

JAPAN

Development challenges as investment and business opportunities: Japan's policy and practices

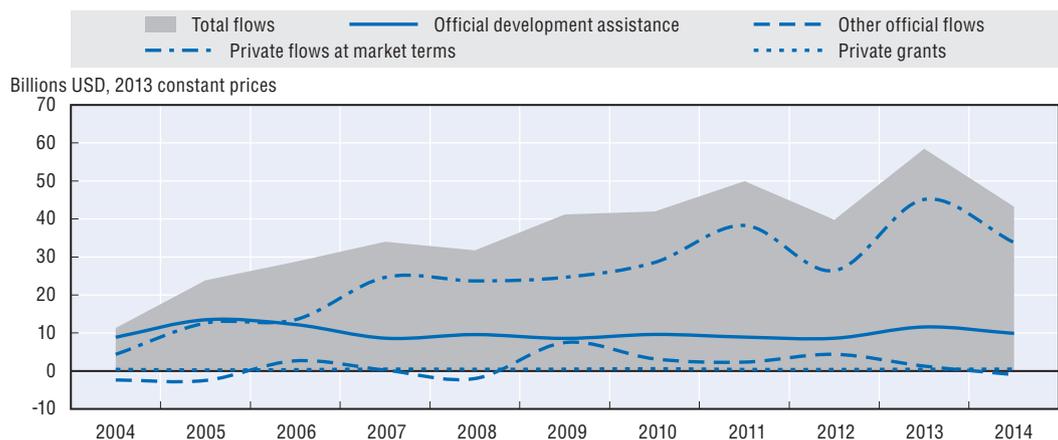
The Development Cooperation Charter (February 2015) states that the government of Japan will promote development co-operation through public-private partnerships using the resources of the private sector and promoting private-led growth, in order to support the economic development of developing countries, which will also contribute to robust growth of the Japanese economy. Private flows to developing countries consistently remain the greatest source of financing from Japan.

The 2014 DAC Peer Review of Japan found that it is using its financial instruments to respond to growing demand for private sector engagement in the development process of its partner countries. It brings an internally coherent approach to its engagement with partner countries by targeting sectors where development intersects with business opportunities.

The Japan International Cooperation Agency (JICA) closely collaborates with private enterprises and provides various supports to the activities of the private sector in order to bring about better development results with efficiency and effectiveness. The "Private Sector Investment Finance (PSIF)" is a JICA scheme supporting development projects in developing countries by Japanese and other countries' private enterprises. Through the provision of loans and equity, the PSIF supports businesses with positive impacts on socio-economic development in developing countries, such as public-private partnership (PPP) infrastructure projects, base of the pyramid (BoP) or inclusive business, and business expansions of small and medium enterprises (SMEs) abroad.

Financial flows from Japan to developing countries

Figure 23.1. Net resource flows to developing countries, 2004-14, Japan



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Japan uses ODA to mobilise other resources for sustainable development

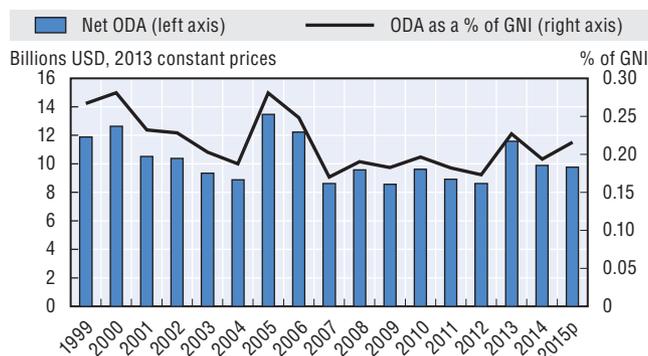
- **It promotes aid for trade to improve developing countries' trade performance and integration into the world economy.** It committed USD 9.5 billion (62.7% of its bilateral allocable ODA) to trade-related activities in 2014, a 1.4% decrease in real terms from 2013. The trend has been positive in recent years.
- **Japan signed USD 1.5 billion (JPY 154.03 billion) to the Green Climate Fund,** which plays a key role in channelling resources to developing countries and catalysing climate finance at the international and national levels.

