the problems of human resource shortages. For instance, the MOFA has sought to establish an international development graduate school since 1985 as an institution for training Japanese ODA personnel. As the nucleus for the concept, the Foundation for Advanced Studies on International Development (FASID) was set up in 1990, under the supervision of MOFA and the Ministry of Education, Science, and Culture. FASID’s current activities include provision of training courses, support for research activities (including various scholarships), and information

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services, in order to promote education and research about development assistance. Another move in the educational field is the expansion of university courses on international development at the graduate level. About thirty universities currently offer graduate-level courses on various aspects of international development, such as economics, policy administration and management, public health, and international relations. In addition, support systems exist for young people to gain work experience in international development assistance. Some examples are the Junior Professional Officer (JPO) programme for UN agencies, and the Japan Overseas Cooperation Volunteers (JOCV). Since 1990, the “Associate Specialist” system within the JICA mechanism has functioned to utilise personnel with experience, such as those from the JPO and JOCV programmes. In addition to students at domestic universities, many Japanese enroll in overseas universities. As a result, the number of young people who receive education at a graduate level in development studies is steadily growing. In addition, over a thousand JOCV volunteers return to Japan annually from two-year assignments in developing countries.

There are also an increasing number of people who have completed assignments at international organisations such as JPOs. Some of them continue working with international organisations, but under the current fiscal difficulties at the UN and elsewhere, an increasing number of people are facing hiring cuts and freezes. However, once they return home to Japan, some find it difficult to obtain suitable job opportunities in which they can use their experience and knowledge of development assistance.

Under the current ODA infrastructure, there is no systematic process whereby “soft aid specialists” are trained and can pursue satisfactory career paths. However, the system adopted at the International Medical Centre of Japan (IMCJ) provides a unique example of a programme designed to overcome this problem. In order to attract physicians and others for overseas medical technical assistance, IMCJ has arrangements to offer clinical posts while these medical doctors are back in Japan. This arrangement is made to compensate for possible professional sacrifices occurring due to their absence from Japan, and to guarantee opportunities to maintain the latest knowledge and skills in each specialisation, as well as possible career paths for junior to mid-career health professionals. IMCJ's Bureau of International Co-operation has sent more than three hundred professionals (in aggregate) to seventy-two developing
countries. When they return to Japan, IMCJ offers a post and the base for them to resume their professional careers in Japan.

This is a policy innovation that deserves more attention. Similar arrangements can be put in place in various fields of development assistance, so that it will encourage more people with highly specialised skills to take up assignments in developing countries. The Environment Agency, for example, is attempting to establish a similar resource centre supporting projects and specialists in the field of sustainable development.

In terms of creating career paths for "soft aid" personnel, private consulting firms and NGOs can offer an important alternative to government employment. Traditionally, the Japanese practice of training employees was to develop generalists rather than specialists. People are transferred from one post to another every two years or so, and sometimes to a completely different field. This is exactly the way the government ministries involved in the ODA, as well as JICA and OECF, implement their staff management. These agencies usually turn to outside sources for a supply of specialists in a particular area when necessary. Consultancies in the private sector have been an important source of such specialists, in addition to academia and federal and local governments. As in the case of academia, there are only a handful of consulting firms that have technical competence in “soft aid” and find the area financially worthwhile. The government should utilise human resources in the private and NGO sectors, in addition to internal mechanisms.

Human resource development needs to be addressed from a long-term perspective as there is a mismatch of supply and demand of aid specialists. There is a real need for senior personnel and a surplus of young but experienced personnel who are willing to work but cannot find employment in their fields of interest. To address this human resource gap, the government could help facilitate “soft aid” academic training, practical experience, job security, and established career paths for these young professionals. Linkages between the stages of professional development should be secured. Japan has taken several important actions as mentioned above, but much

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6 Although in reality, many of these doctors are exclusively engaged in international assignments as the demands for medical specialists in ODA have been increasing (Etsuko Kita, "International Medical Cooperation," Laboratory and Clinical Practice, vol. 11, no. 1 [1993], pp. 68-78.
remains to be done. Without continued change, human resources will be wasted and entering the field of international development may become unattractive for competent young people.

