

## CHAPTER 1

### INTRODUCTION

Since 1991, Japan has stood as the largest donor country of Official Development Assistance (ODA) by Development Assistance Committee (DAC) members of the Organization for Economic Cooperation and Development (OECD). Japan's ODA policy is able to influence ODA performance in the world. Japan was conscious of her ODA impact on recipients and world consensus and began to review and improve Japan's ODA. As one of definite actions, Japan set ODA outline and reconsidered method of the post-evaluation in order for more effective use of ODA in the 1990s. Japanese ODA stands at a major turning point as to make full use of limited aid resources and maximizing the effects of aid. This concern was not seen before. Japanese cooperation started after joining the Colombo Plan in October 1954. Yen loans were first provided in 1958 and grand aid programs were implemented from 1969. Medium-term targets have been formulated on five occasions since 1977.<sup>1</sup> Japan's ODA has been got high level of priority and continued to show a high level of growth within the government budget. Funds allocated to ODA were increased annually by more than ten percent around 1980. Between the late 1980s and the early 1990s, the high level of growth stood around seven percent. This level began, however, to fall off during the late 1990s. 1997 was pinpointed as the first year of serious reform of government finances, and the rate of increase in funding was the lowest ever at 2.1 percent. The ODA general account budget for 1998 is 10.4 percent lower than in 1997, at 1,473 trillion yen. For the first term since ODA was begun, the general account budget is less than the previous year. Grant aid was down by 9.9 percent, technical cooperation by 2.7 percent, loan aid by 18.4 percent, and subscription and contributions to international agencies by 8.3 percent. With serious reform of the government finances, the emphasis of policy moved from expansion of quantity to quality significance. In 1998, there was the conference named the ODA reform conference for the 21st century. They pronounced ODA's more effective and efficient implementation due to response the limited budget, and also reform evaluation system to improve implementation.

Countries in Southeast Asia had been connected with Japan's aid for about fifty years and have been impacted because of the important area for Japan in

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<sup>1</sup>Gaimushou.(1994). p.24.

economically and politically. Japan's aid motivation can be categorized by period for the times as following:

1. War reparations from the mid 1950s to 1965.
2. Promoting Japanese exports from the 1950s to the early 1970s by tied condition.
3. To strengthen interdependence with the recipients holding rich resource in the 1970s.
4. Toward aid giving for political and strategic reason in the late of the 1970s and through the 1980s,

The origin of Japan's foreign aid program lay in war reparation payments to countries in Southeast Asia. In the 1950s Japan negotiated reparations agreements with Indonesia, the Philippines, Burma, and South Vietnam and economic cooperation agreements with Cambodia, Laos, Malaysia, South Korea, Singapore and Thailand. Economic motive dominated this cooperation. Reparations and export were tied to procurement of Japanese goods, which Japan created overseas markets for export. At that time, economies in Southeast Asia increased their import capacities. In 1969 Japan was admitted to DAG of OECD, renamed the Development Assistance Committee in 1961. With rapid economic development, Japan in the 1960s increased foreign aid. Japan made action on ODA performance by economic considerations more than by concerning impact on the recipients. In the 1970s Japanese aid strategy changed from policy pure itself with the economic considerations to one that considers international security and the integrity of the western alliance. In 1979 Japan expanded aid to Vietnam in the wake of Vietnam's invasion to Cambodia, and increased aid to Thailand. It fell under the new rubric of aid to "countries bordering areas of conflict", the area, which is considered strategically and politically important to Japan. Japan's aid program moved to international prominence in the late 1980s. The Japanese government expressed its commitment to increasing aid quantity by implementing a series of medium term aid targets through the early 1990s and at this term Grass-root grant aid (GGP) was initiated as one of the Grant aid projects by the administration of the Aid Policy Division of the Economic Cooperation Bureau, the Ministry of Foreign Affairs.<sup>2</sup> Regarding grant aid, Thailand had been dropped since 1993 because of DAC agreement on aid target for grants. Cultural grant aid and grass-root aid, however, have been implemented continually as the exceptions of these grant aids.<sup>3</sup> Anyway,

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<sup>2</sup> Japan initiated Grant aid in 1969. It targeted LLDCs, as per DAC guidelines, but actually Japan had also carried out to recipients of better economies. Thailand is one of the countries to which Japan flowed grant aid continually as though Thailand stand as advanced developing countries. Since 1996 Thailand's position in recipient of ODA changed from a recipient country to a donor country and signed with Japan as a partner country to assist Mekong river basin countries' development.

