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JAPAN'S ODA TO THE PHILIPPINES

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THE PHILIPPINES*

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INTRODUCTION

Japan joined the club of ODA donors in the mid-50's as rather a latecomer, and especially in last two decades she has been rapidly expanding the program. Japan's assistance for the developing nations has been characterized by her basic principle that Japan is ought to contribute to building of

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self-reliance of the economies of the recipients. But in practice Japan's ODA was often biased by inclination to dominance of business interests. Japan is now required to have clearer philosophy of aid and to structure appropriate systems in order to advance forward in the field.

From the beginning of Japan's ODA endeavors, the Philippines has been one of the major recipients. But the case of this country presented a number of typical and fundamental questions concerning nature of ODA. Recently the assistance extended at the final phase of the Marcos regime ignited debate among Japanese how Japan's ODA should be. Current expansion of aid under the Aquino administration also reveals problems involved in the ODA. The majority of external assistance for the country is from Japan, and still it is expected to grow on the Multilateral Aid Initiative/Philippine Aid Program (MAI/PAP).

This paper is aimed at discussing, first, recent changes of general features of Japan's ODA and then basic issues in Japanese aid relations with the Philippines.

1. JAPANESE ODA IN TRANSITION

Japan started her economic cooperation toward developing nations in 1954 when she joined the Colombo Plan, and has been enlarging the quantity. Especially in the 1970's and 80's Japan increased the ODA almost every year at the rate of double digits (e.g. 29.6% in 1980 and 24.0% in 1979) in Yen term. The rate was inflated in US dollar term because of upward move of Yen value after the Smithsonian Agreements (e.g. 55.5% in 1978, 48.4% in 1986). Thus in the end of the 1980's Japan became the leading donor of the ODA.

The net disbursement of the ODA in FY1988/89 was ¥1,170.5 billion (US\$ 9,134 million). That is approximately ten thousand yen or \$76 per capita. In 1988 Japan's share in total amount of ODA of the DAC members was 19.2%, second position next to the 20.5% of the USA. In FY 1989/90 Japanese

share is expected to rise some more, since the budget for ODA including the treasury investment and loan is estimated ¥1,400 billion which is equivalent to some US\$ 11.4 billion .

Such a rapid growth in quantity brought forth significant impacts on basic posture of Japanese toward ODA, both in perception by the people and execution by the government.

First, people of Japan are increasingly concerned seriously in helping development of the third world and in building closer relationship with the people of developing regions and started to pay careful attention to ODA. In the past, Japanese assumed that the ODA par se was the virtue for the good of the recipient nations. Growth of the appropriation for the ODA was conceived as the contribution to the people struggling for development. Majority of taxpayers of Japan, who expected that the portion of tax will trickle down and reach to hungry children of the depressed regions in the third world, naively accepted the rapid increase of the ODA, though the public finance of Japan has been facing stringency and stiffening for long, and budgets for education, social welfare and social capital investment have been generally curtailed. Only the expenditure for the economic cooperation has been increasing steeply together with defence budget.

Recent rise of national income coupled with higher value of Yen resulted in increase of tourists all over the world, and yearly some 10 million Japanese travel abroad. Many of those, especially the younger generation, exposed themselves to the actual conditions of economy and society of the third world and to the reality of Japanese ODA projects. This new situation was significant in formulating Japanese concerns to the ODA. Before the mid-80's most of Japanese were provided information only by the government and mass media, and were not able to have insights on the ODA, but now they have clearer picture.

Secondly, Japanese strengthened criticism on ODA. Gradual increase of direct exposure of Japanese to the ODA projects,

intensified contacts with civic organizations of the recipient countries, above all lessons of the Marcos Scandals revealed in the Mid-80's.....those made Japanese aware of the facts that not all the ODA programs were good for the people of the receiving nations and that in some cases only the privileged groups of recipient countries, as well as of donor, extracted huge interests out of the ODA on the sacrifice of the peoples of both sides. From 1988 the mass media of Japan tended to report the ODA with emphasis on negative aspects. Some weekly journals started press campaign on defects of the ODA. The cases of the Philippines was focus of the debate.

