

# The UK and Japan in a New Era of Development Cooperation



**Izumi Ohno**

**National Graduate Institute for Policy Studies (GRIPS)**

**JICA RI Seminar / Feb. 25, 2016**

**(Updated version of ODI seminar, July 2015)**

# Topics

---

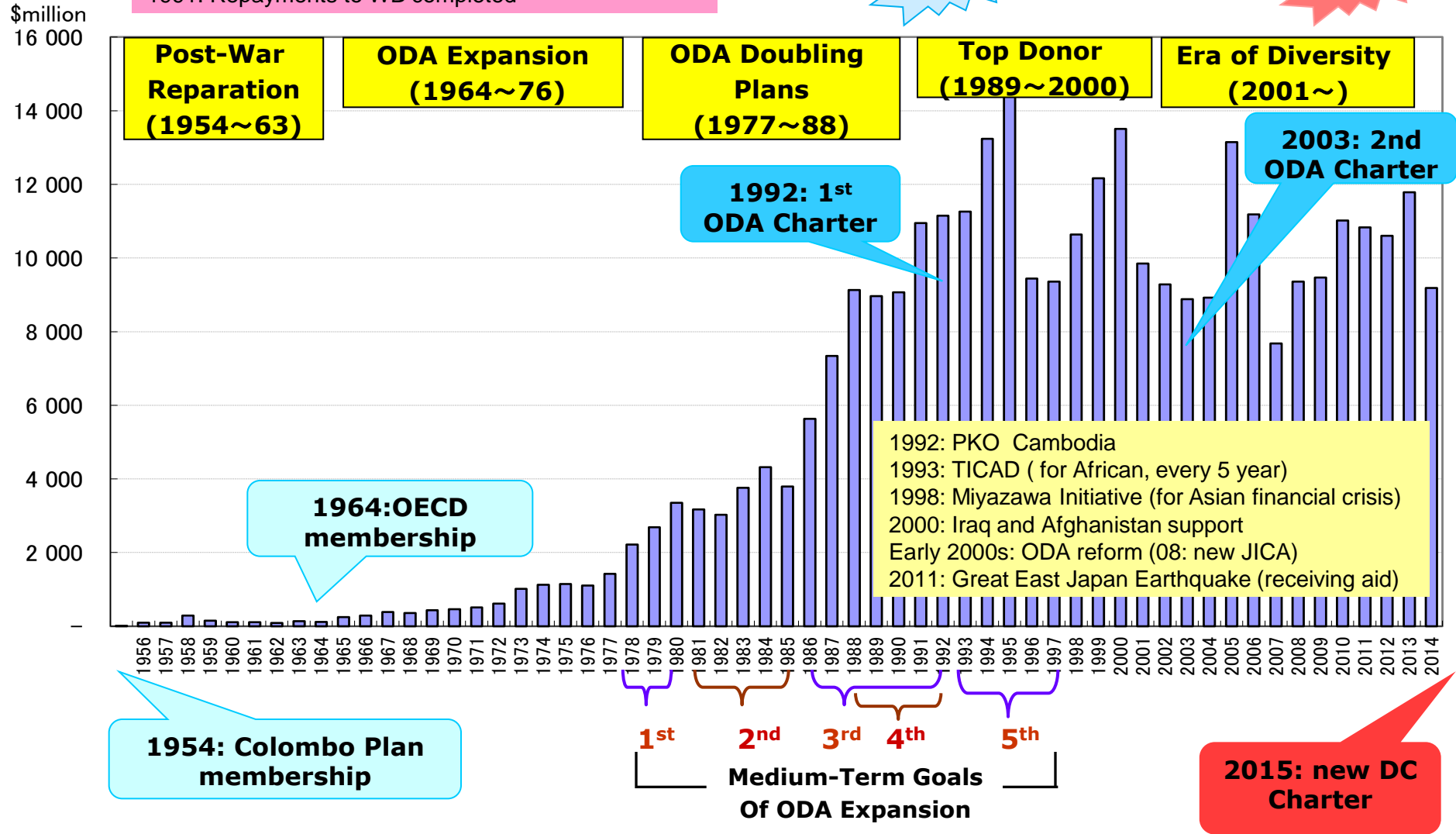
1. My comments on the new DC Charter
2. Era of SDGs: Transformative agenda
  - ▶ Japan's conventional approach to growth support
  - ▶ Japan's new initiative
3. The UK and Japan
  - ▶ Becoming closer or still different?
  - ▶ Possibility of collaboration on the transformative agenda (examples)
4. Final thought—The age of choice
  - ▶ The era of "*cooperation and competition*"—focusing on core competence

