

# Grants

## ● Building Foundations for the Future of Developing Countries

Grants are a type of financial assistance in which funds are granted to a developing country to support construction work or services such as procuring equipment and materials that are necessary for socioeconomic development. Since Grants are financial assistance with no obligation for repayment, they target mainly developing countries with low income levels.

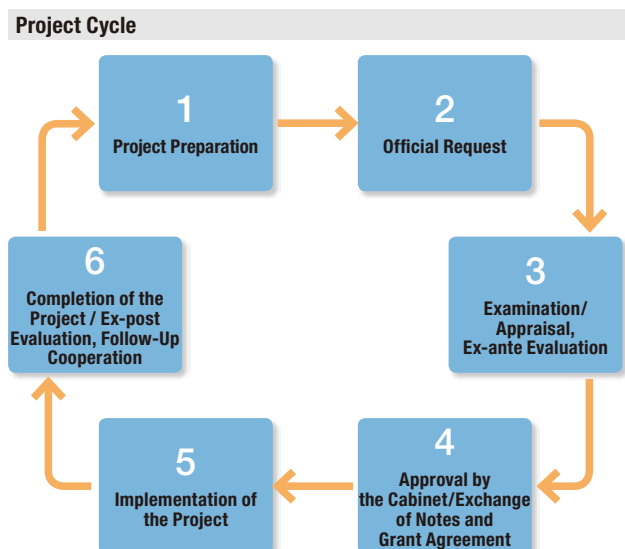
Assistance is provided mainly for development of socioeconomic infrastructure, such as hospitals, schools, water supply systems, irrigation systems, roads, bridges, ports, and power supply. In recent years, assistance has also been extended for peacebuilding, developing business environments, disaster prevention and reconstruction after disasters, measures to cope with climate change, and development of human resources for those who will play important roles in their own countries' policymaking.

Where necessary, technical guidance for operation and maintenance is also provided so that the facilities and other systems financed by Grants are sustainably managed.

## ● Project Cycle

Grants are carried out in a project cycle consisting of six major steps, as described in the chart.

- 1 JICA conducts a preparatory survey as a part of project preparation. In the preparatory survey, JICA examines the appropriateness of the project and develops an outline of the project together with the government of the partner country.
- 2 The Japanese government receives an official request for the project from the partner country.
- 3 JICA examines and appraises the contents of the requested project and conducts an ex-ante evaluation.



4 Based on the result of JICA's appraisal, the Japanese government approves the project to be financed by Grants at the Cabinet level. Then, the government of the partner country signs the Exchange of Notes and Grant Agreement with the Japanese government and JICA, respectively.

5 As the main conductor of the project, the government of the partner country implements the project, whereas JICA, respecting the partner country's ownership, monitors the progress of the project and gives advice to the stakeholders in order to ensure proper and smooth implementation.

6 After completion of the project, JICA conducts an ex-post evaluation, and where necessary provides follow-up cooperation to resume the performance of the equipment and facilities as well as to support the activities for disseminating the project outcome. Feedback from the evaluation will be utilized for preparing new projects.

By applying this project cycle sequence, from the planning stage to ex-post evaluation, JICA conducts strategic and effective operation of Grants.

## ● Types of Grants Implemented by JICA

### 1. Project Grants

This is a type of Grant in which the government of a partner country enters contracts with consultants or contractors to build facilities or to procure equipment and materials. It is mainly used for establishing foundations for basic human needs or for building socioeconomic infrastructure.

### 2. Sector Grants

This is a type of Grant in which multiple subprojects are implemented in a flexible manner under a single Grant program. When assisting restoration or reconstruction from disputes or disasters, prompt and flexible responses to a variety of rapidly changing needs are required. Therefore, this type of Grant was applied to a project to support Syrian refugees in Jordan, and to a project for restoration and reconstruction after disasters caused by Typhoon Yolanda that struck the Philippines in November 2013.

### 3. Grants in Association with an International Organization

This is a type of Grant in which an Exchange of Notes and a Grant Agreement are signed with an international organization to implement a project for the government of a partner country while making use of the expertise of the international organization.

### 4. Grants through Budget Support

This is a type of Grant in which budget support is provided for a developing country for purposes such as the promotion of a poverty-reduction strategy that is a comprehensive development plan for the country's socioeconomic development.



Garbage collection vehicles that have been provided to Sudan with grants are decorated with stickers featuring *Captain Tsubasa*, a Japanese anime program that has been broadcast from the early 1990s in the country and is widely popular among children and adults alike. Along with JICA's cooperation, *Captain Tsubasa* plays a part in building a garbage collection system that can win cooperation from local residents.

There are three categories in this type of Grant:

- (1) general budget support, in which purposes and expense items are not specified;
- (2) budget support for a sector in which purposes and expense items are limited to a certain sector; and
- (3) budget support for a common fund in which support is given to a special account opened by the government of a partner country or a supporting agency.

#### ● Recent Initiatives—Improving the System and Management of Grants

Grants have greatly contributed to socioeconomic development in developing countries and, by extension, to better bilateral relations between Japan and these countries. Now it faces a number of challenges, including budgetary constraints under Japan's severe fiscal conditions and growing project-related risks associated with worsening security conditions. Some even criticize the institutional rigidities intrinsic to Grants.

These circumstances prompted JICA and the Ministry of Foreign Affairs (MOFA) to hear the opinions of development consultants, construction companies, and trading firms. They then studied ways to improve the system and management of Grants for more effectiveness. They came up with key corrective measures as shown below:

##### ● Tax exemption

The Government of Japan has been requesting partner countries to exempt supplies and services procured for Grants from taxation. Going forward, JICA will work with MOFA to identify supplies and services that should be eligible for tax exemption. It will also share tax-related information with businesses interested in relevant bidding.

##### ● Responsibilities of partner-country governments

In the process of conducting preparatory surveys in partner countries, JICA will unequivocally identify the responsibilities of their governments and monitor their compliance more closely in order to ensure that they fulfill their responsibilities, including the responsibility to secure land for projects.

##### ● Improving estimates

JICA will secure adequate time and money needed for estimates conducted by development consultants. It will also try to improve estimate accuracy by examining the requested monetary amounts more closely and by making better use of preliminary studies.