

# KEY QUESTIONS

## the big six

### 6

## How is Japan's ODA spent?

### Japan provides most of its ODA in the form of loans

Japan provides the majority of its ODA bilaterally (80% in 2016). 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 therefore likely 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 core contributions in 2016). The largest recipients of financing in 2016 were the World Bank (48%), regional development banks (16%, mostly the Asian Development Bank), and UN agencies (15%).

Japan channels its bilateral ODA mostly as loans: 58% in 2016. This is well above the DAC average of 9%. 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 by loans. Loans are preferred over grants due to Japan's difficult economic situation, which constrains 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

The largest share of Japan's bilateral ODA is for middle-income countries (MICs) (60% between 2014 and 2016), due to Japan's focus on Asian countries. Between 2014 and 2016, Asian MICs received 56% of bilateral ODA overall. 22% of ODA over the same period was allocated to low-income countries (LICs), which is close to the DAC average of 25%.

Japan's bilateral ODA is concentrated: the top 20 recipients receive 60% of funding. According to Japan's development policy framework, the 'Development Cooperation Charter', Asia will maintain its geographic focus.

Sub-Saharan Africa accounted for 11% of bilateral ODA between 2014 and 2016, below the DAC average (22%). However, Japan has shown signs of increasing focus on Africa, as demonstrated by 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.

## How is bilateral funding programmed?

### MOFA's Country Assistance Planning Divisions drive bilateral priorities and allocations

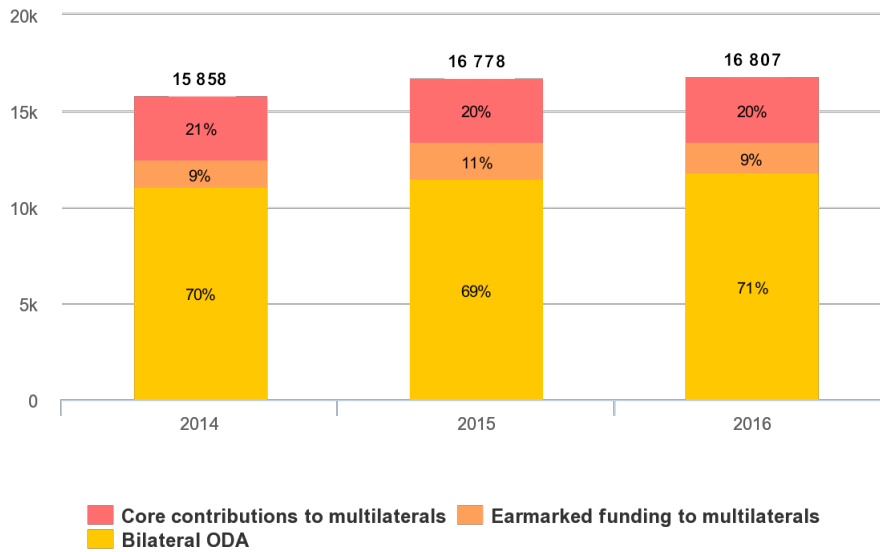
Under strategic guidance set in the Development Cooperation Charter, the Ministry of Foreign Affairs' (MOFA) Country Assistance Planning Divisions (Divisions) draft multi-annual Country Assistance Policies (CAPs) for selected partner countries. The Divisions consult recipient governments and seek input 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 the fact 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

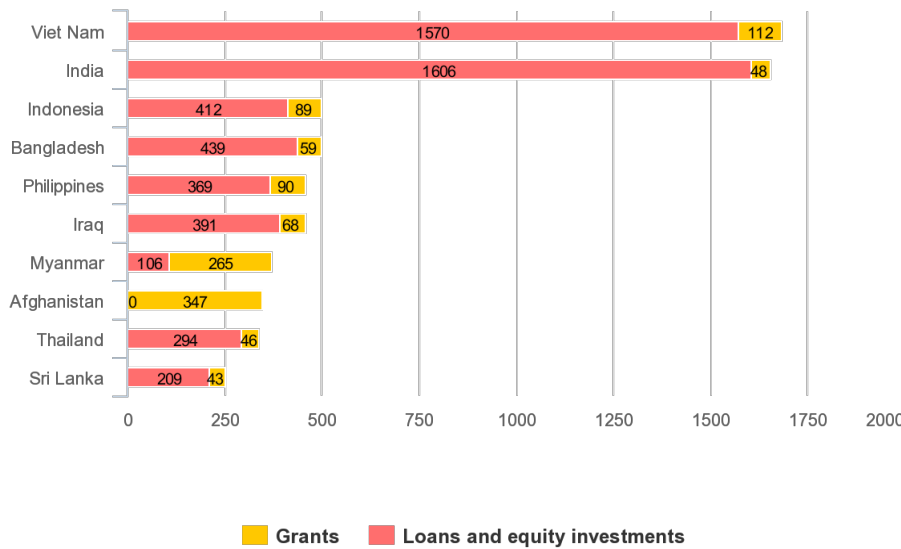
US\$ millions



OECD DAC 1 table. Gross disbursements; in 2016 prices.

## THE TOP 10 RECIPIENTS OF JAPAN'S ODA

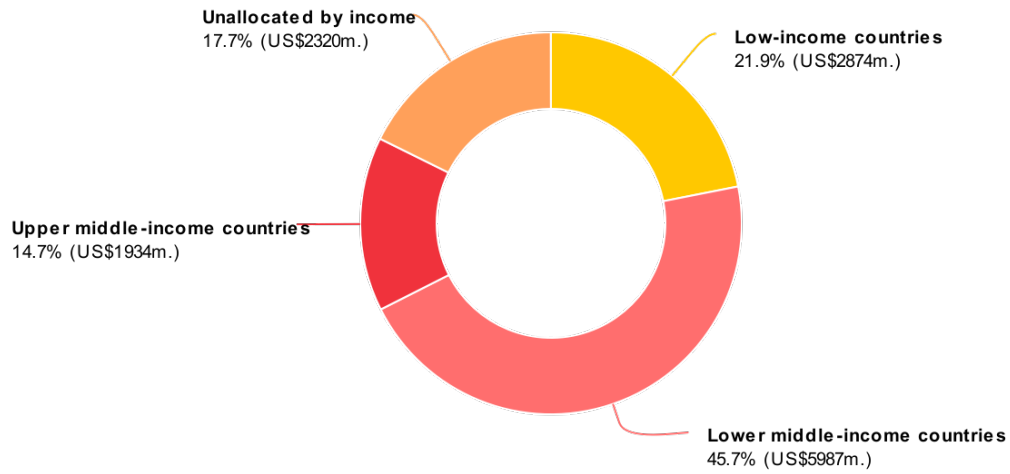
Average 2014-2016, excluding debt relief; US\$ millions.



OECD CRS. Gross disbursements; in 2016 prices.

## JAPAN'S BILATERAL ODA BY INCOME-GROUP, 2014-2016

Average 2014-2016: US\$13.1 billion



OECD CRS. Gross disbursements, in 2016 prices.