Major points of criticism on the ODA can be summarized as follows:(1) Japan should not spare huge amount of national resources to others when domestic poverty group are numerous and deterioration of level of social welfare is conspicuous. (2)ODA does not necessarily help those who really need it in the developing nations. (3) Japanese business firms get maximum advantage out of the ODA. (4) It extends supporting hands to dictatorial regimes and often helps their corruption.

At any rate Japanese started to be critical and suspicious about ODA at some extent in the later part of the 1980's. An annual opinion survey conducted by the Office of the Prime Minister shows decline of support of Japanese for the ODA. in October 1986, 69% of 2,385 respondents answered "yes" to the question "Do you think that Japanese ODA helps well for the development of the recipient countries?" while 18.9% said "no". To the same question in October 1988, out of 2,288 respondents "Yes" was 67.7% and "no" was 23.8 %. In the survey answers to the question "should Japan promote economic cooperation toward the developing nations more positively?" were; should promote positively 39.5%, good enough at current level 44.2%, better to reduce 7.2%, and should stop 0.7%.

More striking result was revealed by a leading daily paper, the Mainichi, in January 1989. The daily conducted a public opinion survey titled "Internationalization of Japanese Life Style" in December 1988. Asked if Japan should enhance ODA further in spite of presence of poor people in the country

or not, out of 2,238 respondents over 20 years old, 25% answered that "we can not help to admit enhancement of ODA" willingly or reluctantly, while 52% said "we should not increase ODA any more" (Table 1).

Closer look on the survey results shows that negative reaction was stronger among middle aged group, lower and middle group in educational attainment, lower income group, self-employed and farming group as occupation, and those residing in rural areas. In general, after three and half decades of endeavor of ODA, Japanese seem to be following the behavioral pattern of taxpayers of the United States regarding posture toward increase of the ODA.

Table 1
Public Reaction to Increase of the ODA
December 1988 (percentage)

	sex			age				
	total	male	female	20-	30-	40-	50-	60-
admit	25	30	20	28	27	27	23	22
no more	52	52	53	49	51	53	57	50
don't know	19	15	23	20	20	18	16	22
no answer	4	3	4	3	2	2	4	6

	education			
	elem sch.	high sch.	junior college	univ.
admit	16	23	36	42
no more	54	57	44	39
don't know	24	17	19	16
no answer	6	3	1	3

	income level (perceived by respondent)				
	upper	upper- middle	lower- middle	upper- lower	lower-
admit	34	26	26	27	11
no more	47	52	54	53	66
don't know	18	19	19	18	22
no answer	1	3	1	2	1

Source: the Mainichi (daily)

Thirdly scholars, NGOs and peoples of recipient countries started to express their critical views on Japan's ODA more positively. They accused strong tie between the ODA and Japanese business interests, support for governments suppressing human rights, deterioration of environment resulting from ODA projects, exclusion of local consultancy and construction firms from grant aid projects, disregards for rights and sentiments of local people in project areas, lack of understanding on local systems, and so on. We can easily recall examples of such accusation like construction of dams in the Narmada River area of India, the social education center in Bangkok, alleged kickback to chief executives in some recipient countries, overcharge on commodities procured by grant and loan etc. In some countries, the ODA projects became targets of guerrilla activities.

Fourth, facing to internal and external criticism, and learning from experiences of implementation of ODA for three and half decades, the government of Japan gradually changed its approach to achieve improvement, and became to formulate basic policies and to handle procedures more flexibly. We may say that the late 1980's was the period when substantial renovation started.

One of the new trends was ODA execution based on area understanding. In 1987 the Japanese government launched 'country study' project to examine past performance and to prepare directive for future formulation of the ODA, depending

on expertise of respective countries. The Philippines was the first case and the writer happened to sit in the chair. Such an emphasis on area was taken into activities and organizational setting of the JICA and the OECF, implementing agencies of Japan's ODA.