<sup>3</sup> Since Thailand met economical crisis in 1997, Japan had implemented IMF package and grant aid of following programs; non-project grant aid, food increase grant aid and GGP expanding as the special program.

Thailand has received GGP every year since the first year of GGP in Japan's grant aid program increased and continual on unrelated with economical situation.

Foreign aid for economic development is the aid for recipient development, but it is not all. Japan distributed to Southeast Asia by large and performed continual action. It has been done with the aim of political and economical importance. The countries that received much of ODA are Indonesia, India, Thailand and Philippines. Thailand, which is one of large recipients, benefited from the time that Japan started to progress strategic-aid in the late 1970s and early 1980s. On the other hand, Japan's ODA to Thailand occupied about 70% of Thailand total bilateral aid. Had Japanese government decided to suspend its ODA to Thailand, the impact could have been great. The construction plan of cautious infrastructure projects would have been seriously affected. Since the 1970s to now Thailand has been one of the important countries for Japan since of national interest in economy and foreign affairs. As Yasutomo (1986) noted, Japan's aid performance in terms shows Japan's strategic interest and attempts to help stabilize friend governments.<sup>4</sup> The Ministry of Foreign Affairs (MOFA) sees aid as an efficient diplomatic tool, and it is why Japan continues to emphasize bilateral aid. This concept influenced on to develop new project in the 1980s. As for Thailand, to which Japan strategically developed aid action, one of these years' trends shows to raise the number of GGP each year. According to the MOFA document, since 1989 to 1998, there were projects increasing from 4 to 34 projects in Thailand. In 1989 the Japanese government initiated the so-called Small Grant Assistance Program aiming at supporting grass-root projects carried over by organizations that were not national government agencies. This included NGO's, local government bodies, research institutes and medical organizations in developing countries. Most of the beneficiaries were local NGOs. At the beginning term of initiation, it was called Small Scale Grant Assistance and from 1995 changed to Grant aid for Grass-roots Projects (GGP). It aims development by participating of various people, not only projects between government and government. It contends aim to overcome shortcomings of former aid programs, which took a considerable amount of time before implementation and not satisfy diverse requirement of actual recipients, too. Recipient's request in local area must pass through the central government and diplomatic channels and come under discussion as a potential candidate for aid. In many cases, the particular timing for project may be lost in the long-term process. GGP concerns that local action group, rather than government agencies, can carry out projects at the grass-roots level quickly and support flexibly to various requirement, and promote community participation, too. Between policy maker and implementer,

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<sup>4</sup> Dennis, T. Yasutomo.: Watanabe Akio(Tr), *Senryaku enjo to nihon gaikou*, (Tokyo : Dobunkan,1989), (Dennis, T. Yasutomo. (1986). *The Manner of Giving ; Strategic Aid and Japanese Foreign Policy*:D.C. Health and Company, )

their different interests exist, and bring support, that doesn't apply user's actual demand. It is happened from aid structure of concerned persons to aid and tend to benefit concerned person more than actual recipients. Besides, even if users and recipients get the kind of aid their requests for Japan, they get it because their requests can accommodate the interest of major actors involved, that are the recipient governments, Japan's aid bureaucracy and the Japanese private agency. They play a crucial intermediary role between the first two and have crucial intermediary goals in the aid program.<sup>5</sup> Before actual recipient get aid, they must pass through many stages and process. Conventional approach to development could not cope with the complexity of the rising social problems. So, GGP was developed from fails and improvement of past project. Anyway, GGP developed from performances of ODA and stays as a confident trend in ODA. Then, to seek Japan's actual aim on GGP to Thailand, it should be concerned in coherence of Japan's ODA and Thailand. So, rapid rise of GGP to Thailand in Japan's ODA can be grasped from both sides of development for recipient and another aim of Japan.

### **1.1 Statement of Problem**

It is not clear that it is accomplishing either its developmental goal or its more broad political goals with its foreign aid program. The diffusion of overall responsibility of the aid program, the multiplicity of decision-making and implementing actors, the small size of the aid bureaucracy, and the importance of non-governmental actors to all stages of the aid processes cast doubt on the ability of the Japanese government to ensure the effectiveness of its aid program. In this study it is sought to describe whole features of GGP in northern Thailand for ten years long so as to understand Japan's aim on to perform GGP, which is aimed for actual development or some political strategy. Then, this study aims to evaluate effectiveness of GGP in order to find out that GGP helps to overcome shortcoming of past aid programs.