# Evolution of Japan's ODA Policy

1946-51: Received US foreign aid (GARIOA & EROA)  
 1953-66: Received World Bank loans  
 1991: Repayments to WB completed

End of Cold War

Beyond Aid



Note: A bar chart indicating the volume of Japan's ODA in net disbursements, indicated in US dollars.

Source: Elaborated by the author

# Background for ODA & New Development Cooperation (DC) Charters

---

## □ First ODA Charter (1992)

- ▶ Top donor—articulate Japan's philosophy of int'l cooperation to the world (i.e., reaction to the criticism of "passive checkbook diplomacy")

## □ Second ODA Charter (2003)

- ▶ Declining ODA budget and popular support under the stagnated economy—urge to reaffirm Japan's determination to int'l contribution and enhance aid effectiveness in the era of MDGs

## □ Development Cooperation Charter (2015)

- ▶ New landscape of int'l development (SDGs, diverse actors) and continued economic stringency—strategic focus and closer links btw. global & domestic agenda (accelerating globalization)

# DC Charter: Continuity and Changes

---

**No Change !**

- ❑ Keep Japan's basic philosophy
  - ▶ Pursuing peace by non-military means
  - ▶ Promoting human security and fundamental human rights
  - ▶ Supporting "self-help efforts" of partner countries
- ❑ Expand the scope of development cooperation
  - ▶ **High-Quality Growth** –"Inclusive, Sustainable, and Resilient" G
  - ▶ Include MICs —not just LICs—addressing complex challenges (e.g. middle-income trap, urban mgt., inequality ...)
  - ▶ Allow for collaboration with foreign military personnel, for disaster relief and humanitarian assistance (case by case)
- ❑ Strategic partnership with diverse actors (domestic & external), by mobilizing their expertise and technology
  - ▶ Business, local government, civil society, universities, Asian partners, etc.

# From MDGs to SDGs:

## Transformative Agenda

---

### **MDGs (2001-15)**

- ❑ Focus on poverty reduction
- ❑ Aid-based
- ❑ G to G (from “Advanced” to “Developing” countries)

### **SDGs (2016-30)**

- ❑ Broader and transformative agenda— incl. poverty eradication, prosperity, justice, sustainability
- ❑ Aid + Beyond Aid
- ❑ Diverse stakeholders— esp. emerging donors & business
- ❑ Universal and integrated

# Japan and Transformative Agenda

---

- ❑ Japan's aid policy has been **consistent** since the 1950s: engagement in the transformative (growth) agenda.
  - ▶ Two pillars: infrastructure & human resources (HRD)
- ❑ Linkage btw. FDI and ODA
  - ▶ Vanguard effect of Japan's aid to FDI promotion (Kimura & Todo 2010); Japan ODA Model (METI)
- ❑ Unlike many Western donors, the recent growth resurgence is NOT new to Japan.
- ❑ ***What's new in the SDG era?***
  - ▶ Deeper involvement of business in solving global and local development challenges – Creating Shared Value (CSV) approach

# Key Features of Japanese Approach to Growth Support

---

## Pragmatism with real sector concern

- **Goal orientation**—striving for concrete vision, targets, roadmaps, and actions instead of general capability improvements.
- **Field (*gemba*) orientation**—working on factory floor or crop field to solve concrete problems.
- **Joint work**—transferring skills and knowledge to developing countries by working together (OJT); no parallel mechanisms.