Enhancement of evaluation of the ODA projects is another progress in the period. The Japanese government of course has been carrying out evaluation of the projects, but generally it tended to be either of bird-eye view type by dignitaries or of audit-type by the staff of the government agencies. Impacts of the projects on beneficiaries, especially on local mass, was seldom practiced as the writer pointed out in 1983. In 1987 the government started very detailed evaluation in selective countries, involving the group of evaluators of the receiving nations. Evaluation of the projects by the third party also started and British and US experts were officially asked to present their views. The Board of Audit and the Administrative Management Agency, which used to be not so active outside the territory, too, started examination of performance of the ODA.

Furthermore, BHN type approach is given more importance in comparison to the past, and the NGOs (PVOs) are accepted as integral part of the ODA programs though the extent is still limited unlike the case of some European donors. Subsidy for the activities of NGOs was initiated and the government held forum to discuss role of NGOs in ODA. In 1989 a new category of loan called 'non-project loan' was launched to provide foreign exchange for importation in order to strengthen economic stability of the recipient country.

Opening of the ODA information to the public is improved. Strengthening of the manpower for the ODA planning and execution are eagerly sought by the public and private sectors. Environmental assessment of projects is given much more emphases. An important progress in the late 80's is that the necessity of the central command for ODA is openly discussed to enhance and streamline administrative framework of Japan in the field.

2. POSITION AND ROLE OF JAPAN'S AID

Because of geographical closeness and of historical association, Japan has given considerable priority to the Philippines in economic cooperation.

Transfer of capital resources to the Philippines was initiated by the reparation for war damages between 1956 and 76. Apparently reparation is different from ODA because it is to compensate diseconomy of the country caused by Japan, but Japanese government usually includes it in economic cooperation. The Philippines was allocated US\$ 550 million, the largest amount. In addition in 1959 and 61 credit of ¥ 5.1 billion was offered utilizing the reparation as security, and used for the construction of Marikina Dam, improvement of telecommunication network, and extension of the PNR railroad.

It must be important to have insights on reparation in order to deepen proper understanding of the ODA, because prototype of ODA was formed on practices and experiences of implementation of the reparation, particularly in case of Southeast Asian countries. Dominance of business interests in formulation as well as alleged unfairness in ODA have precedence in reparation. Short of appropriate evaluation which will be discussed in detail later may also originate at the time of reparation when priority was given to accomplishment of target figure than quality.

In 1969 US\$ 30 million was credited to finance the construction of the national trunk road, currently called the Maharlika Highway. In 1971 Japan became member of the consultative group for the Philippines led by the IBRD, and the annual Yen credit started to provide loan for commodity and projects. Also the grant aid started in 1972 with the flood forecast system for the Pampanga River Basin, and then increased. Food assistance and technical cooperation also grew.

Thus in the late 1960's, passing the United States, Japan became the top donor of ODA to the Philippines and continued to hold the position. Through the 70's and 80's Japan's share in total ODA to the country was 46-55% level. In 1987 the Philippines was one of 29 countries where Japan's share was the largest. As a recipient country the Philippines used to rank at third (1975) to fifth (1970) position in the 70's, but in the earlier half of the 80's ranking dropped to seventh due to increase of ODA to Bangladesh, Thailand and Burma.

At the start of the Aquino regime, however, the Philippines resumed higher position, second next to China, as Japanese government exerted to support the regime in cooperation with the USA, and in 1987 and 88 the Philippines maintained the third position among the recipients, next to Indonesia and China. In 1988 the ODA to the Philippines was 8.3% of the total bilateral net disbursement. As to grant aid of the same year, the Philippines was the second largest recipient of ¥ 12.8 billion next to Bangladesh. Total amounts of aid cumulative to 1988 were ¥739.6 billion for loan and ¥88.5 billion for capital grant, both of which are at the fifth position. Besides ¥56.2 billion was expended for technical cooperation until 1988 which ranks the third among the recipients.

As shown in Tables 2, 3 and 4, Japan is the biggest donor to the Philippines with 54% of the total , and nearly 86% of the ODA comes from two donors namely Japan and the USA (net disbursement). Regarding the cumulative amount (commitment) from 1978 to 1988, Japan's share is also largest at the level of 57%.

