

Japan's ODA

1. What Is ODA?

Various organizations and groups, including governments, international organizations, non-governmental organizations (NGOs), and private companies carry out economic cooperation to support socioeconomic development in developing countries. The funds and technologies that governments provide to developing countries for aid purposes as part of this cooperation are called Official Development Assistance (ODA).

2. Types of ODA

ODA is broadly classified into two types: bilateral aid and multilateral aid. Multilateral aid consists of financing and financial contributions to international organizations, while bilateral aid is provided in the three forms of Technical Cooperation, Loan Aid and Grant Aid in addition to others, which includes the dispatch of volunteers.

3. JICA Carries Out Various Assistance Schemes in an Integrated Manner

In recent years, developed nations in Europe and North America have expanded ODA as a means of strengthening efforts to address global issues such as climate change and poverty reduction. Furthermore, new donor countries such as China and Korea have emerged. Conversely, Japan has been decreasing its ODA budget because of its severe financial circumstances.

In view of these international trends as well as the flow of domestic administrative reforms in Japan, the Japanese government has undertaken reforms that strategize ODA policies and strengthen implementation systems with the objective of further raising the quality of its ODA. With the aim of integrating ODA implementation organizations as part of these reforms, Overseas Economic Cooperation Operations of the Japan Bank for International Cooperation (JBIC) and Grant Aid Operations of the Ministry of Foreign Affairs of Japan (excluding those which the Ministry of Foreign Affairs continues to directly implement for the necessity of diplomatic policy) were transferred to JICA as of October 1, 2008, thereby creating a "New JICA." Through this integration, three schemes of assistance have become organically linked under a single organization, which better enables JICA to carry out effective and efficient operations. The principal schemes are described as follows.

Bilateral Aid

▶ Technical Cooperation

Technical Cooperation applies Japan's technology, know-how and experience to nurture the human resources who will promote socioeconomic development in developing countries. Moreover, through collaboration with partner countries in jointly planning a cooperation plan suited to local situations, Technical Cooperation supports the development and improvement of technologies that are appropriate for the actual circumstances of these countries,

while also contributing to raising their overall technology levels and setting up new institutional frameworks and organizations. These factors enable partner countries to develop problem-solving capacities and achieve economic growth. Technical Cooperation includes acceptance of training participants, dispatch of experts, provision of equipment and implementation of studies aimed at supporting policymaking and planning of public projects (Technical Cooperation for development planning).

▶ Loan Aid

Loan Aid supports the efforts of developing countries to advance by providing these nations with the capital necessary for development under long-term and substantially lower interest rates than commercial rates. The primary types of Loan Aid are ODA Loans and Private-Sector Investment Finance. ODA Loans in particular enable the provision of finance in larger amounts compared with Technical Cooperation or Grant Aid, and therefore this form of aid has been well utilized for building large-scale basic infrastructure in developing countries.

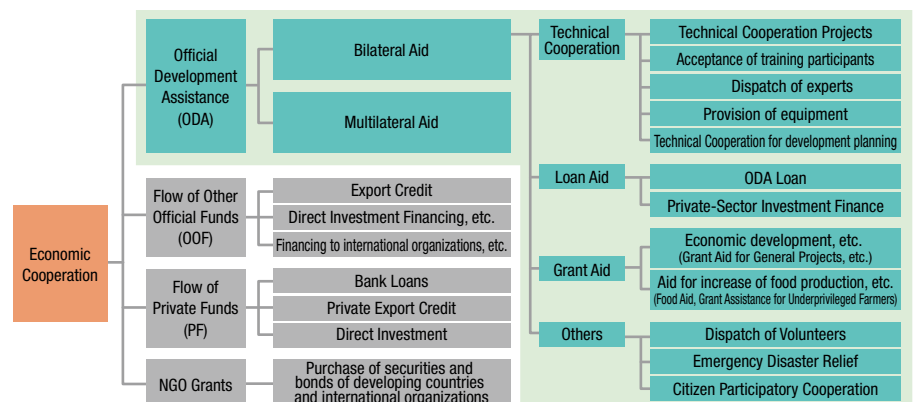
Unlike Technical Cooperation or Grant Aid, Loan Aid requires full repayment by the recipient country, which encourages the beneficiary country to focus closely on the importance and priority of projects and to make efforts to allocate and utilize the funds as efficiently as possible.