***Dynamic capacity development***—step-by-step learning through concrete, hands-on-experience; and expectation of graduation from aid (Ohno & Ohno 2013).



# Real Sector Concern: “Framework” vs. “Ingredients” Approaches (Prof. Yanagihara)

<b>Framework-oriented (West)</b>	<b>Ingredients-oriented (Japan and East Asia)</b>
<ul style="list-style-type: none"><li>■ Emphasis on the framework of an economic system and its management</li><li>■ Rules of the game according to which economic agents make decisions and take action in a given economy</li></ul> <p>【Examples】 Functions of the market mechanism; the principles of government intervention, budgets and public investment; monitoring and evaluation; administrative efficiency and accountability, etc.</p>	<ul style="list-style-type: none"><li>■ Emphasis on an economy as the sum of component parts</li><li>■ Tangible organizational units such as firms, official bureaus, industrial projects and their aggregations such as industries, sectors and regions</li></ul> <p>【Examples】 Technologies; factors of production; demand of trends, products and commodities; industrial structures; marketing and logistics efficiency in individual industries and regions, etc.</p>



Source: Toru Yanagihara (1998). Development and Dynamic Efficiency: “Framework Approach versus “Ingredients Approach”, Chapter 4, Ohno & Ohno (1998).

# (Example) Support to Infrastructure Development

	Japan	UK
Emphasis	<ul style="list-style-type: none"> <li>▶ Building roads and bridges, giving attention to location, design &amp; technology, durability, industry &amp; regional development</li> </ul>	<ul style="list-style-type: none"> <li>▶ Innovation in infrastructure financing—local currency guarantee, project development facility for privately-financed infrastructure, reaching the poor (OBA), etc.</li> </ul>
Modality of assistance	<ul style="list-style-type: none"> <li>▶ Project assistance</li> <li>▶ Aid agency staff involved in feasibility studies (F/S) and master plans (M/P) of infrastructure projects.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Use of int'l fora. e.g., Infrastructure Consortium for Africa (ICA)</li> <li>▶ Implementing through int'l organizations (e.g., EU, WB, AfDB) and multi-donor facility (e.g., PIDG)</li> <li>▶ General or Sectoral Budget Support (infrastructure expenditure)</li> <li>▶ Setting up infra. financial facilities and outsourcing to external consultants</li> </ul>

# Japanese Growth Support: Conventional Approach

---

1. If the government already has a good strategy, **mobilize standard assistance tools** to support that strategy. 
2. Engage in **policy dialogue** (preferably followed by specific aid projects and other assistance).
3. Build a **core infrastructure** with additional investments around it for comprehensive regional development. 
4. Provide missing elements (infrastructure, technology, skills, etc.) to **entice (Japanese) firms to invest** under open access and non-exclusivity principle.

# Example(1): Mobilizing Standard Aid Tools to Support Existing National Vision

---

- ❑ Japan has many industrial aid tools which are widely practiced in East Asia.  
(But, selectivity and adjustment are needed to adapt to unique condition of each country.)
  - ▶ *Kaizen* (quality and productivity improvement)
  - ▶ *Shindan* (SME management consultant system)
  - ▶ Engineering universities and colleges
  - ▶ TVET-industry linkage
  - ▶ Industrial estates & strategic FDI marketing
  - ▶ SME assistance package
  - ▶ Integrated export promotion
  - ▶ Strategic creation of new industry through industry-government-university cooperation
  - ▶ Comprehensive regional development with core infrastructure

# Thailand King Mongkut's Institute of Technology Ladkrabang (KMITL)

50 years  
Anniversary

1960

1970

1980

1990

2000

2010

Level:

Diploma

Bachelor

Master

Doctor



Telecommunications  
Training Center  
(1960-)