Japan's official development assistance

In 2015, Japan provided USD 9.3 billion in net ODA (preliminary data). This represented 0.22% of gross national income (GNI) and a 12.4% increase in real terms from 2014. Japan is the 18th largest Development Assistance Committee (DAC) provider in terms of ODA as a percentage of GNI, and the 4th largest in terms of volume. In 2014, the untied share of Japanese total bilateral ODA, excluding technical co-operation, was 90%, an increase of 1 percentage point from 2013. (Japan's ODA includes a large technical co-operation programme, but Japan does not report its tying status. The share of total Japanese bilateral aid reported as untied was 78.1% in 2014.) With respect to the implementation of the *DAC Recommendation on Untying ODA to the LDCs and HIPCs* (OECD, 2008), Japan notified the DAC during the 2014 peer review that, in accordance with paragraph 21, it now reserves the right to use tied aid as part of its ODA to all non-LDC highly indebted poor countries (HIPCs). The grant element of total ODA was 87% in 2014, a fall from 89.1% in 2013.

Japan reported USD 0.6 million of its in-donor refugee costs as ODA in 2014 (representing 0.01% of its total net ODA).

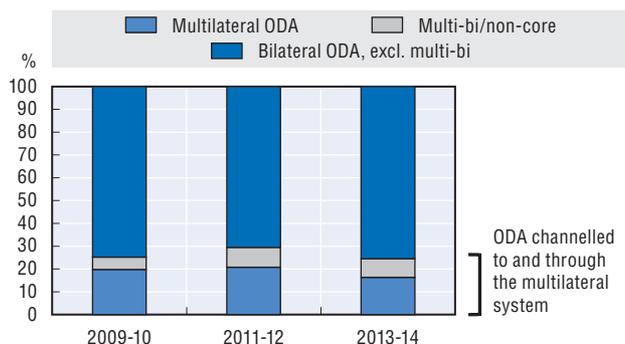
Figure 23.2. Net ODA: Trends in volume and as a share of GNI, 1999-2015, Japan



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In 2014, 79.3% of ODA was provided bilaterally. Japan allocated 20.7% of total ODA as core contributions to multilateral organisations, compared with the DAC country average of 28.3%. In addition, it channelled 11.4% of its bilateral ODA for specific projects implemented by multilateral organisations (multi-bi/non-core contributions).

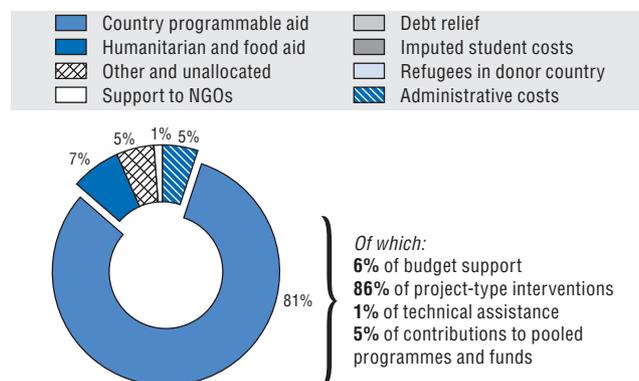
Figure 23.3. Share of ODA channelled to and through the multilateral system, two year averages, gross disbursements, Japan



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In 2014, Japan programmed 81.3% of bilateral ODA at partner country level. Japan's share of country programmable aid (CPA) was well above the DAC country average of 52.9% in 2014. Project-type interventions totalled 86% of CPA.

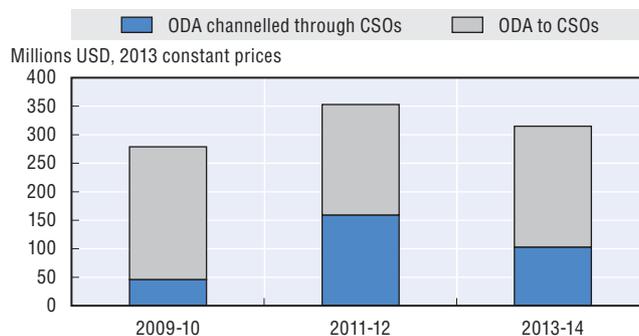
Figure 23.4. Composition of bilateral ODA, 2014, gross disbursements, Japan



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In 2014, USD 291.6 million of bilateral ODA was channelled to and through civil society organisations (CSOs). Between 2013 and 2014 Japan's aid channelled to and through CSOs fell in terms of volume (-2.4%) but increased as a share of bilateral ODA (from 1.6% in 2013 to 2.3% in 2014). The DAC country average for aid to and through CSOs was 17.4% in 2014.

