



**Discussion Paper No.176**

**From crisis to Kyoto and beyond:  
The evolution of environmental concerns  
in Japanese official development assistance**

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**November 2009**

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The evolution of environmental concerns in Japanese official development assistance*

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GSID Discussion Paper

**Acknowledgements**

I am very grateful to the Graduate School of International Development at Nagoya University, Japan for hosting me during my three month sabbatical from the International Institute of Environment and Development (IIED) between January and April 2009. In particular, I would like to thank Professor Yoshiaki Nishikawa for his intellectual guidance and kind supervision. I am also indebted to all of my colleagues at IIED who allowed me the opportunity to take this sabbatical. I am especially grateful to Steve Bass and James Mayers who provided initial guidance on the ideas for my study and reviewed an early version of this paper. I would also like to thank and acknowledge the 15 individuals from academia, civil society and government in Japan who agreed to meet with me to share their personal perspectives and experience of some of the issues raised in this paper – these meetings were invaluable. Finally, I would like to thank my husband for his encouragement and moral support leading up to and during this endeavour.

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## Acronyms and abbreviations

ADB	Asian Development Bank
AFD	Agence Française de Développement
BAPPENAS	Indonesia National Development Planning Agency
CDM	Clean Development Mechanism
CEC	Central Environment Council
CGD	Center for Global Development
CO <sub>2</sub>	Carbon dioxide
EIA	Environmental impact assessment
FDI	Foreign direct investment
FoE	Friends of the Earth
GNP	Gross National Product
GRIPS	National Graduate Institute for Policy Studies
GSID	Graduate School of International Development
IADB	Inter-American Development Bank
IIED	International Institute for Environment and Development
ISD	Initiative for Sustainable Development
JACSES	Japan Center for a Sustainable Environment and Society
JICA	Japan International Cooperation Agency
JBIC	Japan Bank for International Cooperation
NADB	North American Development Bank
NAPA	National Action Plan Addressing Climate Change
MAFF	Ministry of Agriculture, Forestry and Fisheries
METI	Ministry of Economy, Trade and Industry
MOE	Ministry of Environment
MOF	Ministry of Finance
MOFA	Ministry of Foreign Affairs
ODA	Official Development Assistance
OECD-DAC	Organisation for Economic Cooperation and Development – Development Assistance Committee
OECF	Overseas Economic Cooperation Fund
OPEC	Organisation of Petroleum Exporting Countries

UNCED	United Nations Conference on Environment and Development
UNEP	United Nations Environment Programme
UNDP	United Nations Development Programme
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UNFCCC	United Nations Framework Convention on Climate Change

## **1. Introduction: Summary and scope of this study**

This paper was written during my sabbatical from the International Institute for Environment and Development (IIED) from January to April 2009 when I was hosted as a visiting researcher at the Graduate School of International Development, Nagoya University. The paper draws on existing commentary, literature and policies from within and outside Japan with the intention of serving as a primer on the subject of Japanese environmental aid and the driving factors that have influenced and shaped its evolution since the 1950s. Interviews were held in Japan between January and April 2009 with some 15 key informants from a range of government, civil society and academia. The interviews were particularly valuable in understanding the cultural context of Japanese environmental official development assistance (ODA) and enhancing my existing knowledge of the country, gained previously through an undergraduate degree in Japanese Studies and time spent studying and working in Japan.

This paper seeks to contribute to existing literature on Japanese environmental ODA at a time when many long-standing aid agencies are re-thinking their approach to the environment and emerging donors (including India, China and South Korea) are looking to Japan as a country that has transitioned from aid recipient to donor and economic superpower in a remarkably short period of time. Since the Earth Summit in Rio de Janeiro, 1992, the integration of environmental concerns in development assistance has gained particular momentum and priority within both bilateral and multilateral aid agencies alongside a growing recognition of the responsibility of the world's rich, industrialised nations to assist developing countries in this area. Japan's Medium-Term Policy on ODA (2005) provides the following justification for providing financial and technical assistance to help address what it primarily defines as environmental *problems*:

*'Progressing global warming, severe environmental pollution accompanying economic growth in developing countries, and rapid deterioration of the natural environment against the background of population growth and poverty threaten the lives of people in developing countries. In order to solve these environmental problems, broad-reaching and coherent action is required.'*

In general terms, this justification is subscribed to by bilateral and multilateral donor agencies the world over and OECD-DAC has defined aid to the environment as aid which is:

*'intended to improve the physical and/or biological environment of the recipient country, area or target group concerned; or it includes specific action to integrate environmental concerns with a range of development objectives through institution building and/or capacity development.'* (OECD-DAC 2006)

Drawing from the OECD-DAC definition this paper aims to help explain the history of Japan's environmental ODA which has its roots in the 1950s, in the immediate aftermath of the Second World War. The unique context in Japan at that time, which is in stark contrast to the political, economic and historic drivers of aid agencies elsewhere in the world imply a challenge in attempting to assess the Japanese story from within a single aid framework – this paper is therefore structured chronologically, and attempts to outline some of the driving factors and motivations behind Japan's achievements and the challenges that have been faced along the way.

The past 60 years have seen Japan transform from a largely agrarian country ravaged by war that veered from one environmental crisis to another in its pursuit of industrialisation – to become a global forerunner in pollution reduction and the world's largest bilateral donor with a domestic economy second only to that of the US. Japan's remarkable transition has been driven by a range of needs, aspirations and foreign policy interests which have played no small role in influencing and shaping the nature and allocation of Japanese environmental aid. Japan's budget for environmental aid has been significant, its projects large-scale and where it has succeeded – most notably in the transfer of environmental technology and hardware, its achievements have often been marred by the perception of vested Japanese interests or they have not been lauded widely. Japan's failures on the other hand have been visible with critics quick to cite its shortcomings – some of which are referred to in this paper, both on account of their validity but also as they have been part of the narrative which has both shaped and challenged the Japanese approach. Where Japan has been confronted by pressure and criticism from the rest of the world, it has often struggled to reconcile its strong national identity and political determinism on the one hand with a recurring desire to appeal to and appease the international community on the other.

This paper ends with five conclusions on the Japanese story so far and considers some of their potential implications for the future. In summary, the concluding observations of this paper are:

1. The nature of Japan's interdependency with the rest of the world (and Asia in particular) has been a key factor in determining its approach to environmental ODA
2. Japan's environmental ODA has long since focused on the transfer of infrastructure and technology – these are areas in which Japan has developed a competitive advantage
3. The non-confrontational, self-help philosophy of Japanese aid has led to a principle of non-interference in the implementation of many environmental assistance projects – this has been at the cost of weak monitoring frameworks
4. Japan did not meet its desired ambition of becoming a global leader in international environmental cooperation but it has successfully asserted a certain level of regional leadership

5. Japan's foreign policy interests and aspirations will evolve further in the coming years, presenting both opportunities and threats to the prioritisation of environmental ODA

## **2. The 1950s: Reparations, industrial growth and environmental crisis**

The evolution of Japan's aid to developing countries began in the 1950s, following its defeat in the Second World War, and its subsequent membership of the Colombo Plan in 1954. Under the Plan, Japan began paying war reparations to Burma under the guidance of the United States Secretary of State for the promotion of economic and social development in Burma. Japanese payments to the Philippines, Indonesia, Thailand, Singapore, Vietnam and Malaysia shortly followed with the main stated objective of establishing good relations with Asian countries (MOFA 1994). Hence, at the same time as being a recipient of US recovery aid itself, by the end of the 1950s Japan had already begun providing its first form of development assistance and in 1958 began a programme of loan aid with an initial transfer of funds to India. (Bøås 2002 and Cooray *et al.* 2005)

Although the total cost of Japan's reparations came to no more than US\$1 billion over 20 years, it is widely agreed that they were of significant mutual benefit to aiding the rapid economic development of both Japan and the Asia region in the aftermath of the war. Rapid in its nature, Japan's post-war economic recovery was not without its negative impacts however. Indeed, the industrialisation of Japan that followed led to a number of well-publicised pollution-related environmental catastrophes which had a devastating impact on public health in the affected areas. Three of the most well known cases were Minamata disease and Niigata Minamata disease (both caused by severe mercury poisoning in the food chain) and Yokkaichi asthma (caused by air pollution)<sup>1</sup>. Amongst riots by fishermen, accusations of cover ups, and law suits against the Chisso Corporation (a chemical manufacture found responsible for the outbreak of Minamata disease) a citizens' movement emerged to take on the *iron triangle* of business, bureaucracy and government (see Box 1 for more on the iron triangle). It was not until some 12 years later in 1968 that the

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<sup>1</sup> Minamata disease first became apparent in Minamata Bay, Kumamoto Prefecture in 1956 where wastewater was being discharged into the Bay and polluting marine life. The disease, caused by severe mercury poisoning through the consumption of contaminated fish, led to the death of some 987 people and thousands of other victims (Ui 1992). Victims initially suffered from severe convulsions, intermittent loss of consciousness and mental ability followed by permanent coma and in many cases death.



Japanese government officially recognised the cause and effect link between the pollution and contamination of fish stock in Kumamoto Bay and the Chisso Corporation.

**Box 1: The *iron triangle* of Japanese policy making**

The Japanese private sector has been what Vinger (2008) describes as ‘*a most important factor in the development of Japanese environmental policy*’. Organised through the Japanese Business Federation – *Nippon Keidanren* – and by maintaining close relations with the long-ruling Liberal Democratic Party and relevant ministries as part of the so-called iron triangle, Keidanren has been able to ensure that Japan’s business interests have remained high on the ODA policy agenda, which for the most part has remained closed to wider stakeholder participation.

As world leaders in air and water pollution control technologies, Japanese businesses have proactively exported their products to a wider market through environmental ODA. Various government initiatives have supported this transfer (ie. in effect sale) of technology.

