

JAPAN

In recent years, Japan's ODA has been increasing remarkably. In 1989 it ranked first in world ODA contributions for the first time, surpassing even the U.S.A.

Japanese concessional financing activity is carried out through the Overseas Economic Cooperation Fund (OECF). From a Japanese perspective, development assistance not only includes the more traditional sectors of aid such as agriculture, education and medicine, but also extends to sectors such as transportation, power, and telecommunications. All of OECF's funding is categorized as ODA, and in 1989 OECF loans amounted to U.S. \$3.9 billion, or 44% of Japan's total ODA of U.S. \$8.96 billion.

In 1989, OECF loan commitments to countries in the Asian region, declined to less than 80% of total commitments. Conversely, loans to African, Central and South American, Middle Eastern and East European countries have been increasing their percentage.

Policy formulation relating to concessional financing is based upon inter-ministry consultation, with the Ministry of Foreign Affairs (MOFA) playing the leading role in project approval. In the opinion of MOFA officials, concessional loans are more effective than grants in encouraging progress in less developed countries, and political bilateral considerations prevail over trade issues in assessing a project. Project loans, which to date have been the principal type of assistance, are focused on the economic infrastructure such as transportation, electric power and gas, and telecommunications.

The progressive untying of ODA loans has become fundamental to official Japanese policy in relation to concessional financing, and the Japanese Government and officials are very sensitive about the lingering perception that Japanese aid is largely tied. Statistically, in 1989, some 70% of Japanese ODA loan-related contracts went to non-Japanese firms, and 40%