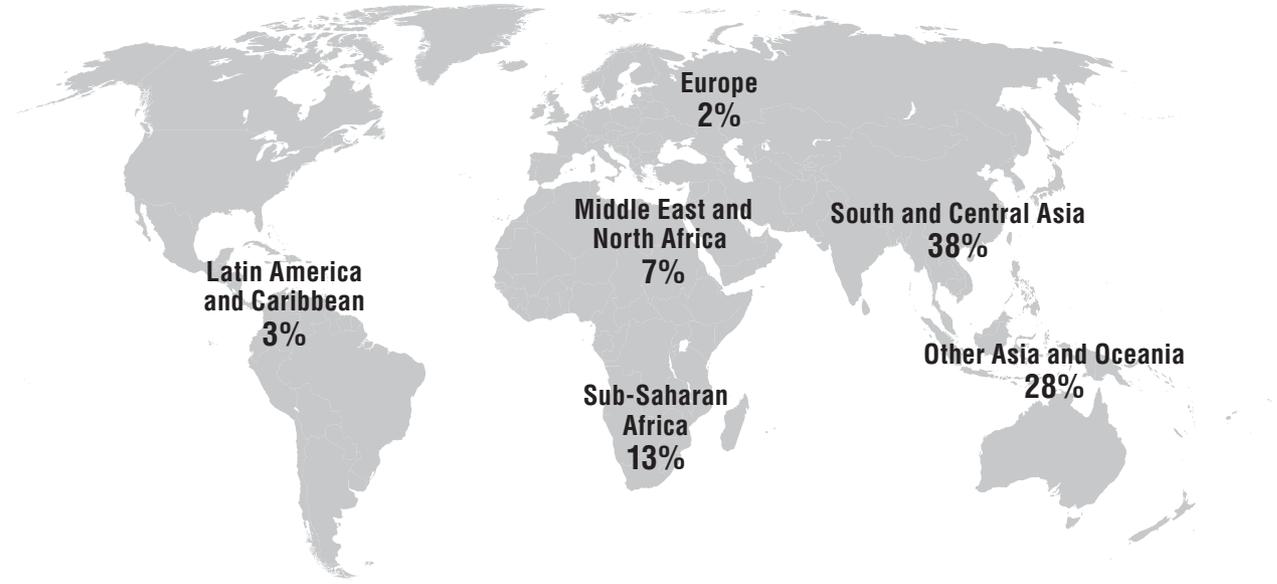
Figure 23.5. Bilateral ODA to and through CSOs, two year averages, gross disbursements, Japan



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Bilateral ODA was heavily focused on Asia. In 2014, USD 3.3 billion was allocated to south and central Asia, and USD 4 billion to Far East Asia. USD 1.3 billion was allocated to sub-Saharan Africa.

Figure 23.6. **Share of bilateral ODA by region, 2013-14 average, gross disbursements, Japan**

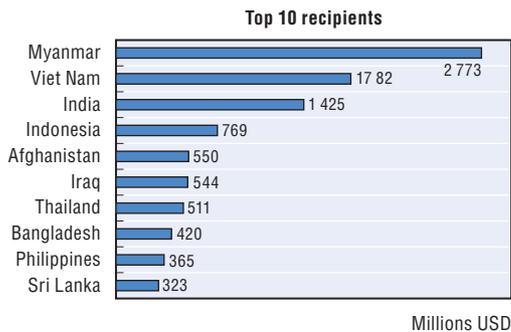


Note: 10% of bilateral ODA allocated was unspecified by region in 2013-14. This share is not represented on the map.

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In 2014, 51.8% of bilateral ODA went to Japan’s top 10 recipients. Six of its priority partners were among its top 10 recipients in 2013-14. Japan’s support to fragile states reached USD 3 billion in 2014 (24.3% of gross bilateral ODA).

Figure 23.7. **Bilateral ODA to top recipients, 2013-14 average, gross disbursements, Japan**

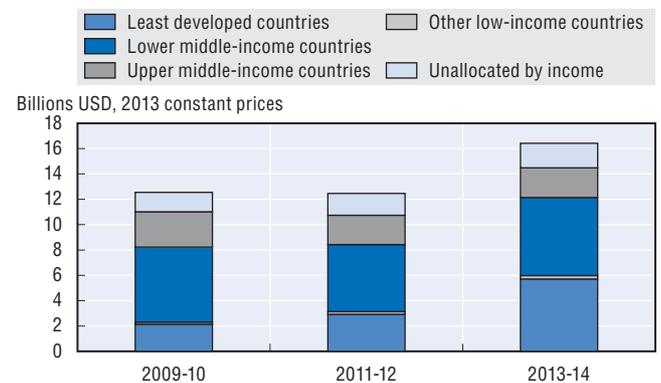


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In 2014, 18.4% of bilateral ODA was provided to least developed countries (LDCs), amounting to USD 2.3 billion. This is a significant decrease from 2013, when the share reached 45.8% due to exceptional debt forgiveness to Myanmar, but it is also lower than the 2012 share of 22%. The 2014 DAC country average was 25.6%. Lower middle-income countries received the highest share of bilateral ODA in 2014 (47.6%).