As of June 2007, Keidanren’s membership included 1343 companies and 130 associations from a range of industries. Keidanren members are encouraged to meet the terms of the Keidanren Global Environment Charter, which was issued in 1991 to guide members in their domestic and overseas operations on the basis that ‘*a company’s existence is closely bound up with the global environment as well as with the community it is based in*’. Beyond meeting their legal requirements, however, members are not subject to any form of monitoring or regulation – perhaps not surprising then that Taylor (1999) considers Keidanren as another Japanese ‘*actor who adopted green rhetoric*’. Although on occasion it may have appeared to take a proactive approach to the environment – for example in the issuing of 36 sectoral voluntary action plans in 1997, this move was reportedly an attempt to pre-empt government attempts to tighten up its energy efficiency policy.

As the government representative of Japanese trade and economic interests and a close ally of Keidanren, METI plays a particularly important role in environmental policy making alongside other less powerful ministries. MOE for example, entered the policy making process in 2001 following its transition from a government agency to a ministry but it is commonly held to be a marginal player with little authority and limited budget and staff.

Sources: Vinger 2008; Wong 2001; Nippon Keidanren 1991; Nippon Keidanren 2007 and Taylor 1999

**3. The 1960s: Export promotion in Asia and environmental clean up at home**

The environmental crises and angry confrontations with the public that began in the 1950s led the government to introduce a range of domestic environmental laws from the mid-1960s starting with the Basic Law for Environmental Pollution Control in 1967 (revised as the Basic Environmental Law in 1993). A series of further laws, referred to by Taylor (1999) as the *pollution diet* followed soon after covering air, noise, water and marine pollution, nature conservation, pollution-related health damage compensation and waste disposal. The enactment of these laws and subsequent adherence by companies has led to the effective reduction of pollution, supported in no small part by the development of new technologies (including de-sulphurisation and de-nitrification equipment), low-interest loans and

preferential tax arrangements for businesses to encourage rather than enforce compliance. Vinger (2008) asserts it is the effective nature of this government-business cooperation that has helped Japan achieve and maintain its position as one of the world's leading countries in pollution reduction.

No doubt encouraged by its ability to reign in and reduce its own pollution levels without compromising economic growth, Japan's pursuance of export promotion and trade ambitions through ODA continued into the 1960s with the Ministry of International Trade and Industry (MITI) referring to economic cooperation with developing countries as *'the mission of the world's industrial nations'* (cited in Bøås 2002). Japanese yen loans to developing countries expanded throughout the 1960s with the introduction of general grant aid from 1969 coinciding with the introduction of the OECD-DAC definition of overseas development assistance in the same year.

Japan became a formal member of OECD in 1964, four years after its establishment and for many years it was the only non-western member. Immediately on joining, Japan was providing total aid at 1% of its GNP closely tied to exports (Doss 1996) – a figure that was already higher than the 0.7% suggested by the UN General Assembly in 1970. With the onset of the Cold War and the loss of China as a trade partner, Japan's emphasis on trade and export promotion through ODA was further heightened in the 1960s and 1970s. As Ampiah (1996) states:

*'A country that promised little or no economic benefits directly to the Japanese economy was less likely to get loans from Japan because of MITI's opposition to such forms of assistance.'*

Indeed, over the years the majority of aid to Asian countries has been allocated for economic infrastructure which the Japanese Ministry of Foreign Affairs (MOFA) considers has helped improve the environment for FDI in recipient countries and the development of Japanese export industries (MOFA 1994). OECD confirms that Japanese FDI has generated a positive economic impact in the region through the lifting of financial constraints, improved access to markets, job creation, enterprise development and the effective transfer of technology and skills to recipient countries. (OECD-DAC 2004).

## Box 2. Administration of Japanese ODA

Historically, the administration of Japanese aid has been divided principally between JICA and JBIC under the overall authority and coordination of MOFA. JICA has taken responsibility for technical cooperation and the distribution of some grant aid (MOFA has administered the majority of grants) and JBIC has taken charge of both ODA loans and export credit. A range of other ministries have also been involved (as listed below) which has served to make Japanese ODA policy making notoriously slow and bureaucratic on account of the differing interests and priorities brought to the table by each ministry.

Following the October 2008 merger of JBIC and JICA, however, ODA loans, technical cooperation and grant aid have all been brought under the responsibility of JICA with a lesser proportion of grant aid remaining under MOFA. The merger has re-positioned the new JICA as one of the world's largest bilateral aid agencies. Responsibilities under the new structure are broadly allocated as below.

Institution	Responsibilities as of October 2008
MOFA (Ministry of Foreign Affairs)	Central coordinating role in ODA administration; leads ODA policy; administrative oversight of JICA; coordinates input to UN operations; implementation of some grants to meet foreign policy requirements; represents JICA in the Diet
JICA (Japan International Cooperation Agency)	Technical cooperation, grant aid and ODA loans
Ministry of Finance (MOF)	Manages pass through funds for yen loans; coordinates IFI operations; specialised analysis
Ministry of Economy, Trade and Industry (METI)	Trade promotion and investment; Asia-Japan economic relations; energy and environment.
JBIC (Japan Bank for International Cooperation)	Export credit loans
Other government institutions (a) Ministry of Education (b) Ministries of Health; Agriculture, Forestry and Fisheries; Land; Public Management; Justice; Environment, and agencies for the National Police, Financial Service and Cabinet	(a) Overseas students and university exchange (b) Technical cooperation (including dispatch of experts and training programmes)
Non-government institutions (a) NGOs (b) Private sector (c) Academia	(a) Policy and project implementation, debate (b) Policy lobby, implementation, contracting (c) Studies, policy, advocacy

Sources: Adapted from OECD-DAC 2004 and JICA 2008a

#### 4. The 1970s: Resource diplomacy and geographic expansion of aid

The 1970s has been described as an era of ‘resource diplomacy’ for Japan, whereby the focus of aid distribution developed beyond trade promotion to integrate wider geographic and foreign policy interests. The first signs of this became apparent following the November 1973 oil embargo by the Organisation of Petroleum Exporting Countries (OPEC) on countries perceived as allies to Israel in the Yom Kippur War of 1973 – which included Japan on account of its close alliance with the United States. With a dependency of over 90% on the Middle East for oil imports, the embargo left Japan in a particularly vulnerable position. Japanese government officials were hastily sent to the region in December 1973 with aid packages to the value of \$3 billion and the assurance that Japan would re-position its formerly pro-Israeli foreign policy. The embargo on Japan was subsequently lifted and the expansion of Japanese aid beyond Asia began with a new emphasis on linking aid to foreign policy and resource needs. (Bøås 2002 and Cooray *et al.* 2005)

Whereas some bilateral donors have attempted to distance the allocation of aid from national self-interest, Japan has been quite clear over the years about the value it places on the joint consideration of its own resource needs and the allocation of ODA. The rationale and justification for this was made clear as early as 1978 in a report by MOFA which conceded that:

*‘Japan can ensure its security and prosperity only in a peaceful and stable world. One of the most appropriate means for Japan to contribute to the peace and stability of the world is assistance to developing countries... Japan is closely interdependent with developing countries since it is able to secure natural resources only through trade with those countries. Therefore, it is essential to maintain friendly relations with developing countries for Japan’s economic growth.’* (cited in MOFA 1994).

Following the establishment of the Japan International Cooperation Agency (JICA) in 1974 (through a merger of Overseas Technology Cooperation Agency and the Japan Emigration Service) and the final payment of reparations to Asian countries in 1976, from the late 1970s further impetus was given to the allocation of aid on the basis of sector and geographic region.<sup>2</sup> Overall, Japan has gone from distributing 98.3% of its total ODA to Asia in 1970 to 49.6% in 1996 (Wong 2001). As these figures indicate, although there has been a certain geographic shift, East Asia is still a

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<sup>2</sup> By 1986, Japan had become the largest donor to five African countries: Zambia, Kenya, Ghana, Nigeria and Sao Tome and Principe. By 1993 24.4% of Japan’s grant aid was distributed to sub-Saharan Africa (Ampiah 1996).

priority region for Japanese ODA. This point is confirmed in the 2003 ODA Charter (MOFA 2003) and the Central Environment Council (2005) offers several justifications for this:

- East Asia is home to approximately one third of the world's population and accounts for around 20% of the world's GDP.
- East Asia is also responsible for about 20% of the world's CO<sub>2</sub> emissions which are likely to increase further in line with economic growth.
- National and regional environmental problems and hazards are already evident. The trade, resource and investment interdependencies of East Asian nations infer a particular responsibility on Japan, as a well-positioned and wealthy, developed nation, to undertake regional initiatives for environmental conservation.

So, although it can be said that the 1970s did herald a new era in the expansion of Japanese aid, on some occasions this has been limited by perceived regional interdependencies and on others driven by Japanese needs that have not been met by Asian neighbours. As the largest importer of food from developing countries Japan's resource dependencies were no less evident at the end of the 1990s with 45% of its agricultural and fishery imports originating in developing countries in 1999 up from 40% in 1990 (OECD-DAC 2004).

## **5. The 1980s: Pledges and pressure on environmental ODA**

In the 1980s, the use of Japanese aid as a strategic lever for both economic and foreign policy influence became further evident as Japan's investment and trade relations with Southeast Asia were re-structured under the guidance of both MITI and MOFA (Cooray *et al.* 2005). Loans focused on the construction of infrastructure, improvement of domestic skills and the establishment of institutions that could support the economic growth and integration of Southeast Asian countries. Between 1981 and 1985 aid expenditure rose at a rate faster than any other item on the Japanese budget and by 1989 Japan had become the world's largest bilateral donor with a net allocation of \$8.965 billion. At home, the Japanese government reassured the public that the growing aid budget was essential in maintaining national security. Abroad, Japan's western allies were persuaded that these arrangements would benefit collective global security (Bøås 2002).