C) Monitoring and Evaluation:

A third constraint on the expansion of "soft aid" is the difficulty in monitoring and evaluating projects. There are various aspects of development assistance that require monitoring and evaluation, including inputs, process, outcome, and impacts. For monitoring input indicators, information on the resource allocation to "soft aid", with a clear distinction from hardware aid, is vital. Most of the data on allocation of ODA resources are aggregated by sectors and types of aid (see table 1 below). Such data, however, provide an incomplete picture of Japan's performance in "soft aid". For instance, the allocation to social sectors, such as education and health, is available, but further breakdown within a sector between hardware (e.g., construction of hospitals and schools, provision of medical equipment and textbooks), and soft (e.g., technical and policy advice) is not publicly available from the data.

Indicators of "soft aid" effectiveness are lacking. Evaluations of the "soft aid" process, output and impacts require more complex evaluation skills than input measurements. In general, however, the Japanese government has made improvements in this area. Since 1981, MOFA has been making evaluation results of ODA projects public by issuing annual reports. The 1995 report contains information of various types of evaluation carried out for 142 projects. MOFA conducts "post-project" evaluation on sustainability and impact concerning those projects completed two to four years earlier. Of the projects evaluated, 42 percent were reviewed by third parties. Such efforts by the government to respond to the demand for a fair and objective evaluation practice and increasing transparency deserve attention, and should be further encouraged in "soft aid" promotion. Appropriate indicators may include an adequate portion of projects being dedicated to the training of local individuals and institutions. In addition, the sustainability of projects should be evaluated. Each project could include a long-range plan for ensuring its continuing appropriateness and effectiveness for the recipient country, community and target-

groups, and have mechanisms for evaluating positive and negative "side-effects" (economic, environmental, and others).

Designating indicators and setting up a mechanism for monitoring and evaluation is one thing, but making use of the findings is another matter. Although there are some positive changes in the ODA evaluation system, establishing a clear route for feedback needs further attention. As "soft aid" often requires more time than hardware (hard) aid in order for meaningful impacts to be visible, it is all the more important that an ongoing feedback mechanism be established in each "soft aid" project.

It is clear that the emergence of a new international relations agenda in the post-Cold War era is providing Japan with opportunities to create a new direction in its ODA policy. Developing countries can no longer be seen as a homogeneous group. Some nations, such as the Newly Independent States and many Southeast Asian countries are achieving economic development and improving social welfare while others, especially in Africa, suffer from civil unrest and economic deterioration. Donor understanding and the tailoring of aid policies to particular needs of developing countries have increased as well.

Japan has committed itself to expanding the range of its development aid beyond its historical region of influence, Asia, and to a wider set of issues. To do this, Japan's ODA must address a more complex set of needs from a wider group of countries than ever before. In this context, a "one size fits all" approach, characteristic of Japanese aid in the past, is no longer appropriate. Building ODA capacities in "soft aid" will allow Japan to address a broader range of issues with a wider range of recipients, and will improve the effectiveness of traditional 'hardware aid' when the two are packaged together. A key challenge to Japanese policy making is to find the right balance between new activities in "soft aid" and its traditional emphasis on 'hardware aid'. Efforts to find the right balance will themselves lead to qualitative improvements in Japanese aid.

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<table>
<thead>
<tr>
<th></th>
<th>Grants</th>
<th>Technical Assistance</th>
<th>Total Grant</th>
<th>Loans</th>
<th>Total Bilateral ODA</th>
</tr>
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<tbody>
<tr>
<td>1. Social Infrastructure &amp; Services</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Education</td>
<td>132</td>
<td>673</td>
<td>806</td>
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<td>Health</td>
<td>159</td>
<td>132</td>
<td>291</td>
<td>92</td>
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<td>Water &amp; sanitation</td>
<td>210</td>
<td>54</td>
<td>264</td>
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<tr>
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<tr>
<td>Public admin.</td>
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<tr>
<td>Dev. &amp; planning</td>
<td></td>
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<td>Other infra. &amp; services</td>
<td>125</td>
<td>103</td>
<td>228</td>
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<tr>
<td>Sub-total</td>
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<td>1,709</td>
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<tr>
<td>2. Economic infrastructure</td>
<td>345</td>
<td>299</td>
<td>644</td>
<td>4,944</td>
<td>5,588</td>
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<tr>
<td>3. Production</td>
<td>495</td>
<td>527</td>
<td>1,022</td>
<td>819</td>
<td>1,841</td>
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<td>4. Multi-sector</td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>5. Program assistant</td>
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</tr>
<tr>
<td>6. Debt relief</td>
<td>349</td>
<td>349</td>
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<td>7. Food aid</td>
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<td>8. Emergency aid</td>
<td>26</td>
<td>26</td>
<td>110</td>
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<td>9. Admin. costs</td>
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<tr>
<td>10. NGOs support</td>
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<td>6</td>
<td>6</td>
<td>6</td>
<td>0.0%</td>
</tr>
<tr>
<td>11. Others</td>
<td>178</td>
<td>105</td>
<td>283</td>
<td>17</td>
<td>300</td>
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<tr>
<td>Total</td>
<td>2,080</td>
<td>2,744</td>
<td>4,823</td>
<td>10,415</td>
<td>15,238</td>
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</table>

