

# Chapter 1

## Japan's ODA and an Overview of JICA Programs

Livestock farmers attending a lecture by a repatriate participant of JICA training programs held in Japan (Livestock husbandry training in Northern and Eastern Provinces, Sri Lanka; In-country training, Project-type technical cooperation)



# Japan's ODA and JICA

## 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 15 categories according to content. These are: (1) general grant aid projects; (2) non-project grant aid; (3) grant aid for grassroots human security; (4) grant assistance for Japanese NGOs; (5) grant aid for human resource development; (6) grant aid for cooperation on counter-terrorism and security enhancement; (7) grant aid for disaster prevention and reconstruction; (8) grant aid for community empowerment; (9) grant aid for poverty reduction strategy assistance; (10) grant aid for environmental programs; (11) grant aid for fisheries; (12) cultural grant aid; (13) emergency grant aid; (14) food aid; and (15) grant assistance for underprivileged farmers (2KR).

For 11 of these categories of grant aid, JICA supervises basic design studies that conduct the basic surveys on the needs for cooperation and adequate scales of plans. For these eleven categories, JICA is also charged with implementing work that includes intermediary and liaison work, designed to smoothen the construction of facilities and procurement of materials based on the surveys. These eleven categories are: (1) general grant aid projects, (5) grant aid for human resource development, (6) grant



A JOCV athletic trainer joining his trainees to celebrate their achievements at the East African Track and Field Junior Championship (Djibouti)

aid for cooperation on counter-terrorism and security enhancement, (7) grant aid for disaster prevention and reconstruction, (8) grant aid for community empowerment, (9) grant aid for poverty reduction strategy assistance, (10) grant aid for environmental programs, (11) grant aid for fishery, (12) cultural grant aid, (14) food aid, and (15) grant assistance for underprivileged farmers, respectively.

### 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 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.

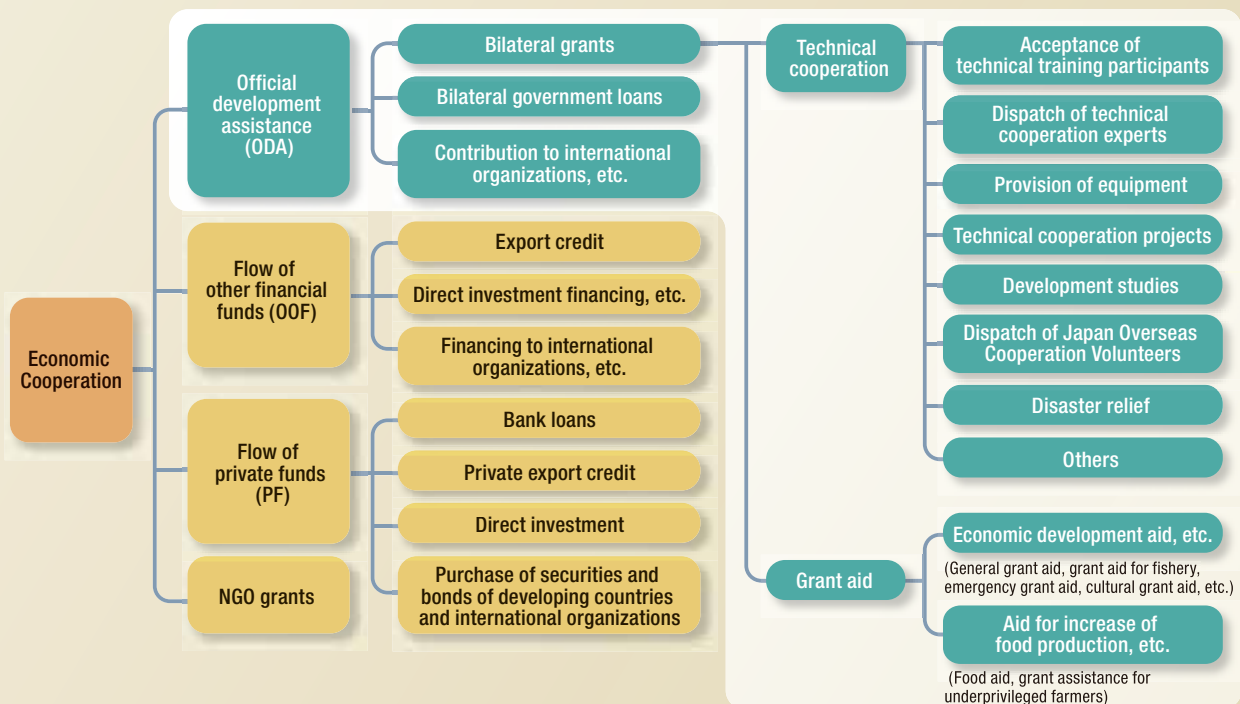
The expenses for the acceptance of technical training

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

Figure 1-1 Economic Cooperation and Official Development Assistance



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).

The Japan Foundation 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.

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

Table 1-2 Total Government ODA Budget (General Account)

Type	(Unit: ¥100 million, %)		
	2007	2008	
	Budget	Budget	Percentage increase
<b>I. Grants</b>	<b>5,703</b>	<b>5,507</b>	<b>-3.4</b>
1. Bilateral grants	4,831	4,674	-3.3
1) Economic development assistance, etc.	1,636	1,588	-2.9
2) Grant aid for increase of food production, etc.	—	—	—
3) Transfer to Trade Reinsurance Special Account	25	24	-4.5
4) Budget for JBIC	200	135	-32.5
5) Technical cooperation, etc.	2,970	2,927	-1.4
(Technical cooperation implemented by JICA)	(1,556)	(1,538)	-1.2
2. Contribution and donation to multilateral institutions	872	833	-4.4
1) International organizations including UN, etc.	626	595	-5.0
2) MDBs	246	238	-3.1
<b>II. Loans</b>	<b>1,591</b>	<b>1,495</b>	<b>-6.0</b>
JBIC	1,591	1,495	-6.0
<b>III. Total</b>	<b>7,293</b>	<b>7,002</b>	<b>-4.0</b>

Notes: 1. Individual totals may not be equal to the sums of the individual parts because some numbers have been rounded off.  
2. Budget for JBIC and JIBC above include the budgets associated with JICA from October 2008.

Table 1-3 The ODA Budget of Ministries and Agencies (General Account)

Type	(Unit: ¥1 million, %)		
	2007	2008	
	Budget	Budget	Percentage increase
Cabinet Office	37	26	-29.4
National Police Agency	30	30	-0.1
Financial Services Agency	94	133	42.0
Ministry of Internal Affairs and Communications	963	913	-5.2
Ministry of Justice	342	225	-34.3
Ministry of Foreign Affairs	454,359	440,729	-3.0
(JICA Allocation)	(155,626)	(153,786)	-1.2
Ministry of Finance	185,292	174,155	-6.0
Ministry of Education, Culture, Sports, Science and Technology	42,688	40,539	-5.0
Ministry of Health, Labour and Welfare	10,348	9,361	-9.5
Ministry of Agriculture, Forestry and Fisheries	4,753	4,541	-4.4
Ministry of Economy, Trade and Industry	29,182	28,314	-3.0
Ministry of Land, Infrastructure and Transport	834	801	-3.9
Ministry of the Environment	417	406	-2.7
<b>Total</b>	<b>729,339</b>	<b>700,173</b>	<b>-4.0</b>

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 2008 (General Account)	Expenses	2007 Calendar Year			
			Persons involved			
			Technical training participants	Experts and study teams	JOCVs	Overseas students
Japan's ODA as a whole	¥700.2 billion	US\$13,691 million (¥1,612.8 billion)	/	/	/	/
Japan's technical cooperation	¥292.7 billion	US\$2,635 million (¥310.4 billion)	41,725 people †	13,509 people †	4,926 people †	114,140 people †
JICA's technical cooperation	¥161.1 billion	US\$1,287 million (¥151.6 billion)	29,277 people	11,678 people	5,026 people	0 people
Portion of technical cooperation as a whole implemented by JICA	55.0%	48.8%	/	/	/	/

Notes: 1. 2007 DAC designated exchange rate: \$1.00 = ¥117.8.  
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 2007 are provisional.  
5. The numbers of persons involved are totals of new and carried-over persons in 2007 calendar year. JOCVs include other volunteers.  
† Results of persons involved in Japan's technical cooperation are those from 2006.

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 by the Japanese government.

The budget for technical cooperation in fiscal 2008 amounted to ¥292.7 billion, a figure that accounts for 41.8% of the total ODA budget (refer to Table 1-4). Of this, JICA is responsible for ¥161.1 billion, or 55% 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 2008, JICA had sent as many as 332,922 technical cooperation experts, study team members,

Japan Overseas Cooperation Volunteers (JOCVs), and Senior Volunteers to developing countries and had received as many as 371,660 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 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 previously 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 dialogue 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.

Table 1-5 Japan's ODA in Calendar Year 2007 (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 (%)		
<b>Aid Disbursements</b>							
ODA	Bilateral ODA	Grant Aid	3,417.30	-32.3	4,025.58	-31.5	44.2
		(Excluding disbursements for Eastern European and graduate countries)	3,415.13	-32.3	4,023.03	-31.5	44.4
		Grants					
		Technical Cooperation	2,635.16	-1.8	3,104.21	-0.6	34.1
		(Excluding disbursements for Eastern European and graduate countries)	2,622.03	0.3	3,088.75	1.5	34.1
		Total	6,052.45	-21.7	7,129.79	-20.8	78.2
	(Excluding disbursements for Eastern European and graduate countries)	6,037.16	-21.2	7,111.78	-20.2	78.5	
	Loan aid and other ODA credits	-206.06		-242.74		-2.7	
	(Value of loans provided)	5,747.36	0.0	6,770.39	1.2		
	(Value of loans repaid)	5,953.43	-0.8	7,013.14	0.4		
	(Excluding disbursements for Eastern European and graduate countries)	-204.67		-241.10		-2.7	
	Total	5,846.39	-21.9	6,887.05	-20.9	75.6	
	(Excluding disbursements for Eastern European and graduate countries)	5,832.49	-20.2	6,870.67	-19.3	75.8	
	Contributions and financing to multilateral organizations	1,891.92	-51.2	2,228.68	-50.6	24.4	
(Excluding contributions to the EBRD)	1,858.20	-52.0	2,188.96	-51.5	24.2		
Total	13,691.73	-31.9	9,115.72	-31.1	100.0		
(Including Eastern European countries, graduate countries, and the EBRD)	13,578.03	-31.3	9,059.63	-30.4	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)		4,524.08	0.8	532,936.30	2.1		
Proportion of GNI (%)							
(Including Eastern European countries, graduate countries, and the EBRD)		0.17		0.17			
(Excluding Eastern European countries, graduate countries, and the EBRD)		0.17		0.17			

Notes: 1. The following 10 countries and regions are graduate countries that have received ODA: Brunei, Singapore, United Arab Emirates, Israel, Hong Kong, Republic of Korea, Macao, Slovenia, Bahrain and Bahama.  
 2. 2007 DAC designated exchange rate: \$1.00 = ¥117.8 (a depreciation of ¥1.4 compared to 2006)  
 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  
 5. Debt relief includes waiver of yen loans and debt reductions of collateralized commercial obligations, but excludes deferring of repayments.  
 6. In the past, grants through international organizations were treated as "contributions and financing to multilateral organizations," but since 2006, those whose recipient countries are specified at the time of contribution have been treated as "grant aid" for the designated countries.

## 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.

## Results of Japan's ODA

### ODA Results

The total value of Japan's ODA in 2007 was US\$7,691.00 million (excluding aid to Eastern Europe, graduate nations, and contributions to the European Bank for Reconstruction and Development [EBRD]), making Japan the world's fifth largest donor (refer to Table 1-6) after the US, Germany, France, and the UK. This represents 7.4% of the total value of ODA provided by the 22 Development Assistance Committee (DAC) member states,

which amounted to US\$103,655.00million in 2007. Meanwhile, Japan's ODA accounted for 0.17% of its gross national income (GNI), placing it in 20th 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 2006 and 2007

Country	2007				2006			
	Position	Total (\$m)	Share (%)	Change from the Previous Year (%)	Position	Total (\$m)	Share (%)	Change from the Previous Year (%)
USA	1	21,753	21.0	-7.6	1	23,532	22.5	-15.8
Germany	2	12,267	11.8	17.6	5	10,435	10.0	3.5
France	3	9,940	9.6	-6.2	4	10,601	10.2	5.7
UK	4	9,921	9.6	-20.4	2	12,459	11.9	15.7
Japan	5	7,691	7.4	-31.3	3	11,187	10.7	-14.9
Netherlands	6	6,215	6.0	14.0	6	5,452	5.2	6.6
Spain	7	5,744	5.5	50.6	8	3,814	3.7	26.4
Sweden	8	4,334	4.2	9.6	7	3,955	3.8	17.6
Italy	9	3,929	3.8	7.9	10	3,641	3.5	-28.5
Canada	10	3,922	3.8	6.5	9	3,684	3.5	-1.9
Norway	11	3,727	3.6	26.2	11	2,954	2.8	6.0
Denmark	12	2,563	2.5	14.6	12	2,236	2.1	6.0
Australia	13	2,471	2.4	16.4	13	2,123	2.0	26.4
Belgium	14	1,953	1.9	-1.3	14	1,978	1.9	0.7
Austria	15	1,798	1.7	20.0	16	1,498	1.4	-4.8
Switzerland	16	1,680	1.6	2.0	15	1,646	1.6	-7.1
Ireland	17	1,190	1.1	16.5	17	1,022	1.0	42.1
Finland	18	973	0.9	16.6	18	834	0.8	-7.5
Greece	19	501	0.5	18.2	19	424	0.4	10.4
Portugal	20	403	0.4	1.7	20	396	0.4	5.1
Luxembourg	21	365	0.4	25.6	21	291	0.3	13.4
New Zealand	22	315	0.3	21.8	22	259	0.2	-5.4
<b>Total</b>		<b>103,655</b>	<b>100.0</b>	<b>-0.7</b>		<b>104,421</b>	<b>100.0</b>	<b>-2.5</b>

Notes: 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 2007 are provisional.

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

Resource: 2008 DAC Press Release