At the same time, Japan was beginning to view environmental cooperation as an area in which it could scale up its role and profile as a donor. After adopting the OECD-DAC Environment Committee's Recommendations of the Directorate on Development Assistance Projects and Environmental Assessment of Projects in 1985 (JICA 2001), at

the G7 Summit in 1987 Japan went on to make the first of its major public pledges to increase its environmental assistance promising 300 billion yen between 1989 and 1991<sup>3</sup>. This pledge was quickly followed by JICA's establishment of an Aid Study Committee on Environment in 1988 to discuss the future direction of environmental aid. Following the Committee's report, the Overseas Economic Cooperation Fund (OECF) (which later became the Japan Bank for International Cooperation – JBIC) and JICA each formulated guidelines for the consideration of environmental issues in development programmes. In 1989, Japan also adopted OECD's Environment Checklist for Development Assistance and in 1991 the Good Practices for Environmental Assessment of Development Projects; the Good Practices for Country Environmental Surveys and Strategies; and Guidelines for Aid Agencies on Global Environmental Problems. (JICA 2001)

Inspired by discussions on environmental protection at the 1988 G7 Summit Meeting in Toronto, Japan's Prime Minister Noboru Takeshita initiated the (international) Tokyo Conference on the Global Environment and Human Response in 1989, co-hosted with UNEP and the World Meteorological Organisation. Such was the Prime Minister's enthusiasm and recognition of the environment as a mainstream political issue, that one observer considers that at the time he became '*the prime caretaker for the global environment issues, especially when it came to financial ways and means*' (Ohta 2000).

In 1989, the same year that Japan became the world's largest bilateral donor, Prime Minister Uno Sosuke announced Japan's first Environmental ODA Policy at the G7 Archa Summit. Under the policy, Japan committed itself to increase environmental ODA to 300 billion yen over three years through bilateral and multilateral assistance and to reinforce the importance of environmental considerations in its development assistance. Again, Japan lived up to its financial promise and as the tables below indicate, Japan was one of the top five funders to six of the 10 largest recipients of environmental ODA and to nine of the top 10 recipients in the 1990s.

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<sup>3</sup> This paper includes financial figures in both Japanese Yen and US dollars – data has been left in the original currency of the source referred to. Due to large fluctuations in exchange rates over the period covered by this paper, attempting to convert all figures into one currency retrospectively could lead to distortions in the relative value of the data cited.

**Table 1. Environmental aid in the 1980s: Top 10 recipients and their top five donors**

<b>Donor</b>	<b>Environmental Aid</b>	<b>Donor</b>	<b>Environmental Aid</b>
<b><u>1. BRAZIL</u></b>	<b><u>\$2,790,000,000</u></b>	<b><u>6. PHILLIPPINES</u></b>	<b><u>\$1,480,000,000</u></b>
World Bank	\$2,020,000,000	World Bank	\$472,000,000
IADB	\$742,000,000	<b>Japan</b>	<b>\$448,000,000</b>
West Germany	\$21,000,000	ADB	\$414,000,000
Canada	\$2,980,000	United States	\$135,000,000
<b>Japan</b>	<b>\$1,200,000</b>	Denmark	\$6,230,000
<b><u>2. EGYPT</u></b>	<b><u>\$2,220,000,000</u></b>	<b><u>7. SOUTH KOREA</u></b>	<b><u>\$1,440,000,000</u></b>
United States	\$1,760,000,000	ADB	\$550,000,000
World Bank	\$134,000,000	<b>Japan</b>	<b>\$474,000,000</b>
European Union	\$119,000,000	World Bank	\$412,000,000
West Germany	\$52,300,000	OPEC	\$6,780,000
United Kingdom	\$46,800,000	Canada	\$138,000
<b><u>3. INDIA</u></b>	<b><u>\$2,180,000,000</u></b>	<b><u>8. ALGERIA</u></b>	<b><u>\$1,200,000,000</u></b>
World Bank	\$1,500,000,000	World Bank	\$1,100,000,000
The Netherlands	\$326,000,000	European Union	\$90,200,000
Denmark	\$97,500,000	Islamic Development Bank	\$10,700,000
United States	\$87,800,000		
Sweden	\$77,100,000		
<b><u>4. INDONESIA</u></b>	<b><u>\$2,160,000,000</u></b>	<b><u>9. BANGLADESH</u></b>	<b><u>\$1,170,000,000</u></b>
World Bank	\$1,050,000,000	United States	\$362,000,000
<b>Japan</b>	<b>\$277,000,000</b>	World Bank	\$249,000,000
ADB	\$261,000,000	ADB	\$241,000,000
The Netherlands	\$186,000,000	<b>Japan</b>	<b>\$105,000,000</b>
United States	\$144,000,000	West Germany	\$79,900,000
<b><u>5. PAKISTAN</u></b>	<b><u>\$2,030,000,000</u></b>	<b><u>10. TURKEY</u></b>	<b><u>\$1,093,945,354</u></b>
ADB	\$1,250,000,000	World Bank	\$869,172,495
World Bank	\$257,000,000	West Germany	\$210,656,560
<b>Japan</b>	<b>\$184,000,000</b>	France	\$7,655,560
United States	\$132,000,000	Italy	\$3,619,361
United Kingdom	\$68,200,000	United Kingdom	\$2,778,871

Source: Hicks *et al.* 2008

**Table 2. Environmental aid in the 1990s: Top 10 recipients and their top five donors**

<b>Donor</b>	<b>Environmental Aid</b>	<b>Donor</b>	<b>Environmental Aid</b>
<b><u>1. CHINA</u></b>	<b><u>\$10,100,000,000</u></b>	<b><u>6. PHILIPPINES</u></b>	<b><u>\$3,930,000,000</u></b>
World Bank	\$3,710,000,000	<b>Japan</b>	<b>\$1,930,000,000</b>
ADB	\$2,440,000,000	World Bank	\$676,000,000
<b>Japan</b>	<b>\$2,070,000,000</b>	ADB	\$631,000,000
Germany	\$546,000,000	United States	\$291,000,000
Montreal Protocol	\$314,000,000	Italy	\$47,800,000
<b><u>2. INDIA</u></b>	<b><u>\$6,590,000,000</u></b>	<b><u>7. EGYPT</u></b>	<b><u>\$3,200,000,000</u></b>
World Bank	\$1,620,000,000	United States	\$1,430,000,000
<b>Japan</b>	<b>\$1,480,000,000</b>	World Bank	\$262,000,000
ADB	\$1,440,000,000	France	\$255,000,000
United Kingdom	\$646,000,000	Germany	\$243,000,000
Germany	\$394,000,000	<b>Japan</b>	<b>\$208,000,000</b>
<b><u>3. BRAZIL</u></b>	<b><u>\$6,540,000,000</u></b>	<b><u>8. ARGENTINA</u></b>	<b><u>\$2,920,000,000</u></b>
World Bank	\$2,970,000,000	IADB	\$1,570,000,000
IADB	\$2,660,000,000	World Bank	\$980,000,000
<b>Japan</b>	<b>\$464,000,000</b>	European Union	\$122,000,000
Germany	\$161,000,000	<b>Japan</b>	<b>\$95,400,000</b>
GEF	\$139,000,000	Italy	\$47,800,000
<b><u>4. MEXICO</u></b>	<b><u>\$5,210,000,000</u></b>	<b><u>9. TURKEY</u></b>	<b><u>\$2,550,000,000</u></b>
World Bank	\$2,090,000,000	<b>Japan</b>	<b>\$936,000,000</b>
IADB	\$1,650,000,000	Germany	\$579,000,000
<b>Japan</b>	<b>\$1,170,000,000</b>	World Bank	\$524,000,000
GEF	\$103,000,000	European Union	\$297,000,000
NADB	\$101,000,000	France	\$84,800,000
<b><u>5. INDONESIA</u></b>	<b><u>\$4,860,000,000</u></b>	<b><u>10. BANGLADESH</u></b>	<b><u>\$1,950,000,000</u></b>
<b>Japan</b>	<b>\$1,110,000,000</b>	World Bank	\$647,000,000
ADB	\$1,020,000,000	ADB	\$447,000,000
Australia	\$126,000,000	United States	\$275,000,000
United States	\$116,000,000	Denmark	\$127,000,000
Italy	\$110,000,000	Germany	\$115,000,000

Source: Hicks *et al.* 2008

From the late 1980s onwards, however, these impressively high figures did nothing to abate a rising criticism against Japan as western donor agencies began pointing the finger at Japan's failure to meet DAC ratios on concessionality and NGOs and citizens' groups around the world began campaigning against the environmental and social problems caused by big infrastructure financiers including the Japanese government. Japan's infrastructure projects included the construction of roads, subways, waterworks, sewerage, drainage and waste disposal sites, the provision of desulphurisation equipment and industrial wastewater treatment facilities (JICA 2001). Significant in itself on account of the often negative environmental impacts that have been cited against many of these projects, they are also of relevance to this paper as many of them have been categorised by Japan as *environmental aid* in line with the broad OECD-DAC definition of what constitutes environmental aid. Thus although in financial terms, Japan appears to have



shown an ongoing commitment to the environment, the reality of its aid has not always been aligned with the more common expectations of environmental aid as a form of direct support to the living or 'green' environment focusing on issues such as biodiversity and nature conservation.

## **6. The 1990s: Rising budget and aspirations for a global leadership role**

### ***Policy declarations on environmental assistance***

At the G7 London Summit in 1991, Japan announced its New Environmental ODA Policy (JICA 2001), which highlighted the following basic principles:

- Expansion of ODA to developing countries through the use of Japanese technology and experience on the basis that all countries need to cooperate in addressing global environmental problems
- A combination of assistance types (loans, grants and technical cooperation) according to the economic capacity of the country concerned, with a focus on poverty reduction and population control as issues closely related to the environment
- Particular thematic focuses on forest conservation and forestation, energy, pollution control, wildlife protection, land conservation and capacity development in environment
- Further consideration of the environment in other projects through environmental assessments and the formulation of sectoral guidelines

Recognition of the environment continued to grow in official documents relating to Japanese aid throughout the 1990s and was further reinforced in the 1992 ODA Charter (Japan's first) which identified environmental considerations as one of four basic concerns and environmental issues were also listed as an issue of high priority in the 1999 Medium-Term Policy on ODA (MOFA 1999). The 1992 Charter was announced at the United Nations Conference on Environment and Development (the 'Earth Summit') held in Rio de Janeiro, June 1992. The Earth Summit saw Japanese representatives form the largest national delegation under the leadership of Prime Minister Kiichi Miyazawa, who announced that Japan would again be increasing its environmental ODA – this time allocating between 900 billion and 1 trillion yen by 1997 and meeting the Earth Summit goal of contributing 0.7% of its GNP to environmental assistance. Prime Minister Miyazawa took the opportunity to re-assert the notion that Japan's global interdependency was a driving factor in its prioritisation of the environment stating:

*'The prosperity Japan has achieved through the utilisation of resources of the earth makes it incumbent upon Japan to play a leading role in the international efforts for both environment and development.'* (cited in Wong 2001).