▶ Grant Aid

Grant Aid, which is an assistance method that provides necessary funds to promote socioeconomic development, is financial cooperation with developing countries with no obligation for repayment. Particularly in developing countries with low income levels, Grant Aid is broadly implemented for building hospitals, bridges and other socioeconomic infrastructure, as well as for promoting education, HIV/AIDS programs, children's healthcare and environmental activities, which directly support the improvement of living standards.

Grant Aid is divided into the following categories according to its content: Grant Aid for General Projects; Non-Project Grant Aid; Grant Aid for Grassroots Human Security Projects; Grant Assistance for Japanese NGO Projects; Grant Aid for Human Resource Development (Scholarship); Grant Aid for Cooperation on Counter-Terrorism and

Table 1 Economic Cooperation and ODA



Security Enhancement; Grant Aid for Disaster Prevention and Reconstruction; Grant Aid for Community Empowerment; Grant Aid for Fisheries; Cultural Grant Assistance; Emergency Grant Aid; Food Aid; Grant Assistance for Underprivileged Farmers; Programme Grant Aid for Environment and Climate Change; and Grant Aid for Poverty Reduction Strategies.

Providing Financing and Contributions to International Organizations through Multilateral Aid

Multilateral aid is an indirect method of providing assistance to developing countries by providing financing or donating funds to international organizations. Funds are contributed to the various bodies of the United Nations, including the United Nations Development Programme (UNDP), United Nations Population Fund (UNFPA) and the United Nations Children's Fund (UNICEF), while

financing is provided 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).

4. International Trends in Developmental Assistance

As exemplified by the Millennium Development Goals (MDGs) (see page 84), a recent trend in international aid has been the accelerating move toward the establishment of common goals by the international community while various countries and institutions cooperate in implementing this aid to achieve these goals. Compared with aid coordination in the past, which emphasized cooperation and coordination of assistance at the individual project level, the mainstream developmental assistance in recent years has placed greater emphasis on ownership by partner countries,

Table 2 Japan's ODA in Calendar Year 2009 (According to Aid Type and Provisional Figure)

Type of Assistance (Calendar Year 2009)		Dollar Base (US\$ million)			Yen Base (¥ billion)			Percent of Total ODA Total	
		Disbursements	Disbursements in the Previous Year	Change from the Previous Year (%)	Disbursements	Disbursements in the Previous Year	Change from the Previous Year (%)		
ODA	Grant Aid	2,177.95	4,780.69	-54.4	203.420	494.802	-58.9	22.8	
	Debt Relief	68.33	2,801.18	-97.6	6.382	289.922	-97.8	0.7	
	Grants through International Organizations	660.59	730.90	-9.6	61.699	75.648	-18.4	6.9	
	Grant Aid Excluding the Above	1,449.03	1,248.61	16.1	135.339	129.231	4.7	15.1	
	Grants	Grant Aid (Excluding Disbursements for Eastern European and Graduate Countries)	2,175.22	4,776.56	-54.5	203.166	494.374	-58.9	22.9
		Debt Relief	68.33	2,801.18	-97.6	6.382	289.922	-97.8	0.7
		Grants through International Organizations	660.49	730.06	-9.5	61.690	75.561	-18.4	7.0
		Grant Aid Excluding the Above	1,446.39	1,245.32	16.1	135.093	128.891	4.8	15.3
		Technical Cooperation	3,225.46	3,057.82	5.5	301.258	316.484	-4.8	33.7
		Technical Cooperation (Excluding Disbursements for Eastern European and Graduate Countries)	3,149.34	2,987.07	5.4	294.148	309.161	-4.9	33.2
		Grants Total	5,403.41	7,838.51	-31.1	504.678	811.286	-37.8	56.5
	Bilateral ODA	Grants Total (Excluding Disbursements for Eastern European and Graduate Countries)	5,324.56	7,763.62	-31.4	497.314	803.535	-38.1	56.2
		ODA Loan and Other ODA Credits	674.55	-899.66		63.003	-93.115		7.0
		(ODA Loan and Other ODA Credits Excluding Debt Relief)	740.03	163.87	351.60	69.119	16.960	307.53	
		(Figures for Loans Provided)	7,744.40	7,050.81	9.84	723.327	729.759	-0.88	
		(Figures for Loans Repaid)	7,069.85	7,950.47	-11.08	660.324	822.874	-19.75	
		(Figures for Loans Repaid Excluding Debt Relief)	7,004.38	6,886.94	1.71	654.209	712.799	-8.22	
		ODA Loan and Other ODA Credits Excluding Disbursements of Eastern European and Graduate Countries	673.90	-940.38		62.943	-97.329		7.1
		(ODA Loan and Other ODA Credits Excluding Debt Relief)	739.38	123.15	500.38	69.058	12.746	441.79	
		(Figure of Loans Provided)	7,657.42	6,933.44	10.4	715.203	717.611	-0.3	
		(Figure of Loans Repaid)	6,983.51	7,873.82	-11.3	652.260	814.940	-20.0	
	(Figure of Loans Repaid Excluding Debt Relief)	6,918.04	6,810.28	1.6	646.145	704.864	-8.3		
	Bilateral ODA Total	6,077.96	6,938.85	-12.4	567.681	718.171	-21.0	63.5	
	Bilateral ODA Total Excluding Disbursements for Eastern European and Graduate Countries	5,998.46	6,823.25	-12.1	560.257	706.206	-20.7	63.3	
	Contributions and Financing to Multilateral Organizations	3,492.62	2,759.75	26.6	326.211	285.634	14.2	36.5	
	Contributions and Financing to Multilateral Organizations (Excluding Contributions to the EBRD)	3,481.64	2,755.86	26.3	325.185	285.231	14.0	36.7	
	Net ODA Total	9,570.58	9,698.60	-1.3	893.892	1,003.805	-10.9	100.0	
Net ODA Total (Excluding Eastern European, Graduate Countries and the EBRD)	9,480.10	9,579.10	-1.0	885.442	991.437	-10.7	100.0		
Gross ODA Total	16,640.43	17,649.07	-5.7	1,554.216	1,826.679	-14.9			
Gross ODA Total (Excluding Eastern European, Graduate Countries and the EBRD)	16,463.62	17,452.92	-5.7	1,537.702	1,806.377	-14.9			
Nominal Gross National Income (GNI) Figures for Each Category (US\$ billion, ¥ billion)	5,223.13	5,063.82	3.1	487,840.30	524,105.80	-6.9			
Proportion of GNI (%)	0.18	0.19		0.18	0.19				
Proportion of GNI (Excluding Eastern European, Graduate Countries and the EBRD)	0.18	0.19		0.18	0.19				