Table 2
Japan's Net Disbursement of
ODA to the Philippines (US\$ million)

	grant			loan	total
	capital grant	technical cooperation	total		
1984	26.4	31.3	57.7	102.4	160.1
1985	40.0	29.8	69.7	170.3	240.0
1986	41.1	30.3	80.4	357.6	438.0
1987	66.9	44.9	111.8	267.6	370.4
1988	70.4	60.7	131.4	403.6	534.7

Source: ODAJ 1989

Table 3
ODA to the Philippines in 1987

		(Net Disbursement) (US\$ million)
Multilateral	69.38	100.0%
ADB	35.30	50.9%
IBRD/IDA	7.32	10.6%
UNHCR	6.45	9.3%
UNICEF	6.18	8.9%
UNDP	5.25	7.6%
Others	8.88	12.8%
Bilateral	705.85	100.0%
Japan	379.38	53.7%
USA	230.00	32.6%
Others	96.47	13.7%

Source: ODAJ 1989

Table 4
Cumulative Amount of ODA (Commitment)
(1978-88)

(US\$ million)

	grant	loan	total	
Multilateral	292.3	6,496.8	6,789.1	(100.0%)
IBRD/IDA	192.4	4,169.0	4,171.0	(61.4%)
ADB	81.3	2,245.7	2,257.3	(33.3%)
UN	192.4		192.4	(2.8%)
EC	81.3		81.3	(1.2%)
OPEC		47.5	47.5	(0.7%)
IFAD	5.0	34.6	39.6	(0.5%)
Bilateral	2,514.1	4,074.5	6,588.6	(100.0%)
Japan	628.8	3,123.1	3,749.9	(56.9%)
USA	1,439.4	361.0	1,800.8	(27.3%)
W-Germany	92.2	170.0	262.3	(4.0%)
Canada	129.1		129.1	(2.0%)
Australia	127.4		127.4	(1.9%)
Italy	33.3	60.0	93.3	(1.4%)
Spain		91.0	91.0	(1.3%)
Netherlands	19.5	43.2	62.7	(1.0%)
Others	46.4	226.0	272.9	(4.1%)

Source: NEDA

As to the field of assistance loan, Japan used to give emphases on programs related to energy and infrastructure such as electric power, roads and harbours. But in recent years, especially after formation of the current regime, new types of loan like finance support to cope with difficulties of international deficits, BHN type loan, regional development, and environmental programs are given special attention. Relief fund for international debts, electrification of low income districts of Manila, garbage collection in Manila, integrated development of Cebu City and reforestration are some of the examples.

Capital grant aid was focused on education and manpower development as well as agriculture and health, and recently emphases are placed on the fields where direct contribution to the elimination of poverty in rural area is expected. Soil research, upland irrigation, support services for agrarian reform, and drinking water supply are included.

It is very distinct that Japan's ODA is mostly composed of loan component while share of grant is far small. As the matter of facts Japan's grant ratio and grant element in 1987 was 47.3% and 75.4% respectively on commitment base, which were lowest among DAC members. This is the point which becomes target of criticism by scholars of both receiving nations and fellow donors. Officials of Japanese government also take it for granted that grant ratio and grant element are indicators of quality of aids. But the writer has reservation. It must be so in some cases like the LLDCs where burden of repayment certainly deteriorates financial conditions hopelessly. But in middle income countries of Southeast Asia like the Philippines, grant aid seems to be not necessarily better form of assistance than loan in achieving self-reliance. Free grant often causes tendency of dependence and spoils spontaneous exertion to mobilize internal resources at both national and local level. Even in rural development projects external grant often brings about further dependence on foreign country and rivalry between and within rural communities.

What is important for us is to pay more attention to negative effects of grants especially in case of middle income countries. Feasible answer to this question seems to be conversion of grant into very favorable forms of loan.

We can not miss the lessons of the Marcos scandals when we touch on role of Japan's ODA to the Philippines, because aid of Japan was bitterly accused by Filipinos and concerned Japanese. The dictatorial administration was reported of suppression of human rights of the people. Japan has principle that she would not extend ODA to the country where human rights are obviously distorted like the case of Burma in 1988 and China in 1989. In case of the Philippines the oppositions and civic organizations requested to stop the ODA claiming that Japan's ODA reinforced abuse of people by the regime. Mr. Laurel, then the opposition leader, spoke at the Diet condemning the role of Japanese aid that it is against will of all the Filipinos who long replacement of the political power and that Filipinos are determined to accept all the difficulties caused by cease of external resources. But Japan enhanced the support to the President.