At the third session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC), held in Kyoto 1997, the Japanese government endorsed the Kyoto Protocol, taking considerable pride in the development of the agreement at a conference it had hosted. Japan also took the opportunity of announcing its own Policies for Assistance to Developing Countries to Cope with Global Warming at the Kyoto Conference, pledging to provide training 3000 people from developing countries by 1998, in air pollution mitigation, waste disposal, energy saving, forest conservation and afforestation and transfer its technology and experience relating to global warming to developing countries.

#### ***Budget commitments to ODA***

Already in 1992, Japan was providing 18% of total ODA in the world and by the end of 1996, had disbursed 1.44 trillion yen of the environmental assistance promised in Rio – over 40% more than originally planned and a year ahead of schedule. Japan's environmental ODA had increased from \$3 billion a year in the 1980s to almost \$15 billion a year by the late 1990s accounting for approximately 10% of its total ODA. Loans in the environment field increased from 54.1 billion yen in 1989 to 181.2 billion yen in 1993; 318.8 billion yen in 1996 and 461.9 billion yen in 1999. (JICA 2001; Hicks *et al.* 2008 and Drifte 1996)

As one of the measures announced at the Kyoto Conference, Japan began extending preferential and more flexible loan conditions for environment-related sectors from 1997 lowering the interest rate for projects relating to pollution reduction and global environmental problems to 0.75% with repayment over a forty-year period with a 10 year deferment. JICA has described this facility as a landmark as it covered projects that had never previously been assisted through ODA loans, including mass transportation systems, hydroelectric power plants, natural gas power plants and the improvement of manufacturing facilities for energy and resource conservation (JICA 2001). Japan's largest environmental loan in the 1990s was to fund the Istanbul Water Supply Project. Implemented over two phases (by a Japanese-led consortium), the loan came to a total of 95,783 million yen and included the construction of a weir, a 180 km water transmission pipe, pumping stations, a treatment plant and a sea-bed crossing of the Bosphorus (JBIC 2005 and Hicks *et al.* 2008).

Table 3 indicates the high proportion of Japanese loans relative to other forms of environmental aid in the late 1990s, and Table 4 demonstrates the predominant focus of Japanese environmental aid on residential infrastructure and anti-pollution measures during the same period – implying the transfer of significant amounts of Japanese hardware and/or technology to the recipients of environmental aid. Drifte (1996) has referred to as the ‘dressing up’ of certain ODA projects as *environmental aid* and the apparent mismatch of investing in Asian manufacturing industries whilst attempting to make good the environmental consequences at a later date or with technology that can not yet work at such scale. As mentioned in Section 5, the mismatch between Japanese support and common perceptions of what environmental assistance should entail has led to some confusion and criticism of the Japanese approach. That is not to say that Japan has necessarily acted outside of the OECD-DAC definition of environmental aid, but (as explained in more detail below) over time, the negative social and environmental impacts of some of these *brown* environmental projects have tarnished the notion of Japan as a leader in this area.

**Table 3. Breakdown of Japanese environmental aid by type 1995-1999**

Financial year	Grant aid (%)	ODA loans (%)	Technical cooperation (%)	Multilateral assistance (%)	Total (100 million yen)
1995	15.5	61.9	8.1	14.5	2,760
1996	7.8	83.4	5.5	3.3	4,632
1997	14.9	66.3	12.3	6.5	2,447
1998	7	79.3	7.4	6.4	4,138
1999	5.5	86.7	5.3	2.5	5,357

Source: Adapted from JICA 2001

**Table 4. Allocation of Japan’s bilateral environmental ODA 1995-1999**

Financial year	Residential infrastructure (%)	Forest preservation (%)	Antipollution measures (%)	Disaster prevention (%)	Other sectors (%)	Total (100 million yen)
1995	54.9	10.7	7.8	19.2	7.5	2,360
1996	62.6	8.3	13.6	9.6	5.9	4,479
1997	43.4	9.8	15.1	16.8	14.9	2,286
1998	13.9	2.1	60.7	5.8	17.4	3,875
1999	25.0	1.7	40.0	12.6	20.7	5,221

Note: Multilateral support is excluded here. ‘Other sectors’ includes nature conservation, environmental administration, seawater contamination and global warming

Source: Adapted from JICA 2001

As Japan's economy began to falter in the early 1990s, ODA continued to retain its privileged status and was exempt from budget cuts despite a freeze on domestic infrastructure spending. The ODA budget enjoyed such status, largely because of the unanimous backing by Japan's political parties who agreed the budget annually in the Diet, but also on account of wide-ranging support by the private sector, unions, the bureaucracy and the mass media<sup>4</sup>. (Bøås 2002)

Alongside continued increases in environmental ODA in the early 1990s, Japan was successfully reducing domestic pollution and by 1994 had achieved one of the world's lowest levels of CO<sub>2</sub> emissions per unit of GDP (at 123 tons of carbon per \$1 million compared to 321 for Canada, 306 for the US, 221 for Britain and 179 for Germany) (Nippon Keidanren 1997). Being able to point to both its high expenditure on environmental ODA and a domestic economy that has overcome various environmental challenges of its own has allowed Japan the courage of its convictions in promoting the transfer of Japanese technology to help developing countries protect their environment without having to forgo economic growth.

### ***Seeking out a global leadership role***

The Earth Summit was considered a milestone in achieving consensus amongst participating governments that urgent action was needed to address the world's environmental challenges and in agreeing the responsibility of developed countries to assist developing countries in this area. In the months immediately preceding the Earth Summit, financial assistance for the environment had proven itself to be one of the most contentious issues between developed and developing countries. Rising to the challenge by making a public budget commitment to provide funding in this area helped the Japanese government satisfy a growing desire by its public for internationalisation whilst at the same time raising its profile on the international stage (Ohta 2000). What seemed to become increasingly visible thereafter was a growing ambition by Japan to assume a global leadership role in the provision of environmental ODA. At the final round of the 1992 UNFCCC negotiations, MOFA representative Nobutoshi Akao asserted:

*'We tend to see Rio and the environment as offering Japan a key leadership role. It is tied directly to what we call kokusaika – the internationalisation of policy, which is essential. Kokusaika is almost an obsession with our political and business leadership and with our people in general. Our media bombard the public with*

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<sup>4</sup> The Japanese media has historically taken a very positive view of ODA and it was not until 1994 when a proposed increase of 4.8% was announced that the ODA budget rise was criticised for the first time (Drifte 1996). Increasingly, the Japanese press have exposed poorly managed projects and those with negative social and environmental impacts. Japanese aid has historically favoured the concession of construction contracts to Japanese businesses and hence private sector support for ODA has traditionally been high (Bøås 2002).

*articles about how we must internationalise. Rio is happening against that background. It was tailor-made for us.*' (cited in Ohta 2000)

Taking up such a role in the global arena was considered politically safe for Japan and far less divisive than other areas of its foreign policy. It also played to Japan's own successful experiences of reversing industrial pollution and drawing on its competitive advantage in the supply of environmental technology. As a former Prime Minister and one of Japan's representatives at the Earth Summit, Noburu Takeshita stated in 1992:

*'Whereas Japan's participation in the UN peacekeeping operations stirs up political controversy, the protection of the global environment is an issue area to which Japan can contribute without hesitation.'*  
(cited in Ohta 2000)<sup>5</sup>

Although Japan did go on to meet all of its promised financial commitments to environmental ODA, that is not to say that it has achieved its desired role of global leadership. Despite making significant financial contributions to the Global Environment Facility (GEF)<sup>6</sup>, UNEP, FAO and other multilateral organisations in the 1990s there has been an overriding impression from both within and outside of Japan that Japanese views have not been adequately represented in the decision- and policy making processes of large multilateral environment organisations such as these (CEC 2005). This is partially attributed to the small number of Japanese staff employed in these organisations relative to Japan's financial contributions (with even fewer Japanese staff visible in environmental positions) which is explained by a range of perceived and actual barriers to posting Japanese staff overseas. As CEC (2005) concedes, this lack of visibility is also evident because Japan has not developed a clear strategy to promote its environmental assistance.

Japan has, however, been able to assert a certain level of direct influence and leadership over some of its Asian neighbours, mainly where concerns over the cross-border effects of pollution have arisen. At Japan's insistence, for example, loans to China in the 1990s for the construction of thermal power stations were contingent on the integration of desulphurisation equipment to help prevent air pollution across Asia. Japan's concern over cross-border pollution has also extended to the dust storms caused by land degradation in China which have had serious effects on Japanese air quality and which compelled Japan to increase its support to land degradation initiatives from 2.4% of total donor aid in the 1980s to 27.2% in the 1990s (Hicks *et al.* 2008). Under the 1994 Japan-China Environmental Conservation Cooperation Agreement, China publicly acknowledged for the first time the existence of acid rain and other forms of

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<sup>5</sup> The political controversy referred to by Takeshita centres around Article 9 of the post-war Japanese constitution which renounces war and the use of force as a means of settling international disputes. Article 9 has come under increasing scrutiny in recent years with international calls on Japan to support peace keeping efforts in the Middle East opposed by a strong pacifist lobby in Japan.

<sup>6</sup> Between June 2002 and June 2006, Japan's contribution of \$422.7 million accounted for 17.6% of GEF's total income over the same period.

air pollution arising from its industry. Since the 1990s, Japan has also initiated and/or participated in a range of other regional policy-level forums and agreements summarised in Table 5.

