

Japan's Official Development Assistance
for Support of Reform and Development
of Ukraine and its Regions

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In this article I want to demonstrate a significant assistance that Japan provides for countries around the world in strengthening the peace and stability, and increase of prosperity level. Especially want to note the Japan's support to Ukraine in this difficult time for the latter.

Ukrainian-Japanese relations (Jap. ^{にちうかんけい}日宇関係) was officially initiated in 1992, when Ukraine gained Independence of own State. The 25th anniversary of the establishment of diplomatic relations between Japan and Ukraine celebrating in 2017. By the Decree of the President of Ukraine Petro Poroshenko this year is the "Year of Japan in Ukraine". This should be an important milestone in Ukrainian-Japanese bilateral relations, will facilitate the convergence of cultures and nations, and will strengthen of contacts between people.

Japan is one of Ukraine's largest development partners. Over 25 years, the total amount of assistance to Ukraine, announced by Japan, exceeds 3 billion US dollars, and includes financial assistance, assistance for infrastructure projects, for recon-

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struction and IDPs in eastern Ukraine, the Chernobyl project, and Grant Assistance
for Grass-roots (Kusanone) Human Security Projects and Cultural Projects [1].

Japan is one of the world's largest donors and the leader in providing Official
Development Assistance (ODA) to developing countries.

The International Official Development Assistance to developing countries is
provided through preferential loans, non-repayable grants and in commodity form.
Recipient country receives irrevocably bulk of loans and grants from industrially
developed countries and international financial institutions, multilateral funds, inte-
gration associations that act as foreign donors. The International Official
Development Assistance is done on a bilateral (interstate) and multilateral basis.
Bilateral flows are more twice than as multilateral. The subjects of international as-
sistance in the recipient country are: the government, empowered by the govern-
ment Executive bodies, Central and Export-Import banks and a legal entity.
International official assistance to countries classified as project and non-project
[2].

The annual volume of the Japanese ODA is about 10 billion US dollars. In 2015,
Japan provided USD 9.3 billion in net ODA. This represented 0.22% of gross na-
tional income (GNI). 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 [3, p. 221].

ODA is an integral component of the Japanese foreign policy for over 60 years.
Through this the country contributes to peace and stability in the region and the
whole world, raising living standards and reducing poverty level as in neighboring
countries and in other parts of the planet, reduces the potential threats of interna-
tional conflicts, terrorism, organized crime, etc. [4].

Traditionally, the main recipients of the Japanese ODA (about 60-70% of total
aid) are Asian countries. However, the Japan's ODA White Paper 2013 identified

the Ukraine and the Moldova are diplomatically and geopolitically important countries, which located between Russia and the EU, and stability they have a guarantee of stability in Europe [4]. Japan's 2015 Defense White Paper clearly defined that the war of Russia against Ukraine is a threat to the all world. So ODA for Ukraine is an important political decision of the Japan.

When Japan is providing ODA at one time, it is promoting the recipient-countries economic development, effectively providing international support for its positions and achieving their priorities in the international arena [5].

Japan is one of the most developed countries in the world and the third largest nominal GDP. Ukraine is interested in Japan, primarily as a source of modernization resources - investments, technologies, business practices and organization of public institutions. In fact, this priority has been declared in the Joint Declaration 1995 on the Ukrainian-Japanese global partnership. This idea was repeated many times in the documents concerning the areas of bilateral relations, which were signed at the highest level.

Ukraine and Japan have begun to cooperate on the ODA program since 1997. Getting aid is governed by the Agreement on technical cooperation and grant assistance between the governments of Japan and Ukraine from 2004.

The main goal of the Japanese ODA in Ukraine is to establish mutually beneficial economic relations with according to the priorities development of Ukrainian economy, including setting up of economic infrastructure, energy efficiency, the development of the agricultural sector, improving the investment climate and living standards [4].

Japan's Ambassador to Ukraine Shigeki Sumi stressed that Japan has an important priority support for reform in Ukraine in areas such as finance, health, the fight against corruption and the development of a stable democracy. "Japan, as a member of the Group of Seven, will continue to support Ukraine in implementing

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President of Ukraine Petro Poroshenko also noted Japan's role in assisting the Ukraine to conduct decisive structural reforms and he said on allocation of 1.8 billion US dollars during the years 2014-2016 for support Ukraine in the way of changes in many spheres of public life, including in reformation of lawenforcement bodies and the creation of new police, implementing judicial reform, the implementation a series of environmental programs and other projects.

Japanese Prime Minister Shinzo Abe had the first visit to Ukraine in 2015 and held a fruitful dialogue with the President of Ukraine, during which it was agreed to continue the wide-ranging cooperation. In addition, Japanese Prime Minister Shinzo Abe declared commitments concerning aid the Eastern Ukraine in the form of partnerships and assistance at the UN General Assembly in September 2014 [7]. Within the framework of these programs, funding by the Government of Japan will receive six UN agencies in Ukraine: Development Program (UNDP) - 2.28 million US dollars, the International Organization for Migration (IOM) - 0.97 million US dollars, the UN Children's Fund (UNICEF) - 0.87 million US dollars, the UN Office for project services (UNOPS) - 0.62 million US dollars, the Agency for refugees (UNHCR) - 0.33 million US dollars, International Federation of Red Cross and Red Crescent societies (MFCHH and PE) - 0.12 million US dollars [8].

In conditions of the Russian military aggression against the Ukraine Japan's assistance become an important factor supporting the sovereignty and defense capabilities of Ukraine. Japanese government announced the allocation of financial assistance to Ukraine for 1.5 billion US dollars on 24 March 2014. Japan announced the allocation of 800 thousand euro for support of democratization process in Ukraine by the OSCE and the Council of Europe on 25 April 2014 [8].

In addition, Japan has provided Ukraine about 525 thousand dollars of

humanitarian aid to the needs of displaced persons. In October 2014 during the Milan Summit of the leaders of the European Union and Asia (ASEM), Japanese Prime Minister in a meeting with President Poroshenko confirmed Japan's provide of additional volumes of assistance to Ukraine for renewal of the Donbas destroyed infrastructure of USD 13,6 million US dollars. The list of the amounts provided humanitarian aid from Japan to Ukraine is not limited and