The issue has two dimensions. One is judging the legitimacy of the concurrent power. By its nature the ODA is to support the regime, as far as it remains legitimate, not the opposition or revolutionaries, as far as it remains legitimate. In 1986 real situation of politics in the country was highly ambiguous in spite of campaign by media of the US and Japan. For example, at least in a Central Luzon village where the writer has been observing for several decades, majority of villagers supported the president mainly because of implementation of agrarian reform programs. Question is how to prepare a reasonable formula to judge.

The other is the problem of economic security of the people in the recipient country. It is without doubt that stopping of Japanese ODA would strike daily life of the mass strongly as economic condition was so critical at the time. Was it right for Japanese to listen to the elites opposition who never suffered economically from the crisis.

Basic characteristics in motivation of Japan's ODA to the Philippines may be conceived from three aspects. One is sense of guilt for damages caused by Japanese military during the WW II. Particularly at the early stage of Japan's ODA, when economic cooperation went on together with reparation, this aspect was significant in promoting commitment. Grant aids for educational facilities as well as above-mentioned loan for trunk highway then called the Philippine-Japan Friendship Highway was one of such cases though business interests are also involved. The other is enhancement of economic tie to prepare smoother path for activities of the Japan's business in securing natural resources and market for Japan's products and for investment. Construction of wharf at northern coast of Mindanao was apparently connected to the investment by a Japanese steel firm. This aspect is still highly decisive as main leading factor of motivation.

In the 1980's the third aspect is becoming more conspicuous. It is political considerations in international relations. The Philippines is one of the weakest link in ASEAN countries from the western view. Especially from the US viewpoint the nation is the most reliable counterpart in the corner of the world, in the sense not only of presence of the two major bases but of the pro-American people. Political stability and economic recovery of the Philippines are indispensable first for the US and for Japan too. Recent expansion of Japan's ODA is understandable only when we take the decline of economic (not military) aid of the United States. The US has been strengthening pressure on Japan to increase defence expenditure, which is hardly possible for Japan to materialize. But Japanese government is willing to cooperate to the United States in increasing share of burden for economic recovery of the Philippines. We may say that Japan's ODA to the Philippines now is an issue of triangular relations between the US/Philippines and Japan. In this sense there was shift of emphasis from "business orientation" to "change of shoulders" for load (katagawari) of the ODA between two donors. "Burden sharing" seems to be too weak to express the situation. This point is further illustrated in next chapter.

3. JAPAN'S ODA FOR THE AQUINO REGIME

At the start of the administration of Mrs. Corazon Aquino, Japan at once expressed support for her, and offered bigger amount of loan and grant to show concerns to the new regime in cooperation with the United States. Since economic situation of the country was so critical due to minus growth, 'capital flight' and fall of new investment, the Philippines needed inflow of external resources very badly.

This was the period when the United States was lowering the share in development assistance especially in Asia. We can observe the withdrawal of the United States and replacement by Japan from Table 5.

Table 5
ODA to the Philippines in 1986-88
(Commitment in US\$ million)

	USA			Japan		
	Loan	Grant	Total	Loan	Grant	Total
1986	32.0	404.0	436.0	305.1	67.0	372.2
1987	-	378.3	378.3	514.0	59.5	573.5
1988	30.0	58.1	88.1	708.0	173.3	881.3

Source: NEDA

From the end of 1986 the government of Japan organized a team composed of scholars and staff of implementing agencies to review performance of Japan's ODA for over two decades, to examine current state of economic development and development policies of the country, and to prepare recommendation on appropriate assistance policy for the future, as mentioned in Chapter 1.