**Table 5. Japanese involvement in regional forums and agreements for the environment**

<b>Initiated/ adopted</b>	<b>Initiative</b>	<b>Japanese involvement</b>
1991	Environmental Congress for Asia and the Pacific	Hosted annually by the Japanese Ministry of Environment (MOE) as a forum for the exchange of views between environment ministers
1992	Northeast Asian Conference on Environmental Cooperation	Annual meeting of government and research representatives from China, Japan, Mongolia, Russia and South Korea. UN Environment Programme (UNEP), UN Development Programme (UNDP) and United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) as observers
1993	Japan-Republic of Korea Environmental Conservation Cooperation Agreement	Joint research programmes and studies implemented
1994	Japan-China Environmental Conservation Cooperation Agreement	Committee established to exchange views and bilateral/multilateral cooperation.
1994	Northwest Pacific Action Plan	Adopted by Japan, Russia, and the Republic of Korea to protect the Sea of Japan and the Yellow Sea
1995	Asia-Pacific Network for Global Change Research	MOE Japan as secretariat
1996	Asia-Pacific Migratory Waterbird Conservation Strategy	Promotion of conservation of migratory waterbirds and their habitats
1999	Tripartite Environment Ministers Meetings	Annual meetings of Ministers of Japan, China and Republic of Korea to strengthen cooperation on regional and global environmental issues
2001	Asia-Pacific Forum for Environment and Development	Hosted by Japan's Institute for Global Environmental Strategies
2001	Acid Deposition Monitoring Network in East Asia	Collaboration by 12 East Asian countries to adapt common emissions monitoring methods
2002	Asia-Pacific Environmental Innovation Strategy Project	Hosted by MOE Japan as Asia-Pacific initiative to help realise World Summit on Sustainable Development Plan of Implementation
2002	Asia-Europe Environment Ministers Meeting	Held periodically under Asia-Europe Meeting framework
2004	Asia Network for Prevention of Illegal Transboundary Movement of Hazardous Waste	Network initially proposed by Japan to support information exchange
2005	Japan-China Energy Conservation Forum	Annual forum to share views and agree mutual cooperation
2005	Regional Environmental Sustainable Transport Forum in Asia	Established under 2004 Manila Statement to enable high-level dialogue between 14 Asian countries. Initiated by MOE Japan and UNCRD
2006	Asia Pacific Partnership on Clean Development and Climate Agreement	Non-treaty agreement to promote development and transfer of technology for GHG reductions
2007	Singapore Declaration on Climate Change, Energy and Environment	Agreement by ASEAN, Australia, China, India, Japan, Republic of Korea and New Zealand to improve availability of clean and efficient energy

Although at times Japan has struggled to gain the empathy of its western donor counterparts, Drifte (1996) argues that the philosophy permeating Japanese ODA that both economic development and environmental conservation are feasible – or as he puts it *‘getting dirty, getting rich, cleaning up’* – may be more appealing to some developing countries than the more *‘fundamentalist and moralising Western approach to sustainable development’*. Japan’s first hand experience of environmental crises in the 1950s served as a hard learned lesson in its own national development, but the prospect of other countries attempting to emulate Japanese economic success without taking on board those lessons presents environmental and human risks. Indeed, Ueta (1995) suggests that the Japanese model of development has been studied with much enthusiasm throughout Asia and especially in Taiwan, but that rather worryingly, in practice its application has been somewhat selective with environmental preservation only integrated in policy to the extent that it has helped serve economic development.

#### ***Environmental capacity building through grant aid and technical cooperation***

Complementary to its involvement in regional initiatives, Japan has also sought to develop and nurture environmental capacity in various countries across Asia and beyond through the disbursement of significant amounts of grant aid for the establishment of environment centres listed in Table 6. As with all of Japan’s ODA, the principle of this support has been one of ‘self-help’ – to transfer the necessary skills, technology and equipment for recipients to take ownership of and identify solutions to national environmental problems. In addition to grants for construction and equipment, funds have been provided to support the training and development of environmental administrators and their respective institutions through the dispatch of short- and long-term JICA experts. (JICA 2001)



**Table 6. Environment centres supported by Japan in the 1990s**

<b>Project started</b>	<b>Facility</b>	<b>Japanese support</b>	<b>Focus</b>
1992	Environmental Research and Training Center in Thailand	2.5 billion yen grant with technical cooperation over a seven year period	Environmental research, training and monitoring
1993	Environment Management Center in Indonesia	2.4 billion yen grant with technical cooperation over a seven year period	Environmental monitoring and training of government officials and private sector engineers
1995	National Center for Environment in Chile	Construction of facilities and equipment (c. 531 million yen) with technical cooperation	Air and water quality and waste disposal
1995	National Center for Environmental Research and Training in Mexico	Construction of facilities and equipment with technical cooperation	Facilities, equipment and skills for environmental research and training
1996	Japan-China Friendship Environmental Protection Center	10 billion yen grant	Environmental observation and data processing and environmental research and training
1997	Biodiversity Information Center in Indonesia		Biodiversity conservation
Existing Egyptian initiative	Environmental Monitoring Training Project in Egypt		Japanese assistance to build an environmental monitoring network

(Adapted from MOE 2005)

One interviewee who was involved in an evaluation of these centres reports that south-south learning has been a positive feature of this support, achieved through cross-country exchange visits by centre staff. Although the establishment of these facilities can be viewed as a success in this respect and also in the successful transfer of technology and monitoring skills, according to one interviewee Japan's original ambitions to support wider capacity development for environmental policy making have largely been unfulfilled. In broad terms, a 2001 report by the Second Study Committee on Development Assistance for the Environment substantiates this claim stating that Japan's overriding emphasis on technology as the focal point of its environmental ODA has led to the marginalisation of support for policy making and far less visible benefits to local communities (JICA 2001). The report goes on to state:

*'In addition, Japan has neither adequately recognised the disparities between developing countries and Japan, nor fully understood the importance that it should give to aid programs that are fully in accordance with the capacity of the recipient developing countries.'* (JICA 2001)

Based on Japan's own experience, there appears to have been an assumption that central regulation, supported by national environmental centres and enforced through local government is an effective model for environmental management, but as the report concedes:

*'Japan's environmental assistance has not always been formulated on the specific understanding of the conditions in the recipient countries and there has been an inclination to depend on the experience and opinions of Japan's own industrial sector in the formulation of projects in the environmental field.'* (JICA 2001)

Combined with the tendency of some countries to assume a selective approach to the adoption of the Japanese model (as described above), Japan's inclination to over-emphasise its own success, without fully considering that the historic enabling factors and circumstances which propelled it from defeat in the Second World War to economic superpower are not easily replicated in other countries presents a three-fold risk to the failure of the Japanese model elsewhere.

#### **Box 4. Case study: Japanese support to forest conservation**

Japan's approach to forest conservation recognises the multiple values of forests including environmental and economic benefits. In assessing all of Japan's assistance efforts in forest conservation between 1999 and 2005 (covering an area of 1,742,708 ha) a third party evaluation commissioned by MOFA in 2007 reports that from a policy perspective this approach is generally in line with that of other donors. Notable differences become apparent, however, when considering Japan's broader position and interactions with the forestry sector over the past 50 years.

Boosted by Japan's rapid economic growth and demand for housing, Japanese timber imports have been exceptionally high since the 1950s. Although Japan's own formerly depleted forests have come somewhat in recovery, dependence on imports has increased over time as a result of the cost and environmental advantages of importing timber. Japan is the world's largest market for wood, pulp and paper products (2004 data) and its high imports have been a driving force behind some of the fastest rates of deforestation in Asia in the second half of the twentieth century. Criticism by environmentalists has been directed at the Japanese government and private sector for using ODA to establish plantations, pulp mills and transportation networks that have helped facilitate resource extraction from developing countries. Japanese NGOs have pointed to links between Japanese trade and deforestation, illegal logging, environmental pollution and loss of local livelihoods in exporter countries.

Partly in response to such criticism, in the 1980s Japan fought a hard-won campaign to host the International Tropical Timber Organisation (ITTO) in Yokohama. Since its establishment in 1985, Japan has covered roughly half of ITTO's annual running costs as well as making a substantial initial payment. Japan has also given generously to forestry programmes of the World Bank, FAO, UNEP, the International Center for Agroforestry Research and CIFOR. Wong (2001) asserts that Japan's campaign to host ITTO was motivated both by the desire to relieve some of the criticism it was facing but also out of concern that locating the organisation in western Europe or North America would make it more susceptible to pressure from conservation groups.

Reforestation and afforestation were the mainstay of Japanese assistance to the forestry sector in the 1980s, this focus grew to include conservation, management and agroforestry in the 1990s. Reforestation, as supported by Japan, has been criticised by commentators including Taylor (1999) for generally favouring non-indigenous species such as eucalyptus and acacia, which are fast-growing and lucrative for export and sale to the pulp and paper industry but which lead biodiversity loss when planted as monocultures. The 2007 MOFA evaluation reports that efforts towards biodiversity conservation through the use of indigenous species have occurred but have been limited, substantiating Taylor's criticism of almost ten years earlier.

The request-based principle of Japanese aid which requires recipient countries to submit an official request for Japanese support has also been criticised in the context of forest conservation for implying that until this call for help is raised, Japan can assume a degree of passivity. The 2007 MOFA evaluation alludes to such a weakness in this approach particularly in regard to climate change and concedes that:

*'...unless Japan makes substantial efforts to have the active policy consultations even before requests are made, it is difficult to determine concrete needs and to formulate new projects related to global warming prevention through bilateral assistance.'*

The evaluation also found that although assistance in forest conservation had been provided through a combination of grant aid and technical cooperation in various cases, there were just a few occurrences of loan aid and technical cooperation, or loan aid and grant aid being coordinated. This is attributed to over-sensitivity by JICA and JBIC on the differences between the various schemes. Weaknesses were also identified in the lack of a long-term, comprehensive monitoring and evaluation framework.

