

The minimum concessionality level for mixed credits was increased from 25% of the credit to 30% in July 1987 and to 35% in July 1988. Moreover, for the least-developed countries, the minimum concessionality level was increased to 50% in July 1987.

Although it is too early to determine the effect of the most recent increases, the use of growing ODA budgets for associated financing purposes has tended to undermine the discipline intended by increases in the minimum permitted grant element.

Growing attention has also been focussed upon the impact of Japan's aid and lending activities, which have increased as a result of Japan's elevation to the status of world's largest net creditor nation and dominant banker.

The Japanese Aid Program and Recycling Effort

In 1989 Japan is set to overtake the United States as the world's largest donor of Official Development Assistance. (It should be noted, however, that part of the apparent increase in Japanese aid as expressed in US dollars is the result of the growth in the value of the yen.) 70% of Japan's bilateral aid goes to Asia, and much of that is spent in middle-income developing countries such as those in ASEAN, which do not qualify for 100% grant assistance. Japan is still heavily involved in project lending (84% of all ODA loans in fiscal 1985), at a time when the rest of the