

Japan's ODA and JICA



The Project for Improving Official Statistics in Cambodia where technical support in survey implementation is conducted

Outline of Japan's ODA

What is ODA?

A variety of organizations and groups, including governments as well as international organizations, non-governmental organizations (NGOs), and private companies, carry out economic cooperation to support socioeconomic development in developing countries (refer to Figure 1-1). The funds and technology that governments provide to developing countries are called Official Development Assistance (ODA).

ODA is classified into three types: (1) bilateral grants, (2) bilateral loans, and (3) financial contributions to international organizations (multilateral aid). Each type of ODA is outlined below.

Bilateral Grants

Bilateral grants include technical cooperation that transfers technology to developing countries and grant aid that provides funds with no obligation for repayment.

1. Technical Cooperation

Technical cooperation transfers Japanese technology, skills, and knowledge to developing countries in order to develop the human resources that will play a leading role in their socioeconomic development. It also supports the development and improvement of technology appropriate to the circumstances of a particular country while contributing to raising its level of technology and establishing new institutions and organizations.

More specifically, technical cooperation includes: (1) the implementation of technical training that provides training opportunities for technicians and administrators from developing countries, (2) the dispatch of experts and volunteers with specialized skills and knowledge, (3) development studies to assist with the formulation of a variety of development plans such as urban, rural, transport, resource development, etc., and (4) relief for disaster victims and assistance with disaster reconstruction.

2. Grant Aid

Grant aid involves the provision of funds for the construction of buildings such as schools and hospitals; for the procurement of materials and equipment for education, training, and medical care; and for post-disaster reconstruction.

It can be divided into nine categories according to content. These are: (1) general grant aid, (2) grant aid for cooperation on counter-terrorism and security enhancement, (3) grant aid for disaster prevention and reconstruction, (4) grant aid for community empowerment, (5) grant aid for fishery, (6) cultural grant aid, (7) emergency grant aid (including reconstruction and development), (8) food aid (KR), and (9) grant assistance for underprivileged farmers (2KR).

Of these forms of grant aid, JICA supervises basic design studies that conduct the basic planning needed for building facilities and procuring equipment and materials in eight categories. These are general grant aid projects and grant aid for human resource development in category (1), grant aid for cooperation on counter-terrorism and security enhancement in (2), grant aid for disaster prevention and reconstruction in (3), grant aid for community empowerment in (4), grant aid for fishery in (5), cultural grant aid in (6), food aid in (8), and grant assistance for underprivileged farmers in (9), respectively. JICA is also charged with implementing work that includes surveys and intermediary and liaison work.

In fiscal 2007, grant aid for poverty reduction strategy assistance has been added.

Bilateral Loans

Bilateral loans are loans that provide the funds needed for development under long-term, low interest conditions. They can be classified into: (1) ODA loans under which funds needed for development are provided directly to the government or a government agency in a developing country, and (2) private-sector financing and investment under which funds are provided to Japanese companies or local companies operating in developing countries.

ODA loans are generally known as "yen loans." Yen loans previously focused on project loans for economic infrastructure and social infrastructure such as roads, dams, communication facilities, and agricultural development, but in recent years the proportion of commodity loans aimed at improving the international balance of payments (financial cooperation that enables



Physical education class taught by a Japan Overseas Cooperation Volunteer (Cameroon)

countries short of foreign currency to purchase goods) and loans for intellectual support, such as in education, has increased.

Contributions to International Organizations (Multilateral Aid)

Contributions for multilateral aid are indirect methods of extending aid by channeling funds through international organizations.

The international organizations to which contributions are made include various UN-related bodies such as the United Nations Development Programme (UNDP), the United Nations Population Fund (UNFPA), and the United Nations Children's Fund (UNICEF). In addition, contributions are made to multilateral development banks (MDBs) such as the World Bank, the International Development Association (IDA, also known as the Second World Bank), and the Asian Development Bank (ADB).

The ODA Budget and the Implementation System

Breakdown of the Budget

The breakdown of Japan's ODA budget (general account) calculated on the basis of the classifications described previously is shown in Table 1-2.

The budget is allocated to 13 government ministries and agencies as shown in Table 1-3. The Ministry of Foreign Affairs, which is Japan's largest ODA implementation institution, takes the largest allocation of the ODA budget. In addition to the technical cooperation budget supervised by JICA, the budget for grant aid and contributions to UN-related organizations such as UNDP are included in this portion.