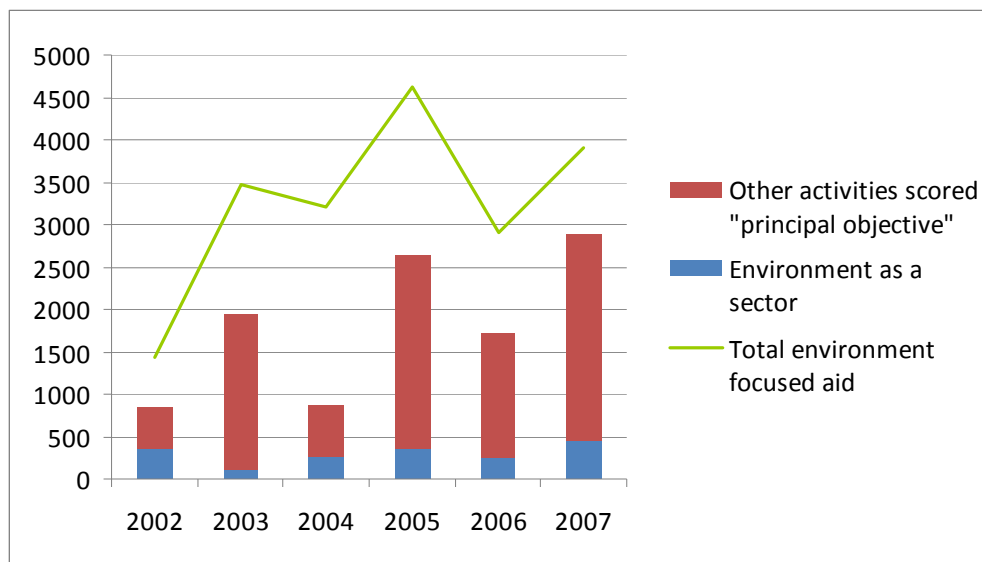
Sources: MOFA 2007b; Wong 2001; OECD-DAC 2004 and Taylor 1999

## 7. The 2000s: Declining ODA budget but renewed emphasis on environment

### *Budget commitments to ODA*

By the end of the 1990s, several factors had emerged which have led to a gradual decline in Japanese enthusiasm for ODA in the 2000s and simultaneous cuts to the budget. These included the untying of Japanese aid<sup>7</sup> and the prolonged economic slowdown<sup>8</sup>. By 2007-08 the total ODA budget was 38% lower than in 1997-08 and Japan's contributions to international organisations also dropped over the same period – falling from the first to the sixth largest contributor to UNDP, first to fifth to the UN Population Fund and second to fourth to the UN Refugee Agency (GRIPS 2007).

**Figure 1. Japanese environmental ODA 2002-2007 (USD \$ millions)**



Source: Data provided on request by OECD-DAC

Although some Japanese NGOs are now lobbying for an increase in ODA, one interviewee expressed concern that such a move would inevitably lead to an increase in loans rather than grant aid. This seems to be borne out by the opinion of a government representative interviewed who reports that in light of Japan's own national deficit and economic recession, the proportion of loans versus grants is likely to rise further as this is considered a more justifiable form of financing by the Ministry of Finance (MOF) and the Japanese public. This could put at risk the

<sup>7</sup> Following pressure by the OECD, Japan began untying its aid in 1996 to allow non-Japanese companies to bid for contracts and by 1999 only 19% of untied loan contracts were being won by Japanese companies (Hicks *et al.* 2008). However, the private sector lobbied hard for a reversal of this policy, the government bowed to pressure and by lowering the ODA loan interest rate to 0.75% evading the OECD ban on tying aid which only applies to loans with an interest rate of 2.5% and higher (Wong 2001). The overall net effect of this has been a greater ambivalence by the private sector to ODA.

<sup>8</sup> The Asian financial crisis overwhelmed Japanese aid to the point that despite environmental issues being allocated a section of their own in JICA's annual report since 1989, they were not even mentioned in the 1998 version (Hicks *et al.* 2008).

allocation of aid to low income countries that are less likely to qualify for loans on economic grounds. The fact that Japan was pressured into cancelling some of its debt agreements with 40 countries under the Jubilee Debt Campaign in 2000 has heightened concern by MOF over allocating aid to countries that are not economically viable.

### ***Policy declarations on environmental assistance***

Japan's 2003 ODA Charter identifies environmental issues as one of a number of problems recognised in, and in need of particular attention by, the international community. The basis and rationale for environmental assistance is further elaborated in the 2005 Medium-Term Policy, which emphasises the notion of 'human security'<sup>9</sup> – broadly defined as the protection of individuals and communities from *fears*, which include environmental destruction, natural disasters economic crises, and *wants*, including hunger, poverty and health services. In common with the Charter, the Medium-Term Policy frames environmental issues within a section on *global issues*. Other global issues including terrorism, drugs and international organised crime are mentioned very briefly but the content of this section focuses almost entirely on environmental problems. According to the Medium-Term Policy, Japan will place high priority on the following areas:

1. *Global warming*, such as controlling and reducing emissions of greenhouse gases through renewable energy and energy saving and adaptation
2. *Pollution control* through measures on air pollution, water contamination, and waste management
3. *Conservation of the natural environment* through e.g. management of nature reserves, forests, measures against desertification, and natural resource management (MOFA 2005)

These areas were highlighted again under Japan's Environmental Conservation Initiative for Sustainable Development which was announced at the World Summit for Sustainable Development in Johannesburg 2002 and served as a five year policy framework for Japan's environmental ODA. Japan announced a new regional policy framework – 'Towards a Sustainable East Asia' at the East Asia Summit, November 2007 outlining the following priority goals for environmental support to the region:

1. Building a low carbon and sound material-cycle society
2. Conserving rich and diverse nature
3. Developing an intellectual infrastructure for environmental conservation
4. Establishing an Environment Expert Team to be dispatched on request to sites of serious environmental degradation in East Asia (MOFA 2007a)

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<sup>9</sup> The focus on human security has been introduced to Japanese aid by the President of JICA, Mrs Sadako Ogata following her appointment in 2003. Born in 1927, Ogata is a leading Japanese figure in international relations. She served as the United Nations High Commissioner for Refugees from 1991 to 2001 and has been lauded in Japan and internationally for her commitment to humanitarian affairs and her formidable negotiating skills.

Both the ODA Charter and the Medium-Term Policy establish the link between economic growth and environmental conservation with one of the Charter's principles stating that '*[e]nvironmental conservation and development should be pursued in tandem*'. It can be assumed that *development* as referred to here is economic in nature – *sustainable economic growth* is referred to throughout the Policy and Charter as a prerequisite for poverty reduction and a specific link is made to environmental degradation in the Policy:

*'As the poor often depend directly on natural resources for their livelihoods and are therefore particularly vulnerable to the effects of environmental degradation, full attention will be paid to ensuring sustainable development in reducing poverty through economic growth.'* (MOFA 2005)

Statements such as these have led many observers to conclude that as far as Japanese ODA is concerned, environmental conservation is a means to resource development and use rather than an end in itself (Wong 2001). Sunaga (2004) reports that the dual focus on poverty reduction and economic growth was the subject of considerable debate in the development of the Charter but that the ambiguity was intentionally left in to allow country assistance programmes to be drawn up on an individual basis.

### ***Living up to the Kyoto Protocol?***

Despite the voluntary plans in place by industry, Japan appears increasingly unlikely to meet its Kyoto Protocol target of an average 6% reduction in GHG emissions below 1990 levels between 2008 and 2012. Vinger (2008) considers that the government's attempts in this direction through soft, flexible encouragement will prove increasingly futile and that as time goes on, Japan is likely to find it more difficult to maintain such a position without turning to market-based incentives. MOE has long since advocated the introduction of a carbon tax and an emission trading scheme but strong opposition by the Ministry of Economy, Trade and Industry (METI) and the private sector has so far prevented such a move. This ministerial stalemate and lack of clear direction has become increasingly evident and led to criticism of Japan at the UNFCCC Conference in Bali, 2007 where the Japanese delegation appeared unwilling to discuss numerical targets for a post-Kyoto agreement – a marked departure from the pride Japan took in the establishment of country targets at Kyoto. Post-Kyoto, Japan is also pushing for a re-setting of the base year as it is unlikely to achieve 1990 goals (Vinger 2008). Given Japan's position as something of an environmental leader in Asia, it would seem critical that these intra- and inter-governmental differences of opinion are overcome and that a realistic framework for action is developed.

### ***Challenges and impacts of loan aid and growing interest in aid effectiveness***

Since the early 2000s, OECD discussions on the harmonisation and effectiveness of international aid have placed a renewed spotlight on Japan as a donor that has traditionally taken an independent stance in the development and delivery of the unique product that is Japanese ODA. As Jerve (2007) considers:

*'[Japan] maintains what many Western development economists would label orthodox policies, arguing that the role of aid is to fill savings, foreign exchange and technology gaps in developing countries, and has been reluctant in following the claim by Western donors that the critical gaps to be filled are institutional and fiscal. The latter perspective has clearly brought Western donors closer to national political issues and the quest for good governance, while Japan has resisted this type of aid conditionality.'*

Despite these long-standing differences in approach, Jerve (2007) considers that since developing the 2003 ODA Charter and endorsing the Paris Declaration on Aid Effectiveness in 2005, Japan has made some small but notable steps towards harmonising its approach with that of other OECD-DAC members<sup>10</sup>. The climate change loan to Indonesia outlined in Box 5 appears to be an early example of Japan putting untied budgetary support to a nationally developed plan ahead of its traditional emphasis on hardware, with an active call for (and achievement of) co-financing by an OECD counterpart. With a declining aid budget and at a time when members are being called upon by the OECD to demonstrate the effectiveness of their aid, JICA is seeking to improve the efficiency of its aid under the banner of a 3Ss campaign – 'Scale up, Speed up and Spread out', which is focused on creating a greater synergy through making improvements to the overall coordination of Japanese loan aid, grant aid and technical cooperation.

Japan's conviction in economic development as the basis for poverty reduction has been visible in its environmental aid through the financing of infrastructure and hardware projects as described in Section 6. Numerous of these projects have come under fire from civil society groups on account of their negative social and environmental impacts. The impacts cited in a number of large projects in South and Southeast Asia have included forced displacement, loss of livelihoods and water resources, inadequate compensation and environmental pollution (PARC 2004). Such has been the level of concern that a trio of Japan-based organisations<sup>11</sup> established 'JBIC Watch' in the early 2000s as an umbrella forum for their monitoring and campaign activities.