### **1.2 Purpose of the study**

1. It seeks to find features of grant-aid for grass-root project (GGP) of Japan's ODA for the decade (1989 -1999 ).
2. It is to evaluate effectiveness of GGP.
3. It is to examine problems and obstacles, which occurred after implementing GGP.
4. It seeks to find politics of GGP of ODA.

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<sup>5</sup> Potter, David Matthew. (1992). Japan's foreign aid to Thailand and the Philippines. Ph.D. Political Science University of California.p.15

### 1.3 Scope of the Study

This study seeks to answer of questions related to an implementation of GGP of Japan's ODA and case of GGP in Northern area in Thailand since its initiation as follows. What does Japanese government actually motivate in implementing GGP. Is GGP utilized as a tool for what. How effective is GGP performance on the motivation and recipient's demand.

### 1.4 Definition of Terms

Official development assistance (ODA) ; it refers to flows to developing countries provided on more favorable terms than what is available on a commercial basis. Flows of funds that fulfill the requirements are internationally recognized as official development assistance: Government or government agency administers it. It's main objective is to promote the economic development and welfare of the developing world (hence, military aid is not included).It's conditions don't impose an excessive repayment burden on the developing countries: specifically, those that, measured by an indicator known as the "grant element," are regarded as having advantageous financial terms from a developing country's perspective. In the case of a loan made on a typical commercial basis (at ten percent interest), the grant element is zero. It rises in proportion to the lowness of the interest rate and the length of the maturity and/or grace periods. In other words, the more concessional the conditions of repayment and the further they are from market terms, the greater the grant element. In the case of outright grants that entail no interest payment is 100 percent. Loans at 2.5 percent interest with thirty years to maturity and a ten-year grace period have a grant element of 61.5 percent. To add above, Japan's ODA is classified as "grant" and "loan", and "bilateral basis" and "multilateral basis" depending on whether the flow of funds goes directly to a developing country or to an international organization.

Grant aid (or Grant assistance): it is a form of grants that does not involve repayment or interest payments. It supports in the form of the funds needed by a developing country to purchase essential goods (food and medical supplies, for example, or, in some cases, financing for facilities such as schools and hospitals). For the most part such aid is given only to developing countries with low per-capita income levels. Grant aid contains following type of assistance; 1)General grant aid, 2)Grant aid for fisheries, 3) Emergency grant aid, 4) Cultural grant aid, 5) Food aid, 6) Aid to increase food production.

General grant aid: It refers grant aid in the standard sense of the term. This category corresponds exactly to the explanation of grant aid just given. This figure includes non-project grants and grass-roots grants (GGP). The former one is the debt relief grants to the least less developed countries, which have limited ability to repay their foreign debts, to help them make payments on their yen loans to Japan.

### **1.5 Limitations of the Study**

As for to evaluate the GGP effectiveness to following actual aim, these are limited in the study: The actual and concealed aim in GGP performance, that is the criterion to evaluate the GGP effectiveness, is just sought, concerned and assumed by data collection of materials, context of background of GGP implementation and identified by concerned person's interviews. It is not the same as aim of ODA and GGP by public statement. An evaluation has two different criteria to surveyed objects. The one is the evaluation of effectiveness to actual aims that are sought by estimation as mentioned above. The other is the evaluation of effectiveness to recipient. It is reason that the first one is the criteria that is not clear one like as government statement but estimated as actual one and the last one is already clear criteria that are stated as GGP aim. Then, the first one stresses to study to seek the actual aim much more than invest the effectiveness. So, the effectiveness is limited only in the evolution of direct effectiveness as a tool for represent of actual aim. It isn't surveyed the effectiveness of a tool for represent of actual aim.

As for the GGP performance problems and obstacles are limited to study just of one between actual aim and GGP performance to accomplish the actual aim. It doesn't refer to derivative ones.

### **1.6 Hypothesis**

GGP was performed as tools for both development and political strategy. Japan motivates GGP in various concerns, not only support for development, which can be found at contexts of Japan's ODA and specific features of GGP performance. Policy and performance on GGP, however, are still under experiment, doesn't achieve to be success and not satisfy both Japan and recipients, yet.