Several points do emerge from this analysis of Japan's capacities in "soft aid". To improve the development of "soft aid", a number of things are important such as formal changes in ODA institutions; relevant training of ODA individuals, and new linkages to the wider development assistance community. Regarding the first point, this analysis re-iterates the recommendations of other scholars and policy makers that streamlining of the overall ODA administrative structure could facilitate change. There is little doubt that Japan's complex administrative structure and competing bureaus hinder the design and implementation of "soft aid". In addition, Japan needs institutions within the government ministries that champion "soft aid" and facilitate its implementation. The replication of internal organisations like the International Medical Centre of Japan's Bureau of International Co-operation would strengthen the expertise level and status of "soft aid".

Training individuals is as important as changing the institutions they will work in. The government needs to take a more active role in promoting "soft aid" academic training, practical experience, and career paths for young professionals. Without properly trained professionals, the ODA structure may lack the depth to sustain the new policy initiatives. Conversely, it is challenging to support the development of human resources in new areas without a structure reflecting those priorities. Here again, the IMCJ could be replicated in other fields where personnel could be encouraged to work in ODA technical co-operation roles.

A critical way of addressing this human resource gap is through the wider participation of institutions outside the government in policy formulation and implementation. The policy making process needs to be opened up to private and nongovernmental organisations. Many outside organisations have expertise in "soft aid", and could help develop capacities in the changing ODA structure. In addition, wider participation would help ensure continued public approval of development assistance policies. This is an increasingly important factor because of the recent emphasis on expanding beyond traditionally favoured regional countries and 'hardware' style aid packages. Finally, outside participation in the ODA process could enhance the credibility of ODA assessments, particularly in the "soft" area for which little internal expertise exists. Interaction with the nongovernmental sector could be increased through fostering linkages. As mentioned earlier, the government needs to promote linkage among various institutions, such as universities, international
development organisations, think tanks, consulting firms, and NGOs. This will open the policy making process further, and help address the human resource issues which the Japanese ODA faces. **Institutional building** is the key foundation for all of the above developments for the promotion of “soft aid”.

The use of NGOs in development projects can be implemented, based on strong models in the other countries, where a much more substantial amount of ODA is administered through them. Some NGOs already have rich experiences in “soft aid”, and they are valuable partners for ODA, much beyond the current small-scale funding schemes used by the government. Collaboration with the private sector could be important as well. ODA projects can be implemented by Japanese and local NGOs with the support of specialists from consulting firms or academic institutions if necessary. For example, if NGOs lack administrative capacities to comply with complex requirements by the government, experts from consulting firms can provide supervision in that area.

**Japan** has entered yet another stage of its involvement in the ODA policy. There are many signs of new and positive developments for the future. Japan's shouldering of top donor policy leadership is going to be translated into actions, and tested by reality. Many of the current constraints, which have been pointed out in this thesis, will require Japan to engage in long-term strategies. Patience is essential both within the government departments and even outside of it. Short-term difficulties should not discourage and deter innovative approaches. In a climate of open discussions of governmental reform, opportunities for addressing new policy directions in ODA through major changes in administering institutions and human resources should not be overlooked. Each single entity will bring about far more positive impacts if they are linked with the other entities. Innovative and flexible approaches are needed for the making and effective implementation of the “soft aid” policy of Japan.