Whilst Japan looks set to continue its focus on hardware and infrastructure in the provision of aid, there have been some renewed efforts to mitigate the negative impacts of such projects on the affected communities. Following an

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<sup>10</sup> These have included contributing towards general budgetary support for Tanzania, co-financing a Poverty Reduction Support Credit to Vietnam and making a link between its country assistance programmes for Ethiopia and Ghana with their respective Poverty Reduction Strategies (Jerve 2007).

<sup>11</sup> Friends of the Earth Japan, Japan Center for a Sustainable Environment and Society and Mekong Watch

intense campaign by the members of JBIC Watch (which has received informal support from some Diet members and ministry representatives), a revised set of Guidelines for Confirmation of Environmental and Social Considerations came into effect in October 2003 to cover screening, environmental review and monitoring of all JBIC supported projects initiated after this date. The Guidelines came at a time when Japan also found itself in discussions with OECD on common approaches to aid and this timing is said to have been an influencing factor in JBIC's decision to revise the Guidelines. As Nakaune (2004) indicates, the Guidelines have brought Japanese policies more in line with OECD approaches, for example with the requirement for affected stakeholders and residents to be consulted prior to the development of project plans (JBIC 2002). OECD-DAC affirms that the guidelines are considered one of the strictest among DAC members and has praised JBIC's policy coherence in applying these guidelines to both ODA loans and export credit operations (OECD-DAC 2004).

However, civil society representatives report that in practice there have been no significant improvements since the introduction of the 2003 Guidelines. Whereas national legislation setting out minimum environmental standards and incorporating environmental impact assessment (EIA) already exists in many recipient countries, social impacts such as displacement and marginalisation of ethnic minorities have proven particularly challenging to resolve – in part due to Japan's own lack of experience in dealing with these issues but also on account of JBIC's reluctance to interfere in what are perceived as sovereign matters and beyond their responsibility as project financiers<sup>12</sup>. Although the 2003 Guidelines acknowledge some responsibility on the part of JBIC in this respect, their role is defined as one of encouragement rather than enforcement with the project proponents bearing responsibility for compliance (JBIC 2002). Whilst campaigners propose that greater detail is necessary in the Guidelines to resolve some of these issues (for example, by elaborating on what constitutes appropriate compensation for resettlement), concern was expressed by one government interviewee that too much detail could force a non-flexible, one-size-fits-all approach on recipient countries.

In light of the recent restructuring of Japanese aid and some of these ongoing concerns, the Guidelines are currently going through a further round of revision. The new Guidelines will apply to all forms of ODA administered by the new JICA<sup>13</sup> (ODA loans, grant aid and technical cooperation) and are being drawn up through public meetings of a

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<sup>12</sup> Although the environmental catastrophes and public outcries of the 1950s and 1960s forced government recognition of industrial pollution and led to improved regulation, the public indignation which they evoked appears to have been largely laid to rest and has not translated into widespread concern on behalf of affected communities in developing countries. It would likely take a resurgence of such pressure from within Japan for the government to radically re-think its centralisation of infrastructure in development and this does not appear likely in the near future.

<sup>13</sup> Separate guidelines for technical cooperation and grant aid under the administration of the former JICA are also in place (see JICA 2004) – they will also be superseded by a forthcoming revised version. The export credit arm of JBIC (which will



multi-stakeholder committee comprising four representatives from each civil society, academia, the private sector and government. Civil society representatives hope that one of the potential gains will be earlier disclosure of information and feasibility studies on potential projects. Some improvements in this area are noted since 2002, including the release of information for major projects in local languages and the availability of limited information in English and Japanese. This information has helped civil society representatives initiate early warning procedures and provide some information to affected communities. Public disclosure of more detailed project information appears to have been hampered by the former division of responsibilities between JICA and JBIC, whereby JICA undertook EIA and feasibility studies and JBIC made decisions regarding loan terms and implementation. Although the intention was that JICA's studies would inform and direct JBIC's decisions on loans, in practice they have been used more actively to inform the grant agreements administered by MOFA/JICA (JICA 2001). With the transfer of loan responsibilities to the new JICA it is hoped that decisions and assistance can be better coordinated from within the same agency and that project information can be made more publicly available.

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continue to operate as 'JBIC' under the re-structure of Japanese aid) is currently finalising a separate set of guidelines that will apply specifically to overseas private sector investment.

### **Box 5. Case study: Cool Earth Programme Loan to the Republic of Indonesia**

Japan's 'Cool Earth 50' Initiative was launched in 2008 with the overarching aim of reducing global greenhouse gas emissions by 50% by 2050. (This numerical target was reiterated and agreed at the G8 Summit held in Hokkaido, 2008 but it has been subject to some criticism for failing to state a baseline year or mid-term goal.) Japan has committed up to \$10 billion to the Cool Earth initiative over a five year period, of which \$2 billion has been earmarked for climate change adaptation and improved access to clean energy through grant aid, technical assistance, and support to international organisations; \$4 billion for mitigation assistance through yen loans and \$1.2 billion for the World Bank facilitated Climate Investment Funds.

Following signature of a formal agreement in September 2008, the Government of Indonesia has been the recipient of a loan under the initiative for up to 30,768 million yen to be paid in a series of three annual, single-tranche instalments. The outcomes, actions and indicators in the policy matrix against which payments are contingent have been taken directly from Indonesia's National Action Plan Addressing Climate Change (NAPA) issued in December 2007. The first instalment was disbursed upon signature of the agreement on the basis of Indonesia's progress towards the outcomes in the first half of 2008. Although expenditure of the loan is not limited to, nor dictated by, the NAPA policy matrix, the level of payment each year is dependent on the extent to which NAPA's indicators are met. This arrangement is justified by Japan on the basis that economic volatility puts NAPA at risk and funding will help ensure its achievement. As untied programme assistance, the loan is unique in the history of Japanese ODA and appears likely to be the first of further similar agreements to follow under Cool Earth.

Following a call by Japan for other donors to provide co-financing, the French donor agency Agence Française de Développement (AFD) has also agreed to provide a loan of up to \$200 million over two years. AFD has appointed a forestry expert who will join Japanese and Indonesian members of a Monitoring and Advisory Team. The Team is required to produce annual reports on progress against the policy matrix which will inform discussions between the Indonesian and Japanese governments on payment of the next tranche. A Steering Committee is also in place with membership of the Executive Policy Advisor, Indonesian ministry representatives and JICA staff.

Although it appears that quite some investment is being made in the evaluation framework to monitor progress towards NAPA objectives, one interviewee explained that the Indonesian government is not required to report to Japan on the actual expenditure/allocation of loan instalments. This could raise some concern over whether the Indonesian institutions responsible for meeting the agreed outcomes and indicators are experiencing the benefits of the loan agreement and thereby an incentive to meet the agreed indicators.

The Japanese project team is reported to have developed an admirable rapport with the Indonesian team through its supportive, non-direct approach. One risk in adopting such an approach, however, has been cited as the failure by Japan to review and NAPA's (mainly quantitative) indicators on the basis that since NAPA was agreed through a national policy process its credibility should not be questioned and Japan should, therefore, not seek to antagonise the Indonesian government in suggesting a review of indicators.

Sources: JICA 2008b; JICA 2008c; JICA 2008d; Kiyama 2008; MOFA 2008a and MOFA 2008b

## **8. Concluding observations: A unique evolution with multiple drivers**

As this paper has attempted to demonstrate, the factors that have shaped and driven Japanese environmental ODA have been multiple and complex, firmly rooted in Japan's own post-war development and evolving over time in response to domestic and international realities. The table below highlights some of the main drivers that have been

referred to in this paper and is followed by a set of concluding observations that explore some of these in more depth and consider their implications into the future.

**Table 7. Summary of historical drivers of Japanese environmental ODA since the 1950s**

<p><b>1950s: Reparations, industrial growth and environmental crisis</b></p> <ul style="list-style-type: none"> <li>• Japan begins payment of reparations to Asian neighbours on account of its military aggression during the Second World War. ODA loans follow shortly after and Japan's own economic development is accelerated by US recovery aid</li> <li>• Catastrophe strikes as industrial pollution leads to devastating effects on the environment and human health in several areas of Japan</li> </ul>
<p><b>1960s: Environmental clean up at home and export promotion in Asia</b></p> <ul style="list-style-type: none"> <li>• A raft of domestic environmental laws is introduced to curb pollution whilst maintaining economic growth</li> <li>• Encouraged by its own success, economic growth in recipient countries becomes the principal aim of Japanese ODA, closely tied to Japanese trade relations and import needs</li> </ul>
<p><b>1970s: Resource diplomacy and geographic expansion of aid</b></p> <ul style="list-style-type: none"> <li>• Successful resolution of the Middle East oil embargo on Japan through the allocation of aid leads to the geographic expansion of Japanese aid beyond Asia and a new emphasis on foreign policy in the allocation of aid</li> </ul>
<p><b>1980s: Pledges and pressure on environmental ODA</b></p> <ul style="list-style-type: none"> <li>• Expansion of Japanese economy leads to growing budgets for aid, and public commitments by the Japanese government to super-fund projects related to the environment</li> <li>• Criticism of Japanese-supported infrastructure projects begins to emerge, focusing on the negative impacts of large-scale construction on the local environment and communities</li> </ul>
<p><b>1990s: Rising budget and aspirations for a global leadership role</b></p> <ul style="list-style-type: none"> <li>• Effective reduction in domestic pollution provides further impetus to Japan in advocating for the transfer of (Japanese) environmental technology through its aid programmes</li> <li>• Domestic calls internationalisation lead to the rapid proliferation of Japanese budget commitments to environmental aid</li> </ul>
<p><b>2000s: Declining ODA budget but renewed emphasis on environment</b></p> <ul style="list-style-type: none"> <li>• Environment recognised as a priority issue in 2003 ODA Charter and other policy declarations but total ODA begins to decline in line with Japanese economic slowdown</li> <li>• Revision of JICA/JBIC guidelines on social and environmental impact of development projects – but ongoing civil society calls for improvement and more active enforcement of these</li> <li>• Some progress made towards harmonisation of Japanese aid efforts – both between Japanese aid agencies and in working towards OECD-DAC expectations</li> </ul>

**1. The nature of Japan's interdependency with the rest of the world (and Asia in particular) has been a key factor in determining its approach to environmental ODA**

Since the birth of Japanese development assistance, its policies and programmes as a donor have been driven by a range of motivations in support of a mutually beneficial relationship with recipient countries. These have included resource needs, business interests, geopolitical ambitions, aspirations to internationalise Japan and foreign policy

considerations. This clear national interest in the allocation of aid has marked Japan out as somewhat unique in the donor community – to a certain extent thought, more unique in terms of its honesty on the matter rather than in its self-interest as such. Mutual benefits have been especially visible in Asia where the Japanese economy has prospered through strong regional trade links and the economic growth of recipient countries has been accelerated by Japanese investment and the export trade.

