

KEY QUESTION

2

What are Japan's strategic priorities for development?

Japan focuses its ODA on Asia; support is increasing for economic development and Africa

Japan's long-term development objectives are defined in the 'Development Cooperation Charter'. They include a strong focus on involving the Japanese private sector in development cooperation, particularly in Asia, to support economic development in developing countries as well as in Japan. This approach is also increasingly applied in Africa, as the Japanese government has shown a growing interest in Africa in recent years and has been working on strengthening its cooperation within the continent. For example, in January 2017, the government announced that Japanese corporations signed several memoranda of understanding with 26 African nations and international organizations for knowledge and expertise exchange. This is a novel undertaking that the Japanese government had pushed for, as Japanese companies traditionally invest in Asia. For this reason, Japan has also decided to host the TICAD Conference (see below) every three years (rather than every five years).

Japan provides the vast share of its ODA bilaterally (80% in 2015). This is well above the 62% average among members of the OECD's Development Assistance Committee (DAC). The government of Prime Minister Abe plans to use ODA increasingly as a strategic diplomatic and economic instrument, and place an even greater emphasis on bilateral ODA. In 2015, Japan provided 58% of its bilateral ODA in the form of loans (as opposed to grants), well above the DAC average (10% in 2015, for more details see question six: 'How is ODA spent?'). Loans are usually highly concessional (average grant element is 76%). Loans are preferred over grants due to the current budget constraints.

Japan allocates by far the largest share of its bilateral ODA to infrastructure projects (26% in 2015; US\$3.5 billion). This most comprises loans for infrastructure projects in middle-income countries in Asia (US\$2.7 billion; 75% of infrastructure ODA). Within its infrastructure funding, Japan puts a strong focus on transportation projects. This can be partially explained by Japan's own experience after World War II when it was on the receiving end of infrastructure ODA, which helped rebuild its post-war economy. Transportation projects accounted for 98% of investments in the infrastructure sector in 2015, mostly supporting rail and road transport. The focus on infrastructure loans is likely to continue: In Au-

Japan's Key development priorities:

- **Infrastructure:** in 2015, 26% of bilateral ODA went to infrastructure development projects; the bulk of this funding goes to middle-income countries in Asia.
- **Stability in the Middle East:** to tackle root causes of conflict in the Middle East, Japan is providing short term humanitarian assistance as well as US\$6 billion for 2016-2018 for human resource development.
- **Global health:** US\$1.1 billion pledged for international health organizations within the framework of Japan's 2016 G7 presidency.

gust 2016, at the 6th Tokyo International Conference on African Development (TICAD VI), Prime Minister Shinzo Abe pledged US\$30 billion (2016-2018) in private- and public-sector funds for infrastructure and human-resource development projects in Africa, partially in cooperation with the African Development Bank. This includes US\$9 billion from previous TICAD conference pledges. Of the US\$30 billion pledged between 2016 and 2018, US\$10 billion will be disbursed in the next three years. This comprises US\$3 billion from a matching fund between the Japan Agency for International Cooperation (JICA) and the African Development Bank (AfDB). Detailed information on the allocation of the remaining US\$7 billion for the next three years, as well as on the US\$20 billion of the remaining total pledge, is not publicly available yet.

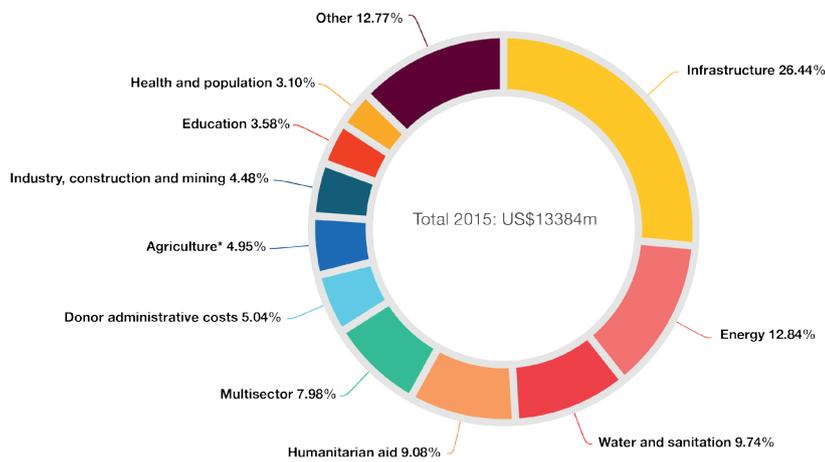
The second-largest share of bilateral ODA in 2015 went to the energy sector (13%), followed by water and sanitation projects (10%; US\$1.2 billion). Humanitarian assistance is another focus area for Japan: Funding increased by 53% from 2014 to 2015 and accounted for 9% of its bilateral ODA in 2015 (US\$1.2 billion). Funding for this area is likely to increase even further with Japan's US\$6 billion commitment for stability in the Middle East for 2016 to 2018.

Japan's short-term development priorities are set in its annual 'Priority Policy for International Cooperation'.

For FY2016, priority areas include: peace and stability within the international community, response to global challenges, economic diplomacy, and promotion of 'high-quality growth'. The 'Priority Policy for International Cooperation' for FY2017 is expected to be published in April or May 2017.

During its G7 presidency in 2016, Japan put a strong emphasis on health, women's empowerment, and stabilization of the Middle East. In the run-up to the G7 Summit in May 2016, Japan announced a range of international commitments in these areas. The government pledged a total of US\$1.1 billion to international health organizations, including US\$800 million for the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund) for the 2017-2019 replenishment period. Japan chooses to channel most of its global health ODA through multilateral organizations. This brings Japan's total funding for global health to US\$876 million in 2015, making it the sixth-largest DAC donor to the sector.

JAPAN'S BILATERAL ODA BY SECTOR



Source: OECD CRS. *Includes agriculture, forestry, fishing, and rural development.