

WHAT IS ODA (OFFICIAL DEVELOPMENT ASSISTANCE)?



JBIC is implementing ODA projects in order to develop the economies and societies of developing countries, and to improve their welfare.

1. What is ODA?

ODA is the assistance to developing countries undertaken by the government sector of the donor countries. Assistance to developing countries is undertaken by various organizations, including multilateral institutions, governments of industrialized countries and private-sector organizations. ODA, as defined by the Development Assistance Committee (DAC) of the Organisation of Economic Cooperation and Development (OECD), must meet the following three requirements:

- It should be undertaken by governments or government agencies.
- The main objective is the promotion of economic development and welfare in developing countries.
- It has concessional terms, having a grant element* of at least 25%.

* Grant element is an indicator of the "softness" of lending conditions. The lower the interest rate and the longer the repayment period, the greater the "grant element," and the more advantageous the loan is for the recipient country (developing countries). In the case of grant aid, the grant element is equal to 100%.

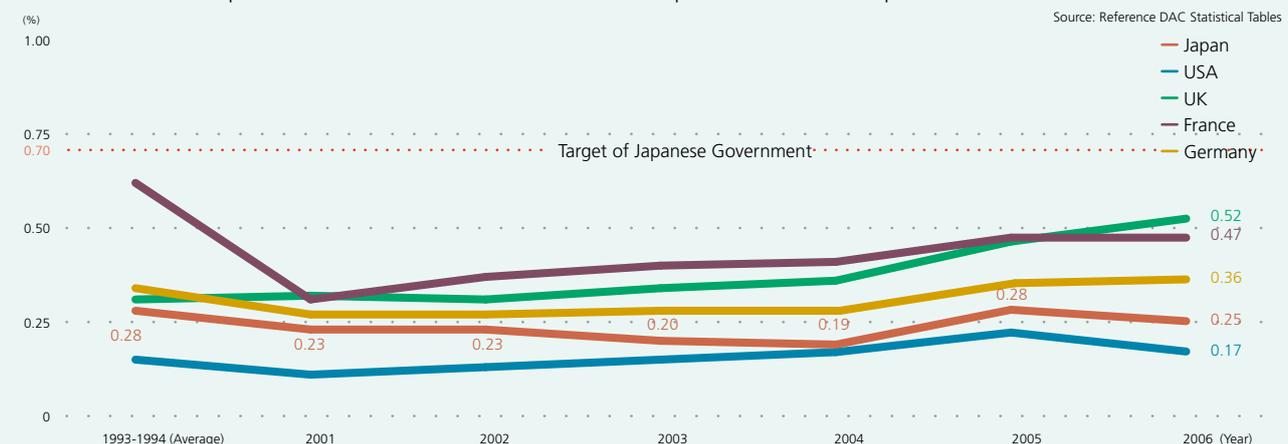
2. Outline of Japan's ODA Efforts

The annual monetary amount of Japan's ODA fell below the UK in 2006, becoming third in the world after the USA and UK.



3. ODA Share of Gross National Income (GNI)

The share of ODA in Japan's Gross National Income remains low compared to other developed countries.



The goal of JBIC's ODA is to support "self-help efforts" undertaken by developing countries towards economic independence. Starting with JBIC's financial aid to the Indian Government in 1958, JBIC has provided support reaching developing countries in every region of the world, supporting about 100 countries with over 2,500 projects. The target of JBIC's financial aid has been mainly on the Asian region, which has geographically, historically, and economically strong connections with Japan.

Meanwhile, of the target sectors of support are focused on economic and social infrastructure improvements, and also on

providing support for environmental improvement and conservation through economic and social infrastructure improvements. The said improvements bring economic and social stability to developing countries, and are also expected to contribute to poverty reduction. In the future, JBIC will strive towards achievement of the Millennium Development Goals (MDGs), which are the goals of the entire international community, by continuing to actively implement financial support for economic and social infrastructure improvements.