## **2. Japan’s environmental ODA has long since focused on the transfer of infrastructure and technology – areas in which Japan has developed a competitive advantage**

Rather than looking to make long term budgetary investments in sustainable development, Japan has traditionally favoured the transfer of infrastructure and technology in the provision of its environmental assistance. As noted previously, this support may still fall within the boundaries of the OECD-DAC definition of environmental aid but it has left Japan somewhat isolated in its approach. In the face of persistent criticism and unlike many other bilateral donors, Japan has stood firm in its support for infrastructure as the cornerstone of development. This has been a particular feature of Japanese loan aid and has its roots in Japan’s own transition from a rural to industrial economy following the Second World War and the underlying belief in economic growth as a basis for poverty reduction. Into the future, there is likely to be continued high demand for Japanese support in this area.

Where technical cooperation and grant aid are concerned, projects aimed at environmental monitoring have been particularly prominent. Understanding the environment from a scientific perspective is seen by Japan as an essential starting point for developing countries in formulating policy and achieving effective environmental management (JICA 2001). As resource demands continue to rise and climatic conditions become ever more precarious, the need and demand for expertise and hardware in this area is also likely to grow. This is also a field in which Japan has gained a unique combination of experience, both as a donor and as a nation that has faced up to and learned from its own (natural and manmade) environmental crises. Success in this area has included the south-south learning achieved through the environment centres that Japan helped establish in the 1990s. For the most part, however, technical cooperation has not yet graduated from the establishment of scientific baselines to providing policy support and broader environmental capacity building – despite this being one of the initial aims of the environmental centres. To meet such an aim, Japan will need to integrate its own efforts and expertise in environmental monitoring with those of

other donors who have become more adept at environmental capacity building<sup>14</sup>. Although Japan has not traditionally sought out the collaboration of other donors in its aid programmes the cooperation it has recently fostered with the French government in the provision of the climate change loan to Indonesia appears to signal an increasing willingness to enter such partnerships and embrace the spirit of the Paris Declaration on Aid Effectiveness.

### **3. The non-confrontational, self-help philosophy of Japanese aid has led to a principle of non-interference in the implementation of many environmental assistance projects – this has been at the cost of weak monitoring frameworks**

The tendency in Japan's foreign policy of avoiding diplomatic conflict appears to have its roots both in Japan's history as a war-time aggressor, and in Japanese cultural norms that militate against problem solving through direct confrontation. In its ODA, these historical and cultural elements coincide with the philosophy of *self-help* and have led to an emphasis on recipient countries assuming early ownership of their environmental problems and the associated projects.<sup>15</sup> Such an approach to *ownership* may appear to sit well with the Paris Declaration but this has often been pursued at the expense of another of the Declaration's principles – *mutual accountability*. Following the transfer of project financing to aid recipients (and particularly in the case of JBIC loans), Japan has often been criticised for leaving recipient countries and affected communities to grapple with and address any negative impacts of their own accord.

Questions of responsible financing and accountability are likely to become increasingly prominent in the years to come as Japan, along with its OECD co-members, strives to meet its commitments as a signatory to the Paris Declaration. Where Japan continues to fund hardware projects it is increasingly likely to be called upon to justify and substantiate the benefits – not just by Japan's active civil society lobby but also by the wider donor community. And where innovative new ways of funding are established (such as the climate change loan to Indonesia) calls for accountability and responsible financing are likely to be reflected in domestic politics also. For the Japanese

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<sup>14</sup> Members of the Poverty Environment Partnership for example – an informal network of donor agencies attempting to improve the coordination and implementation of work on poverty reduction and the environment. Donor members include the governments of Belgium, Denmark, Ireland, Norway, Sweden, the United Kingdom and Spain.

<sup>15</sup> An additional contributing factor may be that although Japanese civil society groups and NGOs have been active in some areas (for example during the public health crises of the 1950s and 60s and at NGO level through JBIC Watch), there has not been widespread public pressure on the government to reform and improve its aid policies as there have been in some other parts of the world. For the most part, the notion of reciprocity in the allocation of aid seems to sit comfortably within the expectations of the Japanese public. Furthermore, although Japan has undoubtedly come some way in achieving its stated desire for internationalisation, issues of ODA and environmental degradation are likely to be further removed from the personal knowledge, experience and consciousness of the general public than could be expected of the public in Western Europe for example.

government to live up to and exceed the expectations of donors, civil society and the wider Japanese public, the organisational barriers and cultural reluctance that have prevented Japan from playing a more direct role in implementing and monitoring its aid programmes will need overcoming.

Although efforts towards monitoring and evaluating Japan's environmental assistance still lack an overall framework, there appears to be an increasing willingness by the government to make third the evaluations of aid programmes publicly available (see for example MOFA 2007b and JICA 2001). The fact that much of the criticism by the international community (for example, regarding the lack of cohesiveness in Japanese aid) is echoed in reports by Japanese evaluators indicates that the improvements required may be less of a challenge to Japanese culture and more so to the organisation of Japanese aid delivery. The 2003 ODA Charter asserts the intention for technical cooperation, yen loans and grant aid to be linked together in the development of country assistance programmes to create a synergy and balance between the types of support provided – there does not appear to be any ready evidence of this happening yet but with the re-housing of loan aid under JICA (alongside grant aid and technical cooperation) there is room for renewed optimism in the achievement of this goal. For although the division of responsibilities between the various ministries and agencies has been cited as an important contributing factor in maintaining support for Japan's favourable ODA budget – it has also led to high levels of bureaucracy, a clear divergence in interests and a failure to link up the different types of aid on offer to particular sectors and countries/regions.

#### **4. Japan did not meet its desired ambition of becoming a global leader in international environmental cooperation but it has successfully asserted a certain level of regional leadership**

Although Japan's repeated policy statements and impressive budget commitments to environmental ODA in the 1990s may have helped meet some of its short term domestic and geopolitical aspirations, in the long-term they did not propel Japan towards becoming a global leader. In part, this can be attributed to the fact that with its strong focus on hardware and technology the very nature of Japanese environmental ODA has been tangential to that of other donors with whom Japan has often struggled to gain empathy. Notions of leadership have also proven incompatible with Japan's past record on resolving the negative impacts of some of these projects. Other factors too were at play by the late 1990s, including the Asian financial crisis, which subsumed much of Japan's political will and available funds for environmental ODA.

However, through its close geographic ties and long-standing aid relationships with Asia, Japan has gained a certain level of influence and leverage in the region that western aid agencies may be less able to achieve. The regional

forums, initiatives and agreements that Japan has variously initiated or is a member of, have helped create entry points for ongoing discussions on politically sensitive environmental issues including acid deposition, transboundary air pollution and hazardous waste. While Japan may not have always been privy to the moral support of its western counterparts, its long-standing emphasis on economic development is something that its Asian neighbours have identified with and aspired to. As mentioned in Section 6, there is a need for some caution in the (often selective) promotion and adoption of the Japanese model – experience has taught Japan the true cost of economic growth at the expense of environmental neglect and public health crises. Without taking these lessons on board, the predominantly Asian recipients of Japanese aid risk repeating similar mistakes in the pursuit of economic growth. These factors notwithstanding, Japan has gained an enviable level of credibility as a donor in the region.

### **5. Japan's foreign policy interests and aspirations will evolve further in the coming years, presenting both opportunities and threats to the prioritisation of environmental ODA**

The fact that overall responsibility for Japanese aid rests with MOFA is a clear indication of the positioning of ODA, as a foreign policy issue. As such, growing concerns over the global environment are likely to ensure that environmental ODA remains high on the geopolitical agenda in the years to come. However, other issues of domestic and foreign policy will also no doubt vie for prioritisation, both as a matter of ministerial and public concern including a potential amendment to the no-war clause of the Japanese Constitution which would imply a huge shift for Japan in diplomatic and funding priorities.

Pressure on – and a tightening of – Japan's ODA budget is also likely to continue. Although this may not change Japan's position relative to other OECD donors on account of budget cuts across the board it will put at risk Japan's ability to help address and solve both country-level and global environmental challenges. Where the ODA budget does increase in the near future it will inevitably to fund loans, which it can be assumed will continue to favour large-scale infrastructure on account of both the benefits that can be derived for Japanese business through such projects and the justification that this provides MOFA with at a time when the national economy is in crisis and all budgets are under the close scrutiny of MOF and the wider public. In the long-term, however, Japan's relative position of economic superpower is likely to continue and so how the government handles both the domestic challenge of emission targets and its resource/trade interactions with the rest of the world will continue to be of wider significance to the global environment.

If the rest of the industrialised world has struggled to comprehend the Japanese approach to ODA, the emergence of South Korea, India and China as donors will prove further challenges yet. As Jerve (2007) notes, China's proliferation

of trade and aid with Africa has generated reactions among other donor nations ranging from surprise and admiration to moral indignation. Under these circumstances, Japan could find that as a long-standing if not somewhat isolated donor it is embraced more enthusiastically into the donor fold in the years to come and is able to move closer towards achieving its long sought after recognition and acceptance as a donor.



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