

Japan's Official Development Assistance to Asian Countries

By Toshio Aoki

Table 1 gives the 1980 and 1981 figures for Official Development Assistance (ODA) for the less developed countries (LDCs) from the 17 member countries of the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD). Approximately 70% of Japan's ODA went to Asian nations.

This Asian tilt of Japanese ODA has drawn criticism from those who think Japan should increase its aid to other areas such as Africa and Latin America. However, Japan is by no means alone in exercising aid preferences. Over 40% of U.S. foreign aid goes to Israel and Egypt. Fully 90% of France's foreign aid goes to French-speaking areas, with just over 50% of the total going to France's overseas protectorates and 40% going to support French language instruction programs. Other examples abound. Great Britain favors Commonwealth countries with 70% of its foreign aid. In this context, Japan's aid priority toward other Asian nations is only natural.

ODA may be divided into three categories: (1) bilateral grants (project aid and technical cooperation), (2) bilateral soft loans, and (3) grants, capital subscriptions, and similar payments to multilateral agencies. Japan's ODA for 1981 and 1982 is shown for each of these three categories

Table 1 ODA From DAC Countries

(unit: US\$ million)	1980	1981
U.S.A.	7,138	5,760
France	4,053	4,022
W. Germany	3,517	3,182
JAPAN	3,304	3,170
Great Britain	1,781	2,194
Netherlands	1,577	1,510
DAC Total (17 member countries)	26,776	25,461

Table 2 Japan's ODA

(unit: US\$ million)	1980	1981
Grants	653	811
Soft Loans	1,308	1,450
Payments to Multilateral Agencies	1,343	909
Total	3,304	3,170

in Table 2. Of this aid, the Japanese government has been directly administering project-type grants as well as payments to multilateral agencies. The Japan International Cooperation Agency (JICA) has been handling grants for technical assist-

ance programs since its establishment in 1962, and the Overseas Economic Cooperation Fund (OECF) has been extending aid through low-interest "soft" loans since its creation in 1961.

The annual figures for OECF-adminis-



Table 3 ODA From the OECF

Year	(A) Japan's ODA		(B) OECF's share of Japan's ODA		Annual Average Yen-Dollar Exchange Rate 1 US\$ = ¥	(B) (A) (%)
	¥ billion	US\$ million	¥ billion	US\$ million		
1977	382.5	1,424	144.5	538	268.51	37.2
1978	466.3	2,215	217.2	1,032	210.47	46.6
1979	578.1	2,637	297.5	1,357	219.17	51.5
1980	749.1	3,304	270.6	1,193	226.74	36.1
1981	699.0	3,107	270.2	1,225	249.08	38.6

tered soft loans, as well as their percentages of Japan's total ODA, are shown for the past five years in Table 3. As may be seen, such OECF-administered soft loans have consistently accounted for 30-40% of Japan's total ODA. In 1982, such soft loans amounted to over ¥400 billion (U.S.\$1,622 million), which was an increase of 50% in yen value (32% increase in dollar value) over the previous year and which put OECF-administered aid at over 50% of Japan's total ODA.

The OECF thus plays a major role in

administering Japanese ODA, and this total is the largest of any DAC member country. In total funds disbursed, the OECF ranks just behind the International Bank for Reconstruction and Development (IBRD or World Bank), yet the OECF employs a total staff of only 250 persons, 200 of whom are either loan officers or technical experts. As a result, this staff shows the highest efficiency of any comparable organization (see Table 4).

Funding for these OECF-administered loans comes from capital subscriptions in

the general account of the national budget and borrowings from postal savings deposit funds through fiscal investment and loan programs. Of the two sources, however, there has been a conspicuous increase in borrowings as the scale of OECF operations has rapidly expanded and the national government has run into budget problems of its own. As a result, capital costs have been rising at the same time as interest charges have been declining. Interest charges are currently 3% per annum (with a repayment period of 30 years including a 10-year grace period), and a negative spread has developed. The deficits induced by this negative spread are growing greater every year, and resort will eventually have to be made to a subsidy/grant from the general account to cover the losses. Since this deficit due to higher capital costs is necessarily in direct proportion to the expansion of the OECF's role, it will continue to be a grave problem calling for urgent solution.

Table 5 shows the total loans (yen credits) to foreign governments and governmental agencies since the OECF's establishment in March 1961, as well as the current balance outstanding. As may be seen, yen credits have been extended totaling ¥3.7 trillion and the outstanding disbursement balance is ¥2.2 trillion.