The expenses for the acceptance of technical training participants and for various studies conducted overseas (carried out through related organizations) are included in the allocation of the Ministry of Economy, Trade and Industry (METI). JICA receives and implements part of the study costs contained in the METI budget allocation. The Ministry of Finance allocates the budget for the financing of bilateral government loans overseen by the Japan Bank for International Cooperation (JBIC) and contributions to MDBs such as the World Bank.

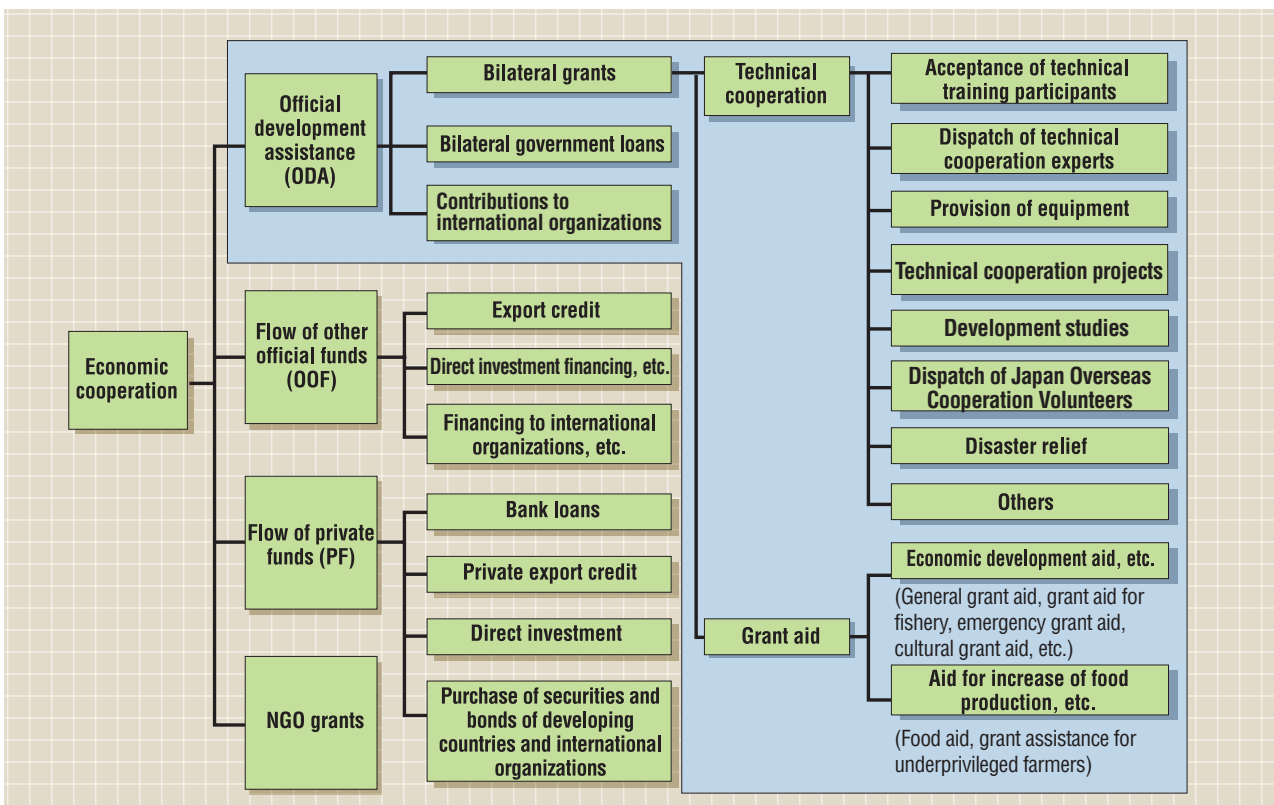
ODA-providing Agencies Other than JICA (Technical Cooperation)

Apart from JICA, the organizations that implement projects in relation to the Japanese government's technical cooperation budget include the Japan Foundation (JF), the Japan External Trade Organization (JETRO), the Association for Overseas Technical Scholarship (AOTS), and the Japan Overseas Development Corporation (JODC).

JF was founded in 1972 as a special public institution to enhance international understanding and promote international friendship. It became an independent administrative institution in October 2003, and receives part of its project budget from the Ministry of Foreign Affairs' budget. The foundation implements projects for both developed and developing countries. Of these, the ODA budget is primarily used for projects involving personnel exchanges with developing countries, dissemination of Japanese language education, and presentation of Japanese culture.