The Country Study Group For Development Assistance to the Republic of the Philippines proposed "Basic Strategy for Development Assistance" in April 1987 which was released in the next month. This became the guideline for Japanese government in formulating ODA to the Philippines, and was agreed by the recipient government in principle. It says:

As the basic concept,

- (1) The primary goals of development policies of the Philippines indicated in "Medium-Term Development Program (1987-92)" which include generation of productive employment, alleviation of poverty, promotion of equity and social justice, and attainment of sustainable economic growth are basically understood. Japan's assistance should be implemented to help attainment of these goals.
- (2) It should be noted that the Philippines is in principle responsible for all aspects of development assistance programs. It is necessary to draw clear distinction between respective roles by both parties in implementing the programs. Japan should provide assistance that contributes to the enhancement of the Philippines' capacity to absorb assistance and its growth potential.
- (3) Considering that the assistance hitherto tended to concentrate on improvement of socio-economic basic infrastructure, the future assistance should target at the poor families.
- (4) Japan's ODA has been focused largely hardware, but in the future there should be a significant increase in software-oriented assistance such as assistance in the formulation, administration and management of policies and policy measures. In formulating and implementing programs, due consideration should be given to the possible effects on the environment.
- (5) The private sector's resources and capacities both in the Philippines and Japan should be positively utilized in implementing programs.

As a short-term goal for Japan's assistance, emphasis should be placed on rehabilitation of economic base of the nation and solving the balance of payments and financial problems in view of the fact that the county is recovering from serious economic crisis. It is desirable to implement programs without delay to attain immediate positive effects on revitalization of the production and employment.

(3) On medium- and long-term basis, utmost emphasis should be placed on job creation and improvement of the rural infrastructure for increasing productivity of various industries and for realizing equality in income distribution. This differs from Japan's past assistance which gave top priority to building of economic base, though it attained this purpose to some extent.

The report also emphasized the following areas as policy priorities: (a) Target group of the programs should be the country's poor family members which form more than 60% of population. (b) Agrarian reform is indispensable to accomplish economic development as prerequisites for social justice and political stability. (c) Improvement of productivity of the agricultural and industrial sectors should be achieved urgently through various appropriate approach. (d) The most critical problem is creation of employment in urban and rural area. Emergency employment promotion measures, as well as small- and medium-scale labor intensive industry mainly in rural areas, should be developed. Employment generating investment by Japanese private sector should be encouraged. (e) Development of human resources committed to community-centered economic development is indispensable for sustainable growth. (f) Cooperation in health care should be provided on a continual basis to realize self-sufficiency in BHN.

The report recommended; (a) immediate emergency assistance programs, (b) closer and more systematic interaction between assistance loans, grant aids and technical cooperation, (c) diversification of assistance loans like introduction of sector loans, peso-denominated loans, structural adjustment loans, loan rate method, international syndicate loans, and flexible management, (d) increase in

ratio of grant aid and technical cooperation components, (e) spread of the effects of assistance from one-dimensional to two-dimensional through collaboration with other donors and introduction of regional program approach in which similar assistance is provided to plural regions in sequence, (f) dispatch of advisory and executive experts, (g) exchange of junior corporate executives, (h) supply of facilities of a manageable scale, (i) formulation, administration and assistance programs through effective use of human resources in the private sector, (j) expansion and improvement of the joint Japanese Philippine system for evaluation of the programs, (k) improvement of the administrative and management functions of concerned Japanese organizations' offices in the Philippines, (l) assistance to research works for identification of feasible projects, (m) introduction of 'rolling plan method' in execution of budget, (n) increase of financing for local costs, (o) more incentives to the private sector, (p) effective use of NGOs (PVOs). and (q) expansion of cultural cooperation.

As mentioned in Chapter 1, the study was very unique in history of Japan's ODA in the points that particular case of a recipient country was taken for thorough review, that basic strategy for a specific country was discussed in detail, that all members of the group were experts on the Philippine affairs and discussion was based on deep insights on actual situations of ODA programs in the country, that the target group of assistance programs was taken into account (maybe as first time in Japan), that the contents of the report was briefed to and discussed with government of the recipient country, and that many points of the report were materialized to improve the whole scheme.