Notes 1. The following 14 countries and regions are graduate countries that have received ODA: Brunei Darussalam, Singapore, Kuwait, Qatar, United Arab Emirates, Israel, Hong Kong, Cyprus, Republic of Korea, New Caledonia, Malta, Slovenia, Bahrain and Saudi Arabia.

2. 2009 DAC designated exchange rate: US\$1.00=¥93.4 (a depreciation of ¥10.1 compared with 2008)

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 ODA 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." However, from 2006, donations for recipient countries identified at the time of contribution are treated as "Grant Aid" for these countries.

while donor countries and international aid organizations jointly support developing countries' own development plans and priority goals and work together to achieve the development goals of these countries. In other words, there is a need for the organizations providing the aid to offer this assistance in accordance with the development strategy priorities of the developing countries.

5. Japan's ODA Contribution Level

Looking at the level of Japan's ODA on a net disbursement basis, in 2009 Japan contributed approximately US\$5,998.4 million (approximately ¥560.3 billion) in bilateral ODA and contributed and donated approximately US\$3,481.6 million (approximately ¥325.2 billion) to international organizations. Accordingly, total ODA contributions amounted to approximately US\$9,480.1 million, down 1% from the previous year (a year-on-year decrease of 10.7% to ¥885.4 billion on a yen basis). With this amount, Japan ranked fifth among the member countries of the Development Assistance Committee (DAC) of the Organization for Economic Co-operation and Development (OECD), after the United States, France, Germany and the United Kingdom.

Historically, Japan became the world's top contributor of ODA in 1989, surpassing the United States, which until that time had held the top position. Japan then remained the leader among the DAC countries, maintaining its top rank for eight years from 1993 to 2000. However, the country's contribution dropped in 2001 and began a gradual decline, with the exception of a temporary notable increase in 2005.

Meanwhile, Japan's ODA was equivalent to 0.18% of its gross national income (GNI), ranking it at the low level of 21st among the 23 DAC countries.