JETRO was founded as a special public institution in 1958 to implement Japan's trade promotion projects comprehensively.

Figure 1-1 Economic Cooperation and Official Development Assistance



Since the late 1960s it has worked mainly toward encouraging imports from developing countries. It has brought officials responsible for trade policy and executives of private companies (that export to Japan) in developing countries to Japan, has given its support to the promotion of economic reform, has encouraged developing countries to export to Japan, and has sent its own experts to developing countries to help in the dissemination of technology appropriate to these countries. JETRO merged with the Institute of Developing Economics (IDE) in July 1998, became an independent administrative institution in October 2003, and is now engaged also in basic and comprehensive studies and research on economic and other conditions in developing

countries.

AOTS is a public-interest corporation under the jurisdiction of METI that was established in 1959 specifically to accept trainees from foreign private companies. JODC, which is also a public-interest corporation under the wing of METI, was established in 1970 to encourage industrial development in developing countries and regions and to promote trade between Japan and these countries and regions. It conducts projects that include dispatching Japanese engineers, experts in management, etc.

The Roles of JICA in ODA

JICA plays a key role in technical cooperation implemented

Table 1-2 Total Government ODA Budget (General Account)
(Unit: ¥100 million, %)

Type	FY 2006		FY 2007	
	Budget	Budget	Budget	Percentage Increase
I. Grants	5,939	5,703		- 4.0
1. Bilateral grants	5,030	4,831		- 4.0
1) Economic development assistance, etc.	1,682	1,636		- 2.7
2) Grant aid for increase of food production, etc.	—	—		—
3) Transfer to Trade Reinsurance Special Account	48	25		- 47.9
4) Budget for JBIC	300	200		- 33.3
5) Technical cooperation, etc.	3,000	2,970		- 1.0
(Technical cooperation implemented by JICA)	(1,575)	(1,556)		- 1.2
2. Contribution and donation to multilateral institutions	909	872		- 4.1
1) International organizations including UN, etc.	648	626		- 3.3
2) MDBs	261	246		- 5.8
II. Loans	1,659	1,591		- 4.1
JBIC	1,659	1,591		- 4.1
III. Total	7,597	7,293		- 4.0

Note: Individual totals may not be equal to the sums of the individual parts because some numbers have been rounded off.

Table 1-3 The ODA Budget of Ministries and Agencies (General Account)
(Unit: ¥1 million, %)

Type	FY 2006		FY 2007	
	Budget	Budget	Budget	Percentage Increase
Cabinet Office	38	37		- 2.6
National Police Agency	23	30		30.8
Financial Services Agency	103	94		- 9.4
Ministry of Internal Affairs and Communications	954	963		0.9
Ministry of Justice	361	342		- 5.3
Ministry of Foreign Affairs	473,291	454,359		- 4.0
(JICA Allocation)	(157,516)	(155,626)		- 1.2
Ministry of Finance	193,225	185,292		- 4.1
Ministry of Education, Culture, Sports, Science and Technology	43,228	42,688		- 1.2
Ministry of Health, Labour and Welfare	9,945	10,348		4.1
Ministry of Agriculture, Forestry and Fisheries	4,975	4,753		- 4.5
Ministry of Economy, Trade and Industry	32,255	29,182		- 9.5
Ministry of Land, Infrastructure and Transport	929	834		- 10.3
Ministry of the Environment	400	417		4.3
Total	759,728	729,339		- 4.0

Note: Individual totals may not be equal to the sums of the individual parts because some numbers have been rounded off.

Table 1-4 Japan's ODA Budget and JICA's Technical Cooperation (DAC Base)

	Project Budget for FY 2007 (General Account)	Expenses	2006 Calendar Year			
			Persons involved			
			Technical training participants	Experts and study teams	JOCVs	Overseas students
Japan's ODA as a whole	¥729.3 billion	US\$ 11,795 million (¥1,316.3 billion)	/	/	/	/
Japan's technical cooperation	¥297.0 billion	US\$ 2,800 million (¥312.5 billion)	44,058 people †	13,879 people †	5,212 people †	113,140 people †
JICA's technical cooperation	¥160.9 billion	US\$ 1,352 million (¥150.9 billion)	21,891 people	10,952 people	5,122 people	0 people
Portion of technical cooperation as a whole implemented by JICA	54.2%	48.3%	/	/	/	/

Note: 1. 2006 DAC designated exchange rate: \$1.00 = ¥111.6
2. Including disbursements for Eastern European countries
3. JICA's technical cooperation includes results based on trust funds from METI and other ministries.
4. Figures for Japan's results in 2006 are provisional.
5. The numbers of persons involved are totals of new and carried-over persons in 2006 calendar year. JOCVs include other volunteers.
† Results of persons involved in Japan's technical cooperation are those from 2005.

by the Japanese government.