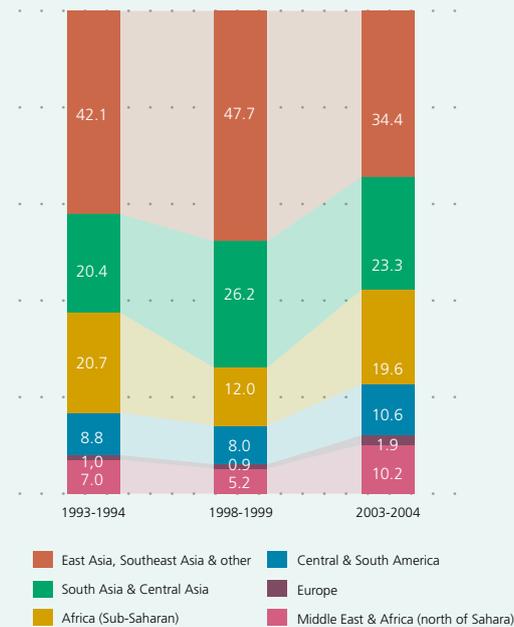
4. Trends in Japan's Bilateral ODA

Looking at the target of Japan's bilateral ODA by region, most of the support has been implemented towards the Asia region, which has close connections with Japan due to geographical and other factors, and also has two-thirds of the global population who live in poverty (people living on less than US\$1 a day). In addition, the increase in support to the Middle Eastern region is

caused by support for Iraq's reconstruction. On the other hand, looking at the ratios of sectors supported by ODA over the past five years, over half of ODA is for economic and social infrastructure. Increased ODA for emergency support shows the active implementation of ODA for recovering from damage by disasters arising in developing countries, such as earthquakes and tsunamis.

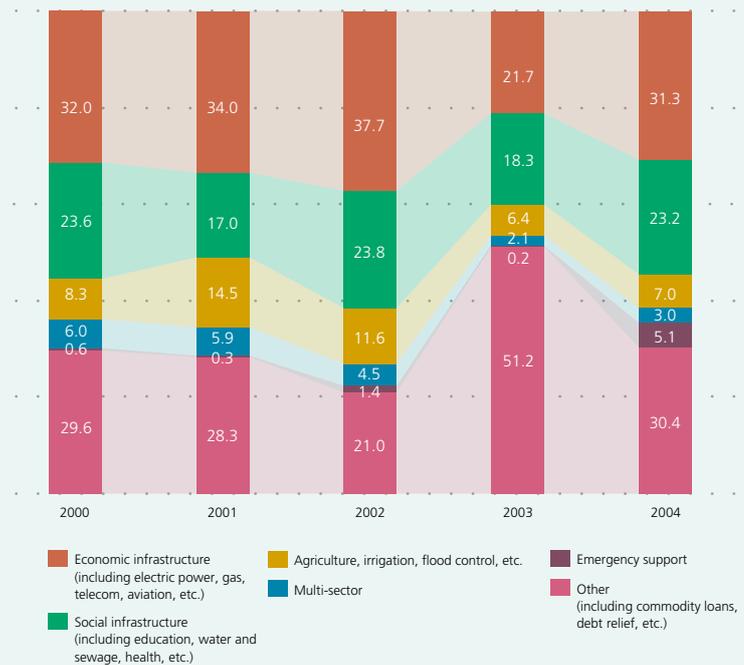
Trends in Regional Distribution Ratios (%)

Source: Development Cooperation 2006 Report



Trends in Sector Distribution Ratios (%)

Source: Development Cooperation 2006 Report



5. Recent Trends in ODA (Contribution to MDGs, Actions to Reform ODA)

(1) The UN Millennium Declaration adopted in September 2000 raised the issues of peace and security, development and poverty, the environment, human rights and good governance, etc. The Millennium Development Goals (MDGs) were set as goals for which the international community should strive in the 21st century. 2007 is the mid-point between the year the MDGs were brought together and the 2015 achievement deadline.

(2) Based on the "Administrative Reform Promotion Act" enacted in May 2006, the "Act for Partial Amendment of the Law Concerning the Independent Administrative Institution Japan International Cooperation Agency" was enacted in November 2006. Through this act, responsibility for technical cooperation, loan assistance, and grant aid is to be unified under the new JICA, for which inauguration is planned in October 2008. Through this reform, it is expected that organic connections between the three assistance methods will be promoted.