

## KEY QUESTIONS

### the big six

# 3

## How does Japan spend its ODA?

### Most of Japan's ODA is provided bilaterally, and the share is increasing

Japan provides most of its ODA bilaterally (82% in 2017, an increase from 80% in 2016). This is well above the 60% average among members of the Development Assistance Committee (DAC) of the OECD. This share is expected to be maintained or even increased; as Prime Minister Shinzo Abe plans on increasingly using ODA as a strategic diplomatic and economic instrument

Japan channels very little ODA through multilateral organizations and non-governmental organizations (NGOs), compared to other members of the DAC. In 2017 Japan channeled 11% of ODA through multilaterals (DAC average: 22%), and only 2% of ODA through NGOs (DAC average: 17%).

### Japan provides most of its ODA in the form of loans with an emphasis on infrastructure

Japan channels its bilateral ODA mostly as loans: 64% in 2017, up from 58% in 2016. This is more than seven times greater than the DAC average of 9%, and largely explained by Japan's focus on infrastructure projects that are mainly supported by loans. Loans are preferred over grants because they put less pressure on budgetary resources. 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.

Japan allocates the largest share of its bilateral ODA to infrastructure projects. It spent almost a third (32%, US\$4.8 billion) of its bilateral ODA in 2017 on the sector, a 43%-increase from US\$3.3 billion in 2016. Most of this funding comprised loans for projects in middle-income countries in Asia (US\$3.3 billion; 70% of infrastructure ODA). The increase is driven by a few large transport projects in India, Thailand, and Bangladesh. This emphasis on infrastructure can be partially explained by Japan's own experience after World War II when it received a great deal of infrastructure ODA, which helped rebuild its post-war economy. The heavy use of infrastructure loans is expected to continue and is likely to expand into Africa with Japan's increasing focus on the region: In 2017, total ODA for infrastructure projects in Africa totaled US\$296 million.

The second-largest share of bilateral ODA in 2017 went to the energy sector (14%, US\$2.1 billion) followed by multi-sector activities (9%, US\$1.3 billion), and water and sanitation projects (8%; US\$1.1 billion).

Since its G7 presidency in 2016, Japan has put a strong emphasis on health, women's empowerment, and stabilization of the Middle East. In the lead up to the G7 Summit in May 2016, Japan announced a range of funding 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 to 2019 replenishment period. Japan's total funding for global health was US\$870 million in 2016 (the latest year for which complete data is available), making it the fifth-largest DAC donor to the sector that year. Japan is expected to announce a new pledge for the Global Fund at its sixth replenishment conference in October 2019.

Japan used its G20 presidency in 2019 to promote global health, women's empowerment, and quality infrastructure investment. They hosted the first G20 joint session of Finance and Health Ministers, highlighting the importance of close collaboration between health and finance authorities for achieving UHC. G20 health ministers and finance ministers used the session to confirm their commitment to the 'G20 Shared Understanding on the Importance of UHC Financing in Developing Countries'.

Prime Minister Abe also used the 74th Session of the United Nations General Assembly to re-emphasize UHC as a foundation for social and economic development and to promote collaboration between finance and health ministries. Japan has also initiated discussions on utilizing the International Development Association (IDA) for a health-related project as a way of fostering discussions between finance and health ministers.

### Japan focuses its ODA on countries in Asia, most of which are middle-income countries

The largest share of Japan's bilateral ODA goes to middle-income countries (58% between 2015 and 2017), due in large part to Japan's focus on Asian countries.

Between 2015 and 2017, Asian countries received 56% of bilateral ODA overall. The largest recipients by a margin were India, Vietnam, and Bangladesh. According to Japan's development policy framework, the 'Development Cooperation Charter', Asia will remain its geographic focus. Over the same period, 23% of ODA was allocated to low-income countries (LICs), nearly equal to the DAC average of 24%, sub-Saharan Africa accounted for 9% of bilateral ODA, well below the DAC average of 21%.

Japan is however, showing signs of increased focus on Africa. This was demonstrated by a US\$30 billion pledge of private- and public-sector funds to Africa made during the sixth Tokyo International Conference on African Development (TICAD VI) in August 2016. A third of the pledge (US\$10 billion) was to be dedicated to infrastructure projects, implemented in collaboration with the African Development Bank. Following TICAD 2019, the Japanese International Cooperation Agency (JICA) has started selling TICAD bonds worth JPY 12 billion, the proceeds of which will be used for JICA finance and investment in Africa.

For a deeper understanding of funding at the recipient level, please consult data from the International Aid Transparency Initiative (IATI). IATI is a reporting standard and platform on which organizations and governments voluntarily publish data on their development cooperation, including more recent activity than is available through OECD data.

Data can be searched by recipient country, the ‘publisher’ (including funders that do not report to the OECD), and other filters. Click [here](#) for more information on IATI’s data. Click [here](#) to go directly to IATI’s ‘d-portal’, a user-friendly interface for data searches.

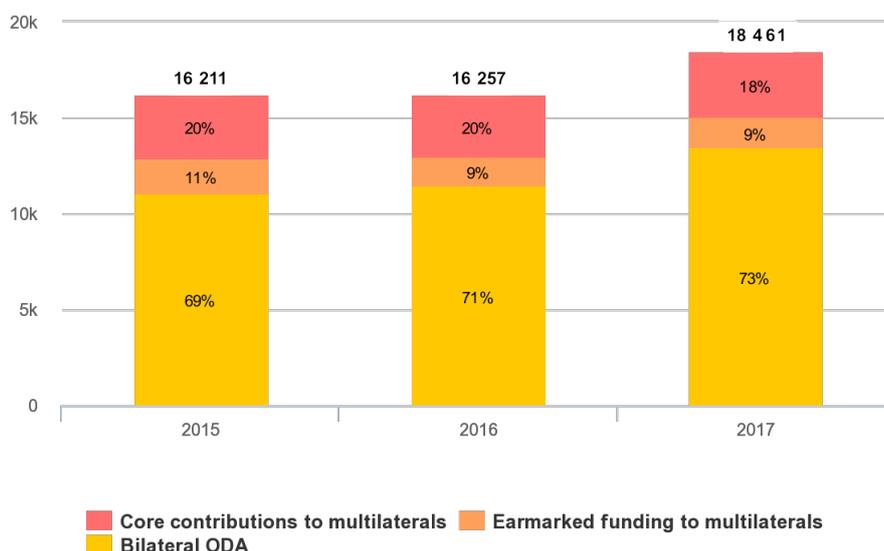
**Japan is the fifth-largest OECD DAC donor to multilaterals**

Even with its current emphasis on bilateral spending, Japan is the fifth-largest donor to multilateral organizations (US\$3.4 billion in core contributions in 2017, the same level as in 2016). The largest recipients of financing in 2017 were the World Bank (47%), regional development banks (15%, mostly the Asian Development Bank and African Development Bank), and United Nations (UN) agencies (13%).

In addition to core contributions, Japan channeled US\$1.6 billion, or 9% of its total ODA in 2017 as earmarked funding through multilaterals in 2017, which is reported as bilateral ODA. This is below the DAC average of 13%. Such funding is earmarked for particular regions, countries, or themes, rather than contributing to a multilateral’s core funding, which can be spent at the discretion of the multilateral itself.

**JAPAN'S BILATERAL AND MULTILATERAL ODA**

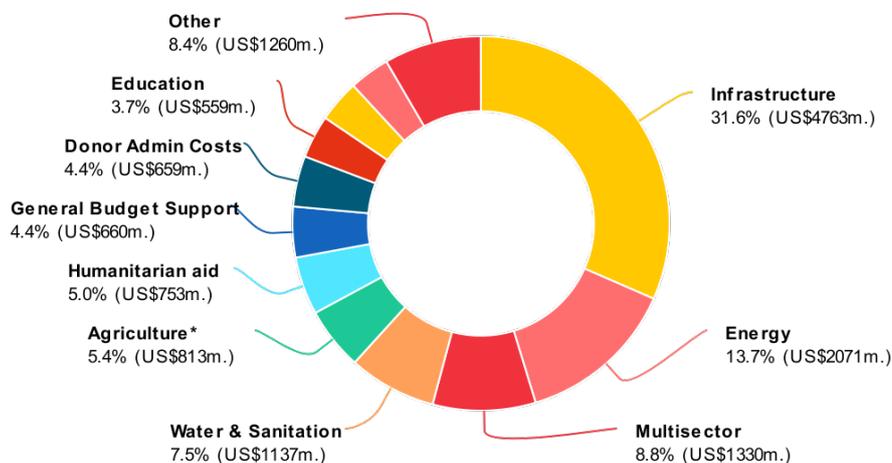
US\$ millions



OECD DAC 1 table. Gross disbursements; in 2017 prices.

### JAPAN'S BILATERAL ODA BY SECTOR, 2017

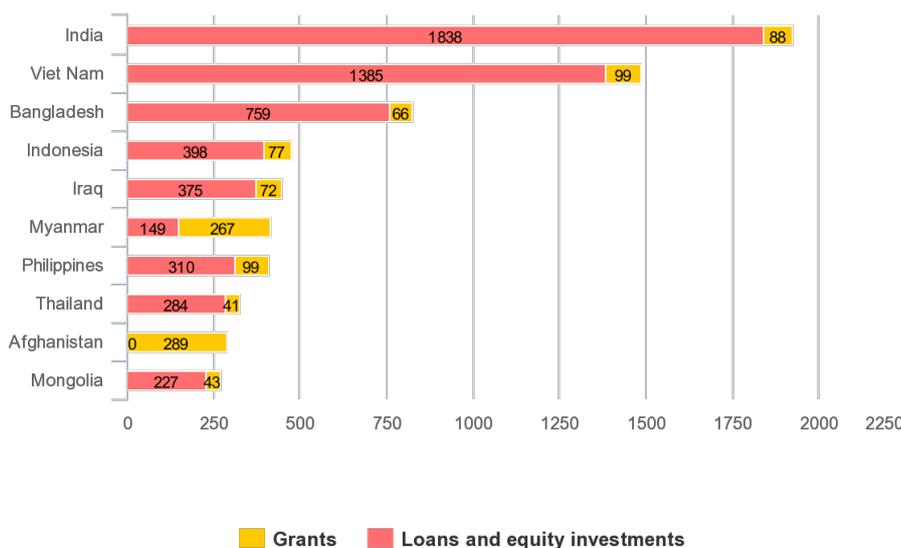
Total: US\$15,079 million



OECD CRS. Gross disbursements. \*Includes agriculture, forestry, fishing, and rural development. In 2017 prices.

### THE TOP 10 RECIPIENTS OF JAPAN'S ODA

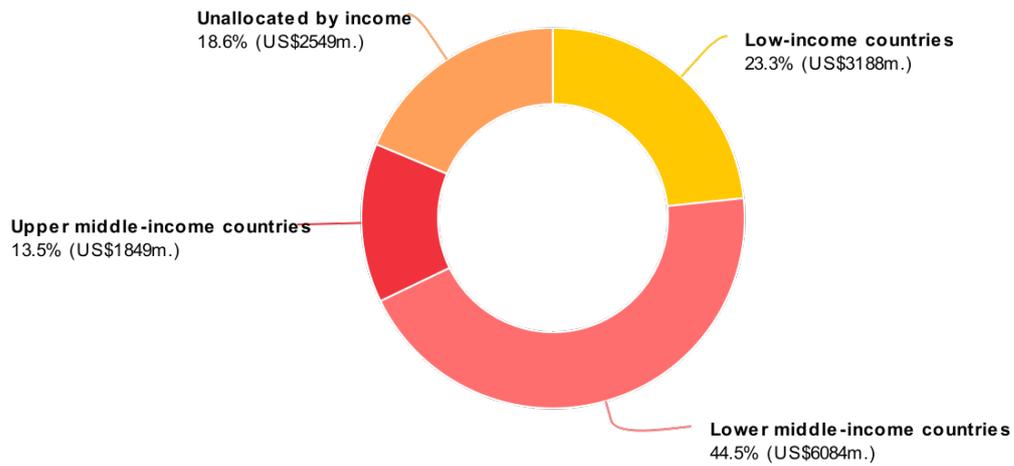
Average 2015-2017, excluding debt relief; US\$ millions.



OECD CRS. Gross disbursements; in 2017 prices.

## JAPAN'S BILATERAL ODA BY INCOME-GROUP, 2015-2017

average 2015-2017: US\$13.7 billion



OECD CRS. Gross disbursements; in 2017 prices.