The budget for technical cooperation in fiscal 2007 amounted to ¥297.0 billion, a figure that accounts for 40.7% of the total ODA budget (refer to Table 1-4). Of this, JICA is responsible for ¥160.9 billion, or 54.2% of the technical cooperation budget.

JICA's operations feature aid with "a clearly visible profile" through human activities, and position the human resources contributions that Japan is expected to make at the center of its programs. By the end of March 2007, JICA had sent as many as 319,986 technical cooperation experts, study team members, Japan Overseas Cooperation Volunteers (JOCVs), and Senior Volunteers to developing countries and had received as many as 350,380 technicians and administrators from those countries in Japan, developing countries, or neighboring third countries for training in support for human resources development.

JICA's projects are also closely connected with the yen loans implemented by the JBIC. JICA carries out studies to support a range of public development planning which provides the foundations for nation-building in developing countries, and it submits the results to the partner country in the form of a development study report. The construction of public infrastructure, such as roads and hospitals, and some of the other suggestions proposed in the reports are realized by means of yen loans.

In addition, while JICA's technical cooperation has previ-

ously been primarily composed of human resources development cooperation, in recent years it has also been focusing its efforts on policy-making and institution-building to strengthen the foundations of developing countries.

JICA's projects in these areas are implemented with an emphasis on each developing country's development program, in accordance with Japan's country assistance program. Therefore, while promoting country studies to determine the kinds of aid needed by partner countries, JICA is deepening dialog with government officials in these countries through various opportunities in an effort to ensure that cooperation is provided in line with the actual on-site conditions.

Revision of ODA Charter

The Cabinet approved Japan's ODA Charter on June 30, 1992. The aims of this charter are to clarify the ideals and principles of ODA in order to create the conditions under which ODA can be implemented more efficiently and effectively with the understanding and support of people in Japan and abroad.

However, the ODA Charter was reviewed due to changes in the situation surrounding ODA in the 10 years following its formation, and the revised ODA Charter was approved by the Cabinet on August 29, 2003.

Table 1-5 Japan's ODA in Calendar Year 2006 (According to Aid Type, Provisional Values)

Type of Assistance		Dollar base (US\$1 million)		Yen base (¥100 million)		Proportion of total (%)		
		Disbursements	Change from the Previous Year (%)	Disbursements	Change from the Previous Year (%)			
Aid Disbursements								
ODA	Bilateral ODA	Grants	Grant Aid	4,889.37	-25.1	5,456.54	-24.1	41.5
			(Excluding disbursements for Eastern European and graduate countries)	4,886.40	-25.1	5,453.23	-24.1	42.1
			Technical Cooperation	2,799.95	1.8	3,124.74	3.2	23.7
		(Excluding disbursements for Eastern European and graduate countries)	2,726.18	2.1	3,042.41	3.5	23.5	
		Total	7,689.32	-17.1	8,581.28	-16.0	65.2	
		(Excluding disbursements for Eastern European and graduate countries)	7,612.58	-17.2	8,495.64	-16.1	65.6	
	Loan aid and other ODA credits	(Value of loans provided)	-346.21	-128.6	-386.37	-129.0	-2.9	
		(Value of loans repaid)	5,905.20	-13.45	6,590.20	-12.28		
		(Excluding disbursements for Eastern European and graduate countries)	6,251.41	11.36	6,976.58	12.88		
	Total	-452.27	-137.4	-505.07	-137.9	-3.9		
Total		7,343.11	-30.0	8,194.91	-29.0	62.3		
(Excluding disbursements for Eastern European and graduate countries)		7,160.01	-31.2	7,990.57	-30.3	61.7		
Contributions and financing to multilateral organizations		4,451.98	59.1	4,968.41	61.2	37.7		
(Excluding contributions to the EBRD)		4,447.91	62.3	4,963.86	64.5	38.3		
Total		11,795.09	-11.2	13,163.32	-10.0	100.0		
(Including Eastern European countries, graduate countries, and the EBRD)		11,607.91	-11.7	12,954.43	-10.5	100.0		
(Excluding Eastern European countries, graduate countries, and the EBRD)								
Nominal Gross National Income (GNI) figures for each category								
(US\$1 billion, ¥1 billion)		4,678.98	0.1	522,174.00	1.4			
Proportion of GNI (%)								
(Including Eastern European countries, graduate countries, and the EBRD)		0.25		0.25				
(Excluding Eastern European countries, graduate countries, and the EBRD)		0.25		0.25				

Note: 1. The following 12 countries and regions are graduate countries that have received ODA: Brunei Darussalam, Kuwait, Singapore, United Arab Emirates, Israel, Hong Kong, Cyprus, Republic of Korea, Macao, Malta, Slovenia, Bahrain.

2. 2006 DAC designated exchange rate: \$1.00 = ¥111.6 (an appreciation of ¥1.5 compared to 2005)

3. Individual totals may not be equal to the sums of the individual parts because some numbers have been rounded off.

4. EBRD: European Bank for Reconstruction and Development

Results of Japan's ODA

ODA Results

The total value of Japan's ODA in 2006 was US\$11,608.00 million (excluding aid to Eastern Europe, graduate nations, and contributions to the European Bank for Reconstruction and Development [EBRD]), making Japan the world's third largest donor (refer to Table 1-6) after the US and the UK. This represents 11.2% of the total value of ODA provided by the 22 Development Assistance Committee (DAC) member states, which amounted to US\$103,940.00 million. Meanwhile, Japan's

ODA accounted for 0.25% of its gross national income (GNI), placing it in 18th position among the DAC countries.

The grant element and the grant ratio are considered to be two of the main indices of the quality of aid. The figures for Japan remain low among the DAC countries as a whole and must be improved. JICA deems that an expansion of bilateral grants mainly involving technical cooperation is an essential requirement for increasing the grant ratio of Japan's ODA.

Table 1-6 ODA of DAC Countries in 2005 and 2006

Country	2006				2005			
	Position	Total (\$m)	Share (%)	Change from the Previous Year (%)	Position	Total (\$m)	Share (%)	Change from the Previous Year (%)
USA	1	22,739	21.9	-17.7	1	27,622	25.9	40.2
UK	2	12,607	12.1	17.1	3	10,767	10.1	36.6
Japan	3	11,608	11.2	-11.7	2	13,147	12.3	47.4
France	4	10,448	10.1	4.2	5	10,026	9.4	18.3
Germany	5	10,351	10.0	2.7	4	10,082	9.4	33.8
Netherlands	6	5,452	5.2	6.6	6	5,115	4.8	21.7
Sweden	7	3,967	3.8	18.0	9	3,362	3.1	23.5
Spain	8	3,801	3.7	25.9	10	3,018	2.8	23.8
Canada	9	3,713	3.6	-1.1	8	3,756	3.5	44.5
Italy	10	3,672	3.5	-27.9	7	5,091	4.8	106.8
Norway	11	2,946	2.8	5.7	11	2,786	2.6	26.7
Denmark	12	2,234	2.1	5.9	12	2,109	2.0	3.5
Australia	13	2,128	2.0	26.7	15	1,680	1.6	15.1
Belgium	14	1,968	1.9	0.3	13	1,963	1.8	34.2
Switzerland	15	1,647	1.6	-6.8	14	1,767	1.7	14.4
Austria	16	1,513	1.5	-3.8	16	1,573	1.5	132.0
Ireland	17	997	1.0	38.7	18	719	0.7	18.5
Finland	18	826	0.8	-8.4	17	902	0.8	32.6
Portugal	19	391	0.4	3.7	20	377	0.4	-63.4
Greece	20	384	0.4	0.0	19	384	0.4	-17.4
Luxembourg	21	291	0.3	13.7	22	256	0.2	8.5
New Zealand	22	257	0.2	-6.2	21	274	0.3	29.2
Total		103,940	100.0	-2.7		106,777	100.0	34.2

Note: 1. Countries are listed in the order of total ODA disbursements.
2. This table excludes aid to Eastern European and graduate countries.
3. Figures for 2006 are provisional.

Resource: 2007 DAC Press Release