

Grant Aid

Grant Development Funds to Support Building Foundations for the Future of Developing Countries

● Building Foundations for the Future of Developing Countries

Grant Aid is a type of financial assistance in which funds are granted to a developing country to support construction works or services such as procuring equipment and materials that are necessary for economic and social development. Since Grant Aid is financial assistance with no obligation for repayment, it targets mainly developing countries with low income levels.

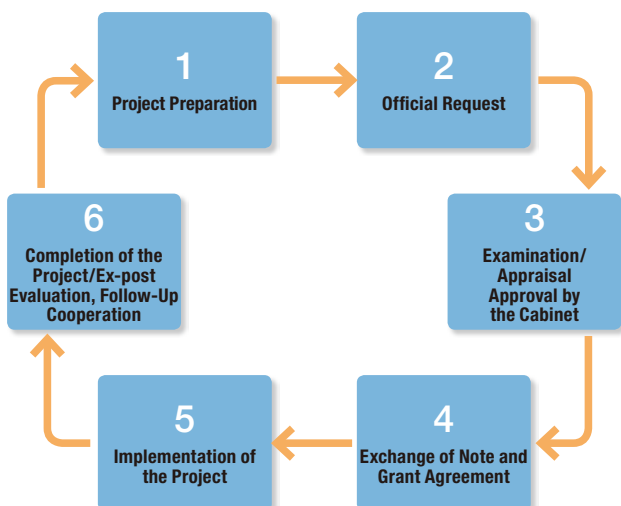
Assistance is given to development projects that are essential in developing countries' nation building, including: construction of hospitals or schools and increasing access to safe water supply to satisfy basic human needs; improvement of irrigation systems to promote development of communities and agricultural productivity; construction of roads and bridges to build socio-economic foundations; building facilities to promote environmental conservation; and developing human resources. In recent years, assistance has also been provided for peacebuilding, developing business environments, disaster prevention and reconstruction after disasters, and measures to cope with climate change. Where necessary, technical guidance for operation and maintenance, etc. (soft components) is also provided, so that the facilities and other systems financed by Grant Aid are sustainably managed.

● Project Cycle for Grant Aid

The Grant Aid is carried out in a project cycle consisting of six major steps, as described in the chart.

- 1 By conducting a preparatory survey for cooperation as part of 'project preparation,' JICA examines the appropriateness of the project to be carried out by Grant Aid, and develops a plan of the project through discussions with the government of the partner country.
- 2 At the receipt of 'official request' of the project from the partner country, JICA examines and appraises the contents of the project.
- 3 Based on the result of JICA's appraisal, the Japanese

Grant Aid Project Cycle



government decides to implement a project financed by Grant Aid through 'approval by the Cabinet.'

- 4 After approval by the Cabinet, the government of the partner country signs the 'Exchange of Notes' with the Japanese government, then signs a 'Grant Agreement' with JICA.
 - 5 Thereafter, the project starts with the government of the partner country as client. In order to ensure proper and smooth implementation of the project, JICA monitors progress of the project and gives advice to stakeholders including the government of the partner country, while respecting the project ownership by the partner country.
 - 6 After 'completion of the project,' JICA prepares an 'ex-post evaluation,' and where necessary, provides 'Follow-Up Cooperation' in the form of materials and equipment procurement, emergency repair work, etc. The result of the evaluation is also referred to in the preparation of new projects.
- By applying this set of project cycle steps from the planning stage to ex-post evaluation, JICA provides strategic and effective support through Grant Aid.

● Types of Grant Aid Implemented by JICA

1. Project Grants

This is a type of Grant Aid 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 socio-economic infrastructures.