Grant:  
Construction  
of facilities  
(1960-61)

Telecommunications  
College (1964-)

TC project  
(1960-65)

King Mongkut's  
Institute  
of Technology  
(1971-)

Grant:  
Construction  
of facilities  
(1974-75)

TC project  
(1978-83)  
(1997-02)

KMITL  
(1982-)

Grant:  
Construction  
of facilities  
(1984-86)

Interregional  
networking

SEED-Net  
ASEAN  
University  
Network /  
Southeast Asia  
Engineering  
Education  
Development  
Network

TC project  
(2003-2013)

(Source) Senichi Kimura, "Perspective of Asian ODA: JICA's View", May 26 2011, presentation at the Policy Dialogue session, International Symposium: Styles of Foreign Assistance, held in Seoul, South Korea.

# Vietnam TVET-FDI Linkage

---

JICA has assisted Hanoi University of Industry (HaUI) since 2000.

- ❑ **Phase I (2000-2005)** – teaching machining & electronics by providing experts & equipment
- ❑ **Phase II (2010-2013)** – matching training programs with labor needs of Japanese FDI
- ❑ **Phase III (now)** – scaling up this model to other TVET institutions in Vietnam



## Example(3): Japanese Assistance for Regional Development around Core Infrastructure

---

- ❑ **Greater Mekong** – East-West and North-South Corridors for development of Indochina Region
- ❑ **Thailand** – Eastern Seaboard: industrial cities around port infrastructure
- ❑ **Indonesia** – Brantas River Basin Development
- ❑ **Vietnam** – Highway No.5 and FDI attraction
- ❑ **Cambodia** – Port, industrial park, FDI attraction
- ❑ **El Salvador** – La Union Port and comprehensive regional development
- ❑ **India** – Delhi-Mumbai Industrial Corridor
- ❑ **Mozambique** – Nacala Port and Nacala Corridor, agriculture and industrial parks

# Evolution of Industrial Cluster: The Case of Thailand, Eastern Seaboard Development

## Public Sector (Aid)

## Private Sector

**Infrastructure construction**

Industrial estates (Laem Chabang, Map Ta Put)  
Ports, roads  
Water pipelines & dam  
Railways

Industrial estates (Amata Group, Hemaarji Land Group)

**Institutional reform**

One Stop Center

Industrial HRD

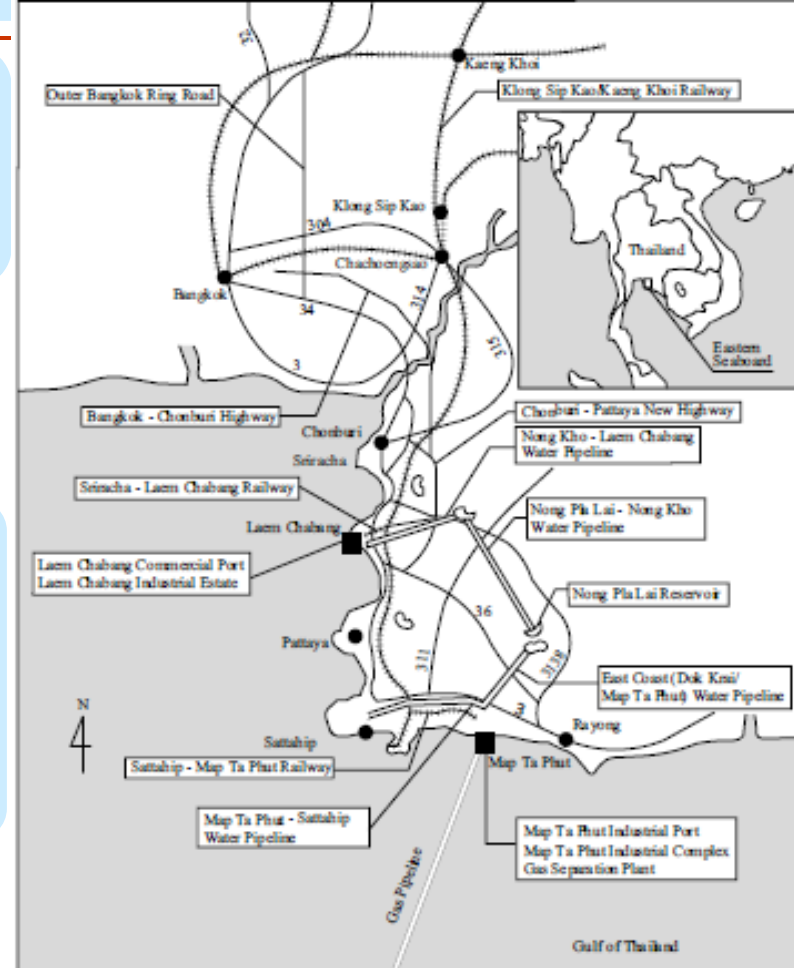
Anchor firms (automobile industry)  
Parts/materials suppliers (auto related industries)