After the start of the new regime Japan enhanced her assistance to the Philippines enthusiastically. In 1986 ¥49.5 billions were credited to cover commodity import, flood prevention, local water supply, road construction in Manila, irrigation system and others, and ¥10.0 billion was granted for trade training center, Metro Manila garbage collection system, food production, labor safety center and so on. In 1987 ¥120.6 billion was financed for power generation, commodity import, flood control in Manila, modernization of export industries etc., and ¥11.0 billion was granted for construction of hospital and food development center and so on. In 1988 amount of loan increased to ¥169.3 billion, including ¥26.4 billion of relief fund for international debt and ¥14 billion of highway construction, for electrification of poverty districts of Manila and others, and ¥12.7 billion was granted for schoolhouse building and so on. In 1989 the amount of the 16th Yen credit reached to ¥114.9 billion which means 29.8% increase to the previous year.

Thus Japan has been exerting to extend helping hands to the new administration, there is some friction between two governments. One of such issues is assistance to the agrarian reform program. During the presidential campaign Mrs. Aquino gave strong emphasis on genuine agrarian reform blaming the PD27 program of President Marcos as token and lukewarm. The comprehensive and thorough agrarian reform was propagated to achieve social justice and to accomplish egalitarian nature of society. The government of Japan kept the stance to encourage the agrarian reform programs of the regime as they realized the necessity of the program as prerequisite to bring forth political stability which is to pave the way for economic rehabilitation.

The posture of the political power of the country, however, changed after the start of new regime regarding the issue, and the constitution was legislated in the manner to

compensate the owner of the land with fair market value and to leave the decision on retention limit in the hand of the congress which was suppose to be filled by the landed group. This caused serious controversy in the country, and most of peasantry organizations opposed to such policy.

In 1987 the comprehensive agrarian reform program known as CARP was introduced covering all the agricultural land. Prior to start of the program the Philippine government negotiated with the IBRD, the United States and Japan to secure huge credit to finance fund for compensation to the landlords, and was refused by each of the three. In case of Japan, though the government was eager to assist agrarian reform in general, it was not possible to justify loan for compensating landlords.

As to the CARP the Philippine government proposed to the donors to be assisted for 80 sub-projects covering extension, institutional intensification, infrastructure building, R and D, database development, regional development. Total amount of the cost is estimated P.56.9 billion, of which \$1,814 millions (approximately 67%) is expected to be financed by external resources.

As response of the Japanese government is not prompt as usual, the Philippine government seems to be irritated. But in this category of assistance, the recipient is partly responsible for the delay because political will of the government to accomplish the program has been toned down by resistance of the congress and the landed group, and top administrator of the program has been changing continuously so that confidence on whole scheme tends to be weakened among the donors. Still Japan started to help support service projects as part of agricultural and rural development assistance.

4. MAI/PAP

Japan's basic posture for assisting the Philippines is expressed clearly in her participation to the Multilateral Assistance Initiatives/Philippine Aid Program (MAI/PAP, or PAP/MAI as known in the Philippines), as it is to support the Aquino government and it was initiated by leadership of the United States. To strengthen economic basis of the country as soon as possible, and to relieve her suffering from \$29 billions of external credit and from internal instability, joint efforts of enhancement of aids to the Philippines was proposed by the United States at the summit meeting at Toronto in 1988, and 7 member countries agreed on it. The Philippine government prepared the medium-term development Program for 1989-92 with help of the IBRD and the IMF as basis for the MAI/PAP. It estimated the amount of necessary 'new money' approximately \$7.0 billions.

Japan counted the case as one of her endeavors in realizing recycle of trade surplus, and promised to increase the ODA steeply over the usual level. In July 1989, Japan convened an extended donors meeting in Tokyo, and delegates of 19 countries (Australia, Belgium, Burnei, Canada, Denmark, Finland, France, West Germany, Italy, Japan, Korea, Netherlands, New Zealand, Singapore, Spain, United Kingdom and the United States plus Sweden and Switzerland as observers) and 8 international organizations (IBRD, IFC, ADB, IFAD, IMF and UNDP plus EC and Saudi Development Fund as observers) discussed on urgent needs, and promised to expand assistance to the Philippines positively.

Some countries like the US, Japan and Germany expressed their fear regarding absorbing and implementing capacity of the Philippines. Above all success of agrarian reform program was assumed as a key issue in socio-economic development and political stability of the country.

