

KEY QUESTION

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How is Japan's ODA spent?

Japan provides most of its ODA in the form of loans

Japan provides the vast share of its ODA bilaterally (80% in 2015). This is well above the 62% average among members of the Development Assistance Committee (DAC) of the OECD. This share is expected to further increase; the government Prime Minister Shinzo Abe plans on increasingly using ODA as a strategic diplomatic and economic instrument. To do so, a great proportion of ODA will target specific countries and hence increase the share of bilateral funding. Despite its current bilateral emphasis, Japan is the fifth-largest donor to multilateral organizations (US\$3.4 billion in 2015). The largest recipients of financing in 2015 were the World Bank (47%), regional development banks (16%, mostly the Asian Development Bank), and UN agencies (14%).

Japan channels the majority of its bilateral ODA as loans: 58% in 2015. This is well above the DAC average of 10%. This strong focus on loans is largely explained by Japan's focus on infrastructure projects in middle-income countries (MICs) in Asia that are mainly supported through loans. In addition, loans are preferred over grants due to Japan's difficult economic situation, which constraints budgetary spending. Japan's loans are highly concessional: interest rates are low and grace periods are long. Japan's use of loans is expected to increase further.

Who are Japan's ODA recipients?

Japan places a strong focus on MICs in Asia

Japan allocates most of its bilateral ODA to MICs in Asia. Between 2013 and 2015, Asian MICs received 43% of bilateral ODA overall. Japan's bilateral ODA is concentrated: the top 20 recipients receive 60%. According to Japan's development policy framework, the 'Development Cooperation Charter', Asia will maintain its geographic focus. Sub-Saharan Africa accounted for 13% of bilateral ODA between 2013 and 2015, well below the DAC average (25%). However, Japan's emphasis on Africa is growing, with its US\$30 billion pledge of private- and public-sector funds to Africa during the 6th Tokyo International Conference on African Development (TICAD VI) in August 2016. TICAD is a conference organized by the Japanese government to promote Africa's development.

The largest share of Japan's bilateral ODA goes to MICs (54% between 2013 and 2015), due to Japan's focus on

Asian countries, while 33% was allocated to low-income countries (LICs), which is above the DAC average of 28%. However, this can be explained by a one-off US\$5 billion in debt relief and loans to Myanmar in 2013.

How is bilateral funding programmed?

The Ministry of Foreign Affairs' Country Assistance Planning Divisions drive bilateral priorities and allocations

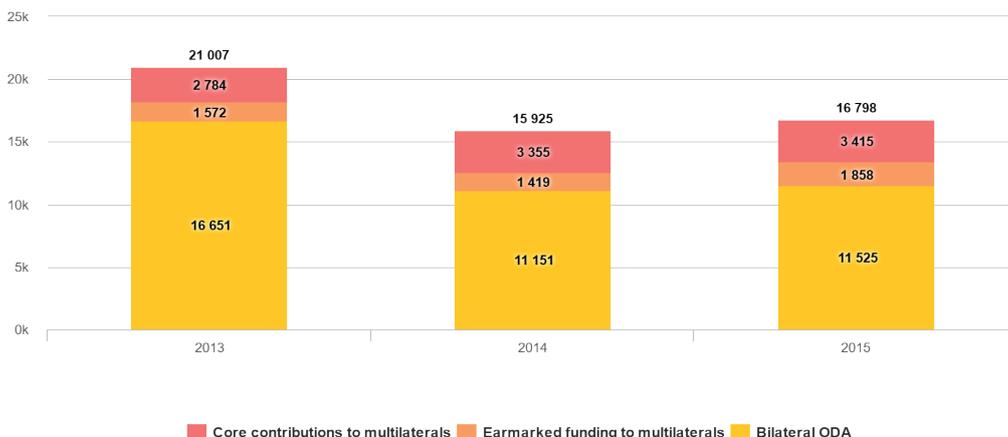
Under strategic guidance set in the 'Development Cooperation Charter', the Ministry of Foreign Affairs' (MOFA) Country Assistance Planning Divisions (Divisions) draft multi-annual Country Assistance Policies (CAPs) for selected partner countries. The Divisions consult recipient governments and seek input from Japan's ODA Task Forces. These Task Forces are in-country teams that coordinate bilateral ODA and are usually made up of staff from embassies and the Japan Agency for International Cooperation's (JICA) country offices. The CAPs outline priority areas of Japan's bilateral development funding.