As Table 5 indicates, the OECF has disbursed ODA to 53 countries in all, with about 85% of this total going to the top 11 recipient countries. Of these 11, all but one (Egypt) are Asian countries. One-fourth of the OECF-disbursed ODA goes to Indonesia. Adding in ODA to Thailand, the Philippines, and the Republic of Korea, these four Asian nations account for nearly half of the OECF's total ODA disbursed. Much of the rationale for this tilt is historical—the Republic of Korea has been receiving OECF yen credits since 1965 and Indonesia since 1968. Yen credits to India and Pakistan were not begun until 1976.

Therefore, the amount of annual commitment to each major recipient does not

Table 4 OECF Per-Capita Work Load

(unit: US\$ million)	IBRD July 1981- June 1982	ADB Jan. 1981- Dec. 1981	OECF April 1981- March 1982
Commitments (A)	13,016	1,678	1,898
Disbursements (B)	8,393	667	1,501
Number of Loans Agreements Concluded	247	54	95
Total Number of Employees	6,000	1,000	250
Number of Loan Officers and Technical Experts (C)	2,700	400	200
Specific Work Assignments (A)	4.8	4.2	9.5
(C)	3.1	1.7	7.5
(B)			
(C)			
Number of Employees Per Loan Agreement	10.9	7.4	2.1

Table 5 OECF Yen Credits by Principal Recipients

(unit: ¥ billion)	Total Commitment March 1961-Dec. 1982		Balance Disbursed as of Dec. 1982	
	Value	%	Value	%
Indonesia	907.2	24.2	547.5	25.0
Thailand	350.7	9.4	159.0	7.3
The Philippines	299.0	7.9	166.3	7.6
Republic of Korea	268.1	7.2	172.4	7.9
China	271.0	7.2	85.9	3.9
Burma	244.5	6.5	153.6	7.0
Bangladesh	194.5	5.2	160.1	7.3
Malaysia	173.8	4.6	85.0	3.9
India	167.3	4.5	93.3	4.3
Egypt	160.4	4.3	136.1	6.2
Pakistan	137.9	3.7	111.9	5.1
11-Nation Subtotal	3,174.4	84.7	1,871.1	85.5
53-Nation Total	3,743.2	100	2,191.9	100

Table 6 OECF Yen Credits Annual Commitments by Principal Recipients

(unit: ¥ billion)	FY 1981	FY 1982
	(April 1981- March 1982)	(April 1982- March 1983)
Indonesia	58.0	63.2
Thailand	55.0	—
The Philippines	50.0	—
Republic of Korea	—	—
China	60.0	65.0
Burma	34.5	40.3
Bangladesh	25.0	27.5
Malaysia	21.0	21.0
India	28.0	33.0
Egypt	46.0	50.0
Pakistan	26.0	28.0

(Note) — means not yet determined as of April 12, 1983.

Table 7 OECF Yen Credits by Sector

(unit: ¥ billion)	Total Commitment March 1981-Dec. 1982		Balance Disbursed as of Dec. 1982	
	Value	%	Value	%
Project Loans: Electric Power	857.9	22.9	451.6	20.7
Transportation	956.3	25.5	479.7	21.9
Telecommunication	212.9	5.7	119.9	5.5
Irrigation and Flood Control	153.0	4.1	59.8	2.7
Agriculture, Forestry and Fisheries	120.0	3.2	62.2	2.8
Mining and Manufacturing	518.9	13.9	322.4	14.7
Social Services	130.4	3.5	64.3	2.9
DLBS (Development Loans through the Banking Systems)	35.1	0.9	21.9	1.0
Subtotal for Project Loans	2,984.5	79.7	1,581.9	72.2
Commodity Loans	749.2	20.0	601.4	27.4
Others	9.5	0.3	8.6	0.4
Total	3,743.2	100	2,191.9	100

differ as much from country to country as the figure of accumulated commitment might indicate. Table 6 shows the OECF's yen credit commitments for fiscal years 1981 and 1982. As before, 80% of the OECF-administered yen credits go to Asian countries.

As seen in Table 7, yen credits may be divided into project loans (accounting for 80% of the total) and commodity loans (the remaining 20%).

The following is a country-by-country review of the project loans going to some of the OECF's major recipients.

Indonesia

As mentioned earlier, Indonesia is the major recipient of OECF-administered yen credits. Of the OECF's present total of 821 loan agreements concluded, 323 have been with Indonesia. There are many reasons for this emphasis upon Indonesia; the objective factors including the fact that Indonesia's population of 140 million represents over half of the five ASEAN nations' total of 250 million and that Indonesia's per-capita annual GNP of US\$370 (1979) is the lowest in ASEAN. Another important factor is historic. In May 1966, when the political adventurism of President Sukarno had brought Indonesia to the verge of ruin, the Western industrialized nations organized the IGGI (Inter-Governmental Group on Indonesia) to help rebuild the Indonesian economy and it has been tacitly agreed upon that Japan and the United States should each assume one-third of the total bilateral assistance to Indonesia. Project loans to Indonesia cover a wide range of facilities, including everything from giant multipurpose dams to educational materials for schools and medical equipment for hospitals, and its geographic scope extends throughout Indonesia, from a fisheries project on Sabang Island at the northern tip of Sumatra to an oil exploration project in West Irian.