As to the recipient side, the Coordinating Committee for the Philippine Aid Program was organized by order of the president to handle planning and implementation of externally assisted programs related to the MAI/PAP, and Roberto T. Villanueva, former chairman of the MERALCO, was appointed as chairman of the committee. This institutional arrangement was understood among the nation as infringement of administrative powers of the NEDA which in the past coordinated all of external resources, and caused confusion among government organizations and personnels.

As the corresponding exertion of the private sectors for the MAI/PAP, Joint Forum for Philippine Progress was established by business groups, ex-government officials, aid-related organizations and scholars of the US, Japan and the Philippines. in order to support initiatives by donor government and to promote private investment to the Philippines. The secretariats of the forum were composed of the Carnegie Foundation (USA), the Association for Promotion of International Cooperation(Japan) and the Center for Research and Communication(Philippines), and meetings were held in February 1989 in Honolulu, July 1989 in Tokyo and January 1990 in Manila. Filipino business groups as well as the government are very eager to accelerate foreign private investments to the country. But the political instability is hindering smooth growth of investment. It is not surprising to find that rural development was seriously discussed among foreign investors.

One of the critical issues on the MAI/PAP is possible involvement of the programs in the military strategy of the United States. Now the negotiation on the treaty of military bases is going on between the US and the Philippines. The US business groups seem to be confident of the role of US bases in the country as security for their investment, while in Japan fear is observed among the nation and media if MAI could be used as tool of katagawari between two major donors for Japan's participation in base issues.

5. EVALUATION OF IMPACTS ON LOCAL COMMUNITIES

As mentioned above, one of the recent development in Japan's ODA is that thorough and detailed evaluation of the achievement of the programs was started placing emphasis on impacts on the beneficiaries jointly with the team of the recipient nation. In accordance with recommendation in the report of the country study group stated in chapter 3, The Philippines, together with Thailand, was selected as initial case of evaluation of the kind.

The team of scholars and engineering consultants was organized in 1988 to evaluate 2 grant aid projects and one development loan project, namely local environment and hygienic development program in central Luzon and south Tagalog regions, forestry development program in Nueva Ecija, and ferry boat system of the Maharlika Highway between Bicol and Samar Island. The NEDA was asked to select the counterparts and provided staff and consultants of the Development Academy of the Philippines. The author happened to be the leader of the Japanese team.

The research was carried out for almost two years and now is under process of editing. The result will be published shortly. Uniqueness of the evaluation in the history of Japan's ODA is that it is based on detailed observation of specific project for long duration unlike hit-and-run type quick glance of projects in the past, that the Filipino evaluated Japan assisted projects from the recipient view points, and that lower strata of the community were given special attention to analyze impacts, and that emphasis was placed on not only those benefited from the project but those who suffered out of the project, because the author believes that any development project may result in grief of a certain group of the area though small in number.

Through this evaluation project, a lot of lessons were given for planning and implementing project to meet the needs

of the locality, for smoother interrelation between agencies of delivering and receiving sides of development assistance, and for building understanding between donor and recipient nations. Concrete findings will be presented when the report is finalized.

Now we can say that Japan reached to the level of ODA with built-in quality control system. At any rate the sort of evaluation seems to be highly valuable to make the most of development aid.

CONCLUSION

As the basic nature of Japan's ODA, we may say that it used to give priority in business interest, but in recent years it is characterized by political motivation to help the current regime of the country in collaboration with the United States, though the business interests are still important factor. Japan will continue to expand her ODA to the Philippines in the future, partly because she hopes stability and larger welfare of the nation, and partly because of relationship with the United States.

However, the writer can not help minding tendency of recipient countries, especially of the Philippines, to be short of mobilization of local resources for their own development. Increase of external assistance should not enlarge gap between social strata and should not spoil spontaneous endeavors of the people in the area. It was very impressive to hear monologue of a chairman of a leading sôgô shôsha of Japan at the extraordinary gorgeous residence of the chairman of the Coordinating Committee for PAP, "is it necessary for us to extend helping hands to the country where very rich people are so many?"

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