Each CAP consists of a five-year rolling plan, which provides indicative funding amounts. The plans are updated annually and approved by MOFA. The ODA Task Forces draft the rolling plans in consultation with recipient governments and other donors. The DAC Peer Review 2014 found that this mechanism increased coordination of Japan's development assistance and predictability for partner countries. However, it also criticized that decision-making at MOFA and JICA remains centralized, and recommended that decision-making and financial authority be delegated more to country offices.

Key stakeholders are MOFA's Country Assistance Planning Divisions (for grant assistance and technical cooperation), Ministry of Finance's (MOF) International Bureau (for loans), and JICA's Human Development/Rural Development and regional departments.

JAPAN'S BILATERAL AND MULTILATERAL ODA

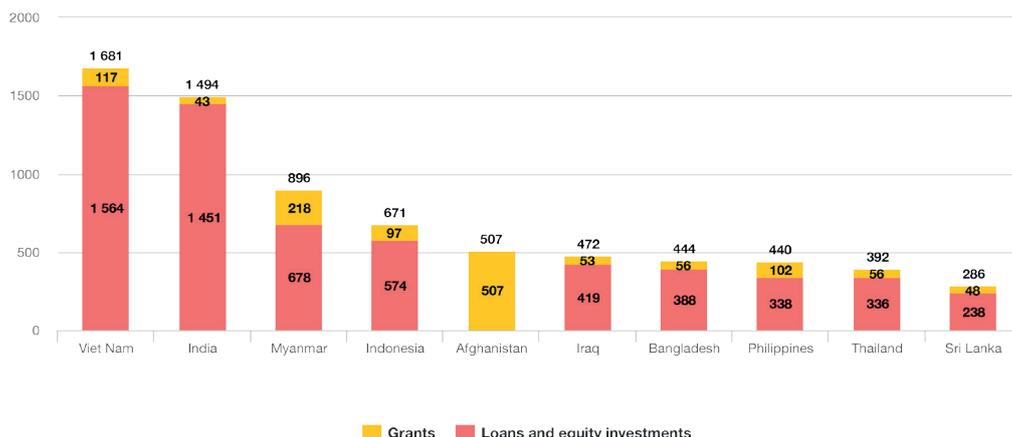
US\$ millions, 2014 prices



Source: OECD DAC. Gross disbursements.

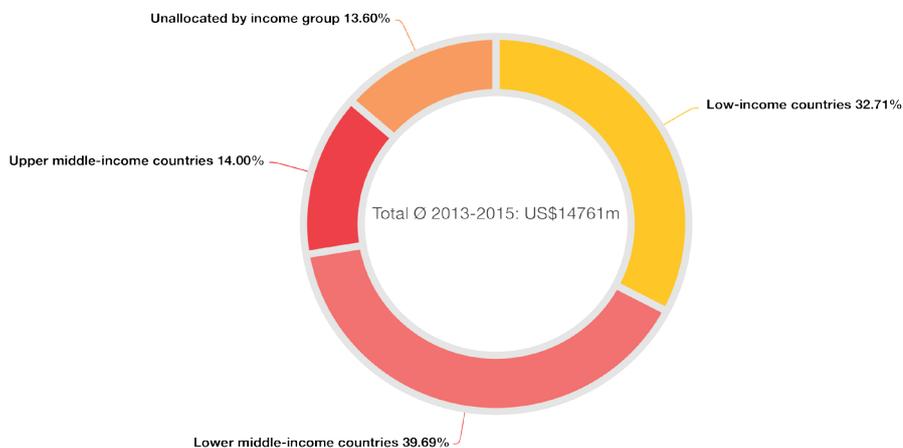
THE TOP 10 RECIPIENTS OF JAPAN'S ODA

average 2013-2015, excluding debt relief; US\$ millions; in 2014 prices



Source: OECD CRS, in 2014 prices.

JAPAN'S BILATERAL ODA BY INCOME-GROUP OF RECIPIENT



Source: OECD CRS.