**FDI**

**Industrial cluster**

**Economic growth**  
**Export growth**  
**Job increase**

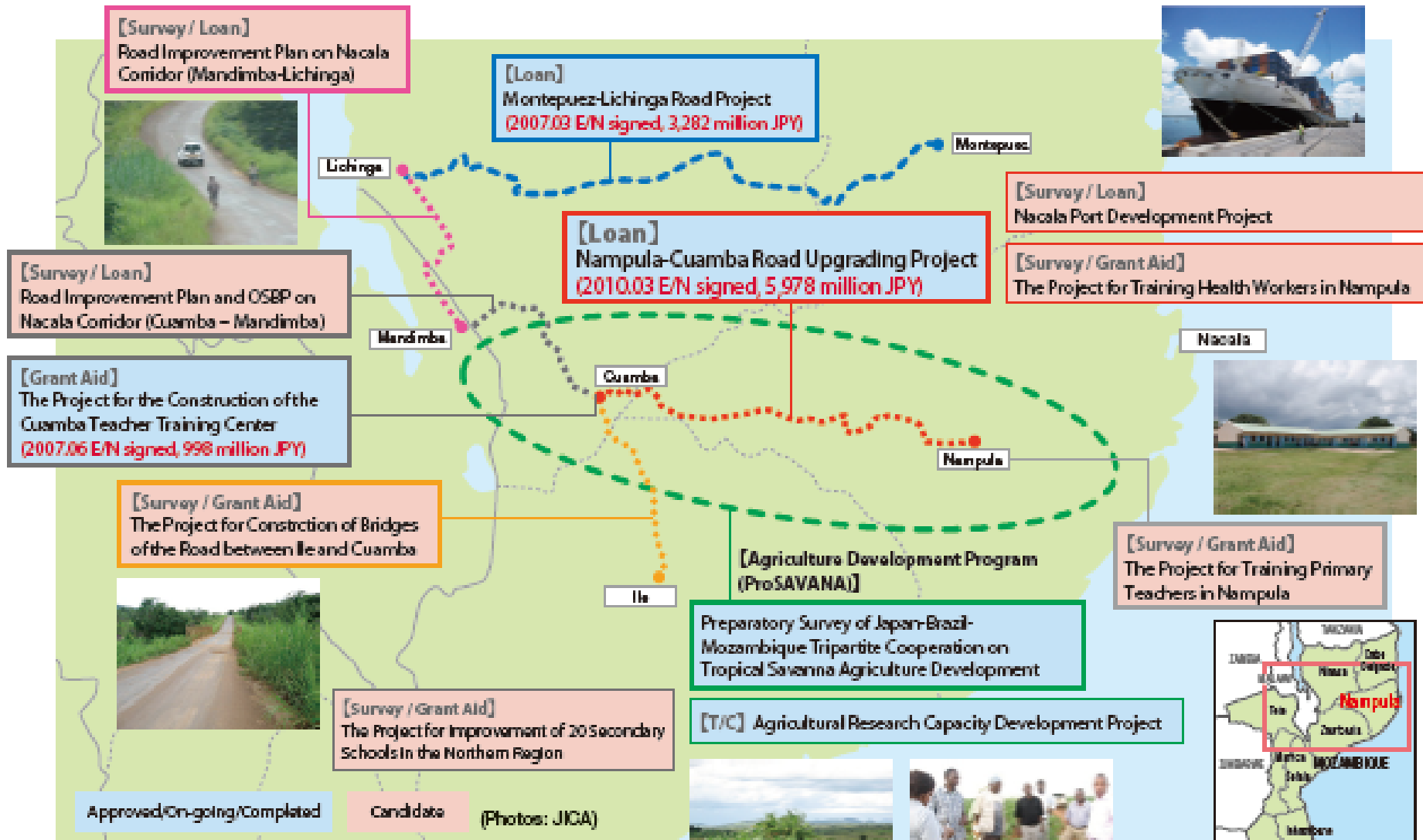
**Macroeconomic impacts**



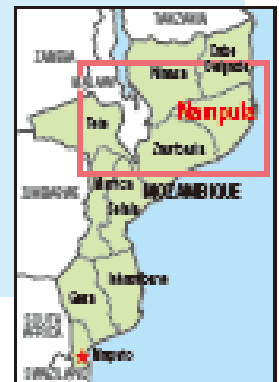
(Source) Yasutami Shimomura, "The evolution of 'aid, investment, trade synthesis' in China and Japan", Ch.7, *The Rise of Asian Donors*, eds. Sato and Shimomura, Routledge, 2012, Figure 7.1, p.125



# Nacala Development Corridor: The Case of Mozambique (Ongoing)



Source: Ministry of Foreign Affairs, TICAD IV Annual Progress Report 2010



# New Initiative: Business in Development

---

- ❑ Increasing complexity of development challenges: requiring combined resources and capabilities of diverse stakeholders, including the private sector, and need for technological innovation.
  - ▶ Climate change, infectious diseases, urban mgt., disaster mgt., etc.
- ❑ From 2009/10, GoJ (METI & MOFA), JICA, JETRO etc. , have enhanced engagement with business to solve global & local development challenges.
  - ▶ Inclusive / BOP (base of the pyramid) business, etc.
- ❑ Japanese local govts are increasingly engaged in sharing their urban & envt. mgt. experiences, together with J-SMEs & NPO.

# Inclusive / BOP Business

- Business can build partnership with the poor (low-income groups), as consumers, producers, distributors and retailers, etc.



Ajinomoto: Nutrition improvement



Yamaha Motor: Clean water system

**Meeting  
Basic Needs  
of the Poor**



Nippon Poly-glu:  
Water purification PGα21Ca

**Increasing  
Income  
of the Poor**



Saka No Tochu:  
Organic vegetables (agriculture VC)