2. Sector Grants

This is a type of Grant Aid in which multiple sub-projects are implemented in a flexible manner under a single Grant Aid 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 Aid 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. Grant Aid in Association with an International Organization

This is a type of Grant Aid 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. Grant Aid through Budget Support

This is a type of Grant Aid 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 socio-economic development. There are three categories in this type: (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

1. Reviewing of the Sub-schemes

Grant Aid was divided into 17 sub-schemes according to the purpose and implementation modality of the projects, and a separate procedure was set for each sub-scheme. The Ministry of Foreign Affairs reviewed the sub-schemes from fiscal 2015. By consolidating the sub-schemes, it has become possible to create projects with greater flexibility to suit local needs or political agendas.

2. Wider Application of the Grant for Contingency

Since fiscal 2009, JICA has been introducing the grant for

contingency to some projects on a trial basis to cope with unexpected situations that may arise in the course of Grant Aid project implementation. From fiscal 2015, the application of the grant for contingency has been expanded to all projects which consist of construction works and some of the projects consist of procurement of equipment.

Together with allocation of the additional grant (a grant to retroactively increase the maximum amount provided for a Grant Aid project previously approved by the Cabinet), which has been applied since fiscal 2013, this will assist smooth project implementation by Japanese companies that contract for Grant Aid projects by flexibly coping with unexpected risks in developing countries, such as a sudden rise in material costs, discrepancies between conditions for construction and actual construction sites, deterioration of security situation or political instability, and natural disasters.

Case Study

Philippines: Project for Improvement of Water Supply Systems in the Metropolitan Cebu Water District

Making Use of Japanese Local Government's Expertise and Technologies

The Metropolitan Cebu Water District is a water supply area of the largest scale in the Philippines. In order to improve the water supply conditions in this District, JICA supports implementation of a system that accurately monitors the water supply situation in real time. Expertise that has been gained over the years by the Water Works Bureau of Yokohama City is utilized for the design and the management of the system.

Local governments in Japan have accumulated experiences through overcoming various challenges in connection with urban development. They also have expertise that they have gained through operation of public works, such as water and sewer services and solid waste management, which have expanded along with the economic growth of Japan. Many developing countries with rapid economic growth face problems similar to those that Japan once experienced.

'Building a Relationship' to 'Exporting Technologies'

In Metro Cebu, the second-largest metropolitan area in the Philippines, reducing the unaccounted water ratio (water lost by drain-

pipe leakage or by theft through illegal usage, etc.) and improving water pressure were big challenges in meeting increasing water demand from rapid economic and urban growth.

Meanwhile, the Executive Forum for Enhancing Sustainability of Urban Water Service in the Asian Region, cohosted by the City of Yokohama and JICA in 2010, was an opportunity for Yokohama to start its relationship with Metro Cebu. Yokohama has built a relationship with Metro Cebu through conducting field study in Metro Cebu and providing training for Water District personnel. Based on these experiences, the Philippine government requested the Japanese government to provide Grant Aid to introduce a real-time and accurate monitoring system which was utilized by the



A scene from plumbing training conducted at the Water Works Bureau of Yokohama City

Water Works Bureau of Yokohama City, so that they could operate and manage the water supply facilities properly.

Yokohama Water Co. Ltd.,¹ owned by the City of Yokohama, was involved in a preparatory survey for cooperation on this project, in a form of a joint venture with NJS Consultants Co. Ltd. The expertise of Yokohama City is incorporated in the system design for a central control system to be installed. Furthermore, Yokohama Water is to conduct training on water control using the new system as well as maintenance and management of the new system, which is part of the soft components scheduled to be provided in the Grant Aid project.

By building relationships between Japanese local governments and developing countries through Grant Aid, it is expected to spread and expand the technologies and expertise of Japanese local governments overseas, and moreover, to contribute to revitalization of Japan's local communities.



A mission member of Yokohama Water measuring flow velocity using an ultrasonic flowmeter in Cebu

1. A company incorporated in 2010 for the purposes of developing business based on the water supply technologies and expertise that Yokohama City had accumulated, and contributing to solving problems that domestic and overseas waterworks face. The company is 100% owned by the Water Works Bureau of Yokohama City.