Among the major projects are the Brantas River Basin integrated development projects, the railway rehabilitation between Jakarta and Surabaya (720km), and the Jakarta water supply rehabilitation and expansion project. These and many other projects have taken over 10 years to complete, and their benefits have only recently begun to show up in the Indonesian economy.

The Brantas River runs 320km through the middle of East Java and supports a local population of about 11 million people. This river basin is being developed under a large-scale project which includes multipurpose dams, hydroelectric power generation, and flood control. There are 20 sub-projects within this integrated development project, of which eight have been completed (all with OECF aid) and

eight more are under construction (of which three are OECF projects and three Asian Development Bank projects). Already this development has helped East Java nearly double its rice production, from 4.3 million tons in 1969 to 8.0 million tons in 1980, and work is under way to further improve irrigation in the area.

Especially noteworthy in regard to this project is the Brantas Office at the Ministry of Public Works and Electricity in Malang, where Japanese consultants have been providing on-the-job training for local civil and electrical engineers. This training program has proved very successful, and most of the civil and electrical engineers currently employed by the Indonesian government throughout the country have been trained at the Brantas Office. Indeed, this "Brantas spirit" of acquiring expertise through actual work experience has been recognized and praised by Indonesian President Suharto, and his slogan, "Spread the Brantas Spirit" (in Indonesian "*Besarkan Semangat Brantas*") has been carved into the wall of the Karangates Hydroelectric Power Facility.

Thailand

OECF-administered yen credits to Thailand began in 1968 and have continued to expand over the years. Today OECF is Thailand's largest aid donor, surpassing even the IBRD. There have been 51 loan agreements concluded to date between the OECF and Thailand. While the early agreements were mainly concerned with developing Thailand's electric power capacity, the emphasis today is on developing agriculture (particularly in the underdeveloped Northeast region) and on improving traffic conditions in the overcrowded capital city of Bangkok.

Among the major agricultural development projects are Small-Scale Irrigation Projects, Productivity Roads Projects (feeder road construction), Pumping Irrigation Projects, Tambon Electrification Projects, BAAC (Bank for Agriculture and Agricultural Cooperatives) Loan Projects, and New Village Development Projects. These projects are being carried out with meticulous concern for local conditions.

The Bangkok traffic improvement projects include both the Metropolitan Highway Project (already partially completed) and the construction of five new bridges (the Tha-Chang, Sathorn, Memorial, Nonthaburi, and Pathumthani Bridges) across the Chao Phraya River between Bangkok and Tomhuri.

For the future, the emphasis is also to be on several Eastern seaboard industrial development projects, including projects to develop ports, industrial sites, and utilities (water, gas, and electricity facilities).

The Philippines

The major obstacle hindering Philippine economic development is its domestic energy shortage. There is thus an urgent need to build hydroelectric and geothermal power facilities in order to reduce the Philippines' heavy dependence on imported oil. The OECF is responding to this problem by shifting its project loan priorities from the transportation sector to the power sector, and construction has already begun on geothermal power plants on the islands of Leyte and Negros.

OECF yen credit agreements so far number 67, and the total amount of credits extended is surpassed only by the IBRD and the ADB.

Malaysia

With 31 loan agreements concluded, the OECF is Malaysia's largest aid donor, surpassing the IBRD and the ABD and supplying 30% of Malaysia's aid received. Over 60% of the OECF-administered aid to Malaysia has been for electric power facilities, and OECF aid has been behind every Malaysian electric power project undertaken since 1969. These projects are listed in Table 8.

Table 8
OECF-Assisted Electrification
Projects in Malaysia

	Power Output (MW)	Yen Credit Commitment (¥ billion)
Temengor Hydro	348	22.1
Prai Thermal	120	4.2
Four Gas Turbines	100	3.9
Pasir Gudang Thermal	240	7.1
Trengganu Hydro	400	19.7
Tenom Pangi Hydro	44	7.6
Kenering Hydro	120	5.6
Bersia Hydro	72	3.7
Port Klang Thermal	120	61.0
Batangai Hydro	92	6.1
Total	1,656	141.0

Along with continuing its priority on electric power development, the OECF is turning increased attention to various energy, agricultural, and transportation projects for the development of the peninsula's east coast and the States of Sabah and Sarawak of East Malaysia. ●

Toshio Aoki is the executive director of the Overseas Economic Co-operation Fund (OECF). Aoki, 58, graduate of Kyoto University, joined OECF in 1969 after serving as secretary for a Dietman and later working for a pulp company. He became executive director in 1977.