Panasonic: Solar Lantern

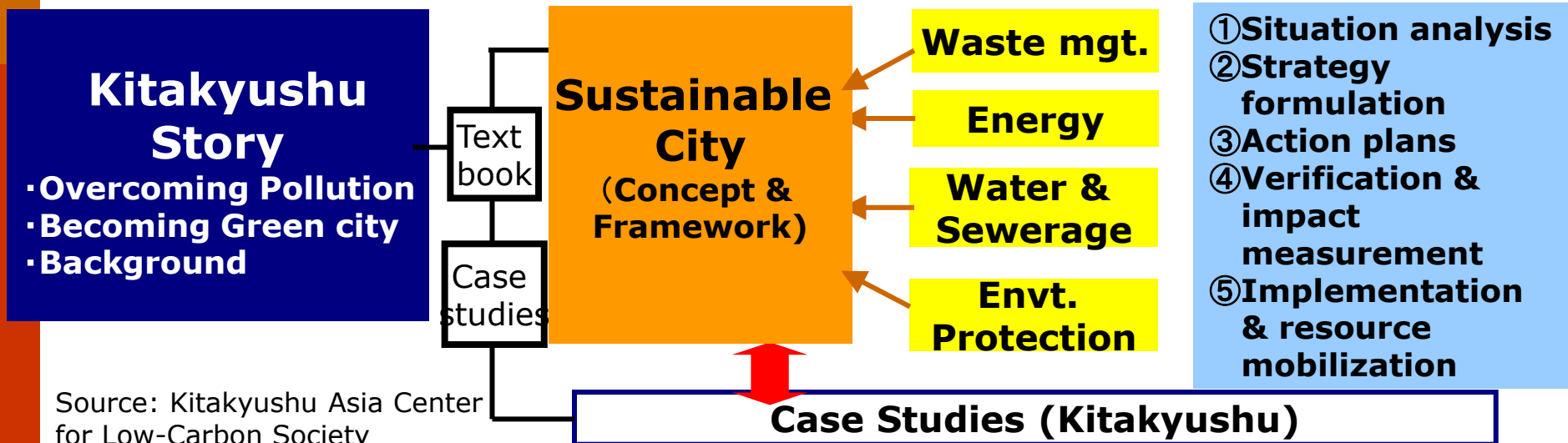
**Improving  
Productivity  
of the Poor**

(Source) Photos are from official websites of respective companies & JICA.

# Japan as a Forerunner of Overcoming Development Challenges through its Own Catch-up Experiences

- ❑ Japanese local govt., business and NPO, jointly have rich experiences in overcoming pollution, managing urbanization and industrialization.
  - ▶ Sustainable & Green cities—Yokohama (mega city), Kitakyushu (green city), etc.
- ❑ Japan has also accumulated the expertise of disaster prevention and reconstruction.

## <Compilation of Kitakyushu Model>



# The UK Becoming Closer to Japan?

---

- ❑ In the late 90s-early 00s, there were big debates btw. the UK and Japan over—“economic growth vs. poverty reduction”, “budget support vs. project aid”, “loans vs. grants.”
- ❑ Now, the UK aid is changing !
  - ▶ Wide acceptance of transformative & prosperity agenda—doubling ODA budget for economic development (2012/13→15/16)
  - ▶ Economic Development for Shared Prosperity and Poverty Reduction: A Strategic Framework (DFID: Jan. 2014)
  - ▶ Sustainable Infrastructure for Shared Prosperity and Poverty Reduction: A Policy Framework (DFID: Jan. 2015)
  - ▶ High-Level Prosperity Partnership in Africa (DFID, FCO, UKTI)
  - ▶ Whole-government approach to mobilize the British expertise
  - ▶ New development finance (e.g., loans, PPP, social impact investment)
  - ▶ Moving away from General Budget Support (DFID/Treasury: Nov.2015)
- ❑ Still, there are fundamental differences btw. the British and Japan re. approaches to development.

# UK-Japan Cooperation: Conventional Approach (Case of Ethiopia)

---

- UK: Private Enterprise Programme Ethiopia (PEPE)
  - ▶ **Market Development Approach (MMW4P)**
  - ▶ Access to finance by supporting MFIs
  - ▶ Focused support to the horticulture, leather, textile sectors to help address market & regulatory challenges.
  
- Japan: Policy learning & concrete industrial support /HRD
  - ▶ **Industrial Policy Dialogue** (by JICA & GRIPS)—Regular policy dialogue with senior govt. officials (incl. PM), sharing good (and bad) practices of East Asian and elsewhere.
  - ▶ **Kaizen** (JICA support)—Capacity development for EKI, training of trainers, enterprise diagnosis for quality & productivity improvement, etc.

# Ethiopia-Japan Policy Dialogue & Kaizen

2008      2009      2010      2011      2012      2013      2014      2015      2016      ...

**PM Meles**

**PM Hailemariam**

## Industrial Policy Dialogue

**Preparation**

**Phase 1 (2009-11)**

**Phase 2 (2012-15)**

**Phase 3**

Africa Taskforce Meeting Jul. 2008

Official launch Jun. 2009

Final session May 2011

Start Jan. 2012

TICAD V

Malaysia mission

PM Abe visit

Final session Oct. 2015

**JICA's Industrial Cooperation**

**Kaizen Phase 1**  
(30 pilot companies)

**Kaizen Phase 3**  
(Advanced level)

**Kaizen Phase 2**  
(Institution & human resource)

Metal industry survey

(With Germany)

Champion Products

Branding & promotion

**Note: Black boxes indicate three-level policy dialogue in Addis Ababa (PM, ministers, operational level).**

## Local Factories (JICA Kaizen Support)



タイヤ工場



PVC パイプ工場





# UK-Japan Cooperation: New Possibility?

---

- ❑ UK is a pioneer in BOP/inclusive business (10 years ahead of Japan !).
- ❑ Esp. in Africa, UK's strengths (financing, local network, NGOs, etc.) can be effectively combined with Japan's (potential) strengths as a quality leader, for greater development impacts on the ground.
  - ▶ CDC's development finance (LEG)
  - ▶ Social impact investment
  - ▶ Local partners in Africa, supported by Challenge Funds and Business Innovation Facility (BIF), etc.
- ❑ More information sharing and collaboration btw. the Japanese and UK's inclusive business communities should be promoted.

# Final Thought: The Age of Choice

---

1. The rise of Asian emerging donors and growth resurgence among traditional donors are welcome development for Japan, which has tended to be isolated within the int'l development community and the DAC until recently.
2. More diverse and increased development partners imply that developing countries could benefit from the greater choice of development cooperation (Greenhill, Prizzon & Rogerson 2013: ODI WP364).
3. This demands enhanced efforts on Japan to sharpen its own comparative advantage ("niche").
4. Japan should **focus on its core competence** and contribute to int'l development in the post-2015 era.

→ *This is an era of "Cooperation and Competition."*

# Japan's Core Competence (1)

---

- ❑ Catch-up, latecomer perspectives
- ❑ Utilizing its aid and development experiences in East Asia
- ❑ Collaborating with emerging donors (e.g., South Korea, Thailand, Malaysia, China), based on shared development visions
  - ▶ Growth-driven, poverty reduction (aid is not just charity)
  - ▶ Respect for each country's uniqueness
  - ▶ Realistic and pragmatic approach to aid delivery
- ❑ Mainstreaming East Asian perspectives into global development debates

# Japan's Core Competence (2)

---

- Japan as “Matured Donor & Knowledge Partner”
  - ▶ Wealth of knowledge and technology accumulated in business, local govt., CSO, univ., which overcame socio-economic problems during the catch-up era
  - ▶ Frontier challenges (e.g., aging, declining birth rates)
  - ▶ Intellectual aid, with int’l comparative analyses of best practices (not just Japan, but other Asian partners), based on the network nurtured through ODA partnership
- Japan as a **Quality Leader** in global business activity
  - ▶ Strong manufacturing-orientation
  - ▶ Long-term commitment
  - ▶ Provision of partner support, technology transfer, QCD
  - ▶ Good legal compliance (e.g., environment, human rights), etc.

# Thank You Very Much !

---

*Related book & article:*

- ▣ *Eastern and Western Ideas for African Growth: Diversity and Complementarity in Development Aid* (eds. Kenichi & Izumi Ohno, Routledge, 2013)  
[http://www.grips.ac.jp/forum-e/pdf\\_e13/TWFR\\_JulAug2013.pdf](http://www.grips.ac.jp/forum-e/pdf_e13/TWFR_JulAug2013.pdf)
- ▣ *Japanese Views on Economic Development: From Diverse Paths to the Markets* (eds. Kenichi & Izumi Ohno, Routledge 1998)