At 0.07% of GNI in 2014, total ODA to LDCs was lower than the UN target of 0.15% of GNI.

Figure 23.8. **Bilateral ODA by income group, two year averages, gross disbursements, Japan**



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Nearly 50% of bilateral ODA was allocated to economic infrastructure and services in 2014, or a total of USD 8 billion, with a strong focus on transport and storage (USD 4.8 billion) and energy generation and supply (USD 2.9 billion). USD 790 million was allocated to education and USD 765.1 million to water and sanitation, as a part of social sector allocation. Humanitarian aid amounted to USD 1.1 billion.

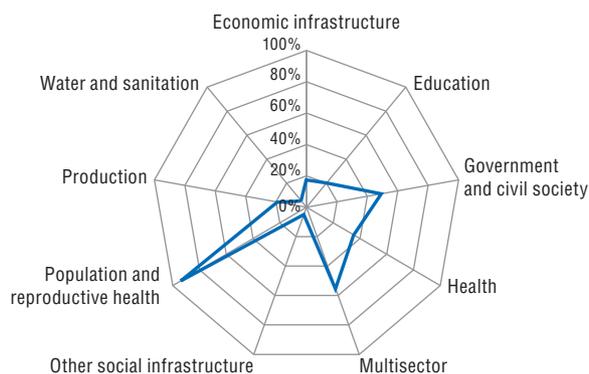
Figure 23.9. **Share of bilateral ODA by sector, 2013-14 average, commitments, Japan**



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USD 3.1 billion of bilateral ODA supported gender equality. In 2014, 22% of Japan's bilateral allocable aid had gender equality and women's empowerment as a principal or significant objective, compared to the DAC country average of 34.7%. This was up from 2013 (17.5%) and 2009 (11.6%). Japan's aid to population and reproductive health focuses mainly on gender. In 2013, the government of Japan announced a new and significant emphasis on women's empowerment in its development co-operation.

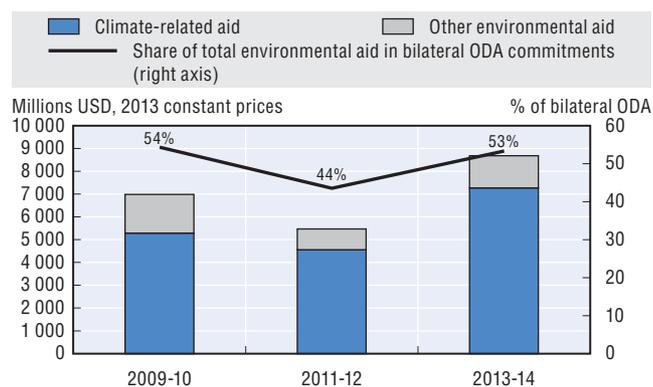
Figure 23.10. **Share of bilateral allocable ODA in support of gender equality by sector, 2014, commitments, Japan**



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USD 8.7 billion of bilateral ODA supported the environment in 2014. Japan has maintained strong financial commitments to the environment and climate change. In 2014, 57.4% of its bilateral allocable aid supported the environment and 44.8% (USD 6.8 billion) focused particularly on climate change, compared with the respective DAC country averages of 32.2% and 23.9%.

Figure 23.11. **Bilateral allocable ODA in support of global and local environment objectives, two year averages, commitments, Japan**



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Note to reader: Annex B provides "Methodological notes on definitions and measurement for the Profiles of Development Assistance Committee members".

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From:

Development Co-operation Report 2016

The Sustainable Development Goals as Business Opportunities

Access the complete publication at:

<http://dx.doi.org/10.1787/dcr-2016-en>

Please cite this chapter as:

OECD (2016), "Japan", in *Development Co-operation Report 2016: The Sustainable Development Goals as Business Opportunities*, OECD Publishing, Paris.

DOI: <http://dx.doi.org/10.1787/dcr-2016-29-en>

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