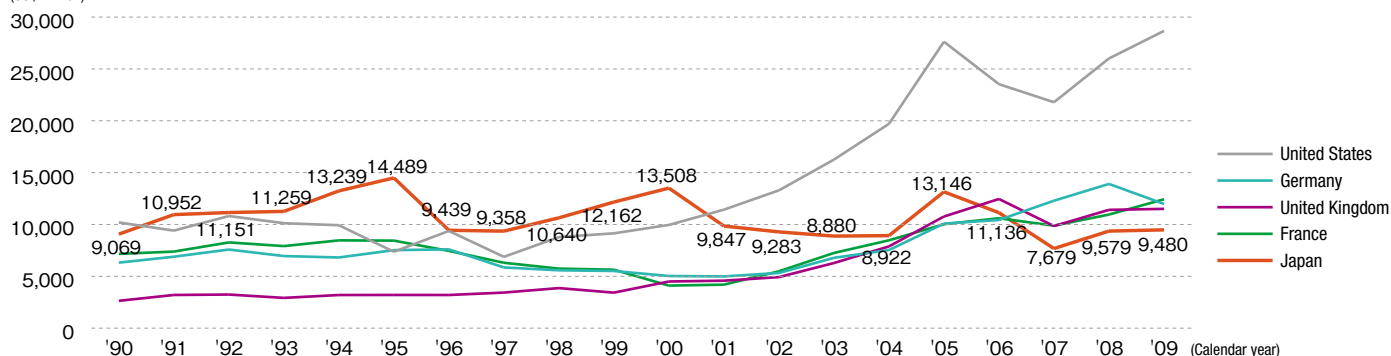
Table 5 Overview of the Ministry of Foreign Affairs' Fiscal 2010 Budget

(Unit: ¥ billion)

	FY 2009		FY 2010	
	Budget	Percentage increase	Budget	Percentage increase
Entire government	672.2	-4.0%	618.7	-7.9%
Within the Ministry	436.3	-1.0%	413.4	-5.3%
Grant Aid	160.8	1.3%	154.1	-4.2%
Management Grants (General Accounts)	155.8	1.3%	148.0	-5.0%
Grants from Government General Account (Accounts for Finance and Investment)	7.0	-48.1%	0.0	-100.0%
Contributions and donations	50.2	-1.8%	51.4	2.4%
Aid for assistance activities	62.4	-1.7%	59.8	-4.1%

Table 3 Procession of Major DAC Countries' ODA (Net Disbursement)

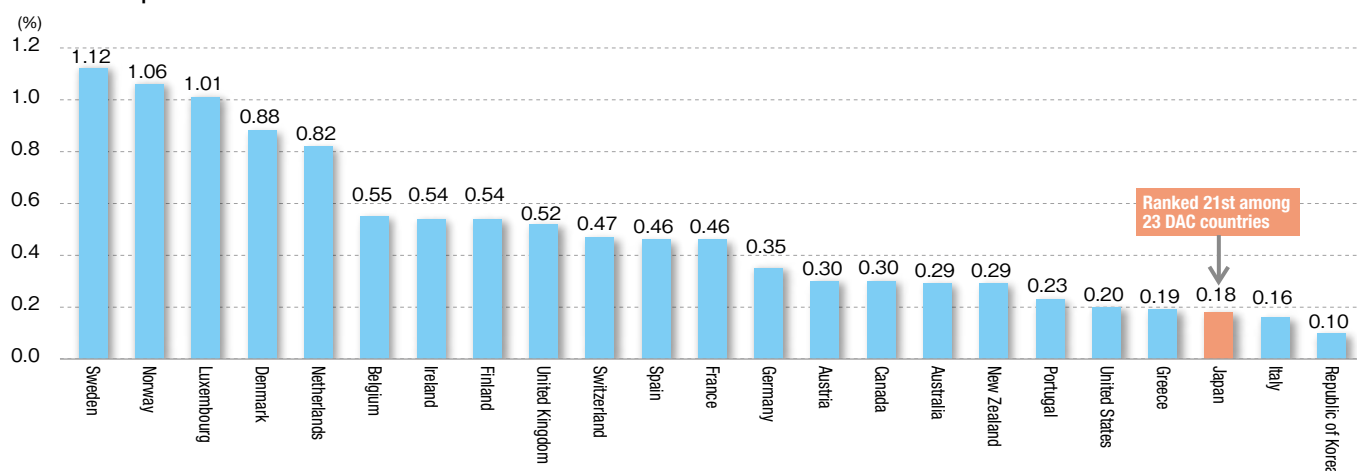
(US\$ million)



Sources: OECD; DAC

1. Excluding aid for Eastern Europe and graduate countries.
2. Figures for the United States from 1990 to 1992 exclude military-related debt relief.
3. Figures for 2009 are provisional.

Table 4 Proportion of ODA to Gross National Income of DAC Countries



Source: Press release published by DAC in 2009 (provisional figures)