

KEY QUESTIONS

the big six

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What are Japan's strategic priorities for development?

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

Japan's long-term development objectives are defined in its 'Development Cooperation Charter', last updated in 2015. They include a strong focus on involving the Japanese private sector in development cooperation, particularly in Asia, to support sustainable and inclusive economic development in developing countries and to promote the national interests of Japan.

Japan has increasingly focused on development assistance for 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. Following the sixth Tokyo International Conference on African Development (TICAD VI) in August 2016, the government announced that Japanese corporations had signed memoranda of understanding with 26 African nations and international organizations for knowledge and expertise exchange. This approach is relatively new; Japanese companies traditionally invest in Asia.

Greater development financing in Africa aligns with Japan's new foreign policy, the 'free and open Indo-Pacific Strategy', announced in August 2016 by Prime Minister (PM) Shinzo Abe. The strategy focuses on connecting Africa and Asia to promote sustainable growth in the two regions. ODA will play an important role in the strategy and will involve capacity strengthening and infrastructure building in Africa and Asia.

Japan's short-term development priorities are set in its annual 'Priority Policy for International Cooperation' and were foreshadowed in the annual budget released some months earlier. The Priority Policy is released annually and has contained the same broad priorities since FY2016. These are: peace and stability within the international community, response to global challenges, economic diplomacy, and promotion of 'high-quality growth'. The FY2018 budget indicates this year will also include women's empowerment and gender equality as a guiding principal. The Priority Policy for FY2018 is expected to be published in April or May 2018.

The government plans to use ODA increasingly as a strategic diplomatic and economic instrument, and further emphasize bilateral ODA. In the Development Coopera-

Japan's key development priorities:

- **Free and open Indo-Pacific strategy:** ODA will contribute to Japan's overarching foreign policy strategy by supporting economic development in Africa and Asia and connectivity between these two regions.
- **National security and strategic diplomacy:** To tackle root causes of conflict and terrorism, Japan is providing US\$6 billion for 2016-2018 for human resource development in the Middle East, as well as funding for humanitarian assistance and security capacity building.
- **Global health:** Prime Minister Abe announced a commitment of US\$2.9 billion in funding for global health in December 2017 at the Universal Health Coverage (UHC) Conference.
- **Infrastructure:** In 2016, 26% of bilateral ODA went to infrastructure development projects; the bulk of this funding goes to middle-income countries in Asia.

tion Charter released in 2015, PM Abe approved the use of ODA to support foreign military forces for "non-military purposes". This, alongside the explicit references to promoting Japan's national interest, has signaled a shift in approach to ODA.

Japan provides the vast share of its ODA bilaterally (80% in 2016). This is well above the 62% average among members of the OECD's Development Assistance Committee (DAC). In 2016, Japan provided 58% of its bilateral ODA in the form of loans (the rest in the form of grants). This is well above the DAC average (9% in 2016). For more details see question six: 'How is ODA spent?'. Japan prefers to issue loans over grants due to its current budget constraints.

Japan allocates by far the largest share of its bilateral ODA to infrastructure projects (26%, or US\$3.4 billion in 2016). The majority of this comprises loans for infrastructure projects in middle-income countries in Asia (US\$2.6 billion; 77% of infrastructure ODA). This emphasis on in-

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 focus on infrastructure loans is set to continue: In August 2016, at TICAD VI, PM Abe pledged US\$30 billion (over 2016 to 2018) in private- and public-sector funds for infrastructure and human-resource development projects in Africa. A third of the pledge (US\$10 billion) will be dedicated to infrastructure projects, implemented in collaboration with the African Development Bank.

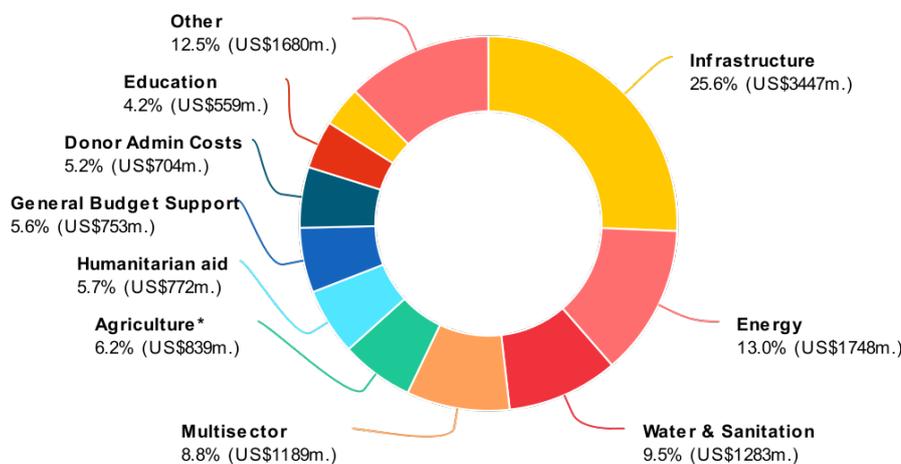
The second-largest share of bilateral ODA in 2016 went to the energy sector (13%; US\$1.7 billion), followed by water

and sanitation projects (10%; US\$1.3 billion). Funding for agriculture is increasingly becoming a focus area, increasing by 27% since 2015 (US\$839 million in 2016).

During its G7 presidency in 2016, Japan 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 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 for the 2017 to 2019 replenishment period. Japan's total funding for global health was US\$900 million in 2016, making it the fifth-largest DAC donor to the sector that year.

JAPAN'S BILATERAL ODA BY SECTOR, 2016

Total: US\$13 439 million



OECD CRS. Gross disbursements. *Includes agriculture, forestry, fishing, and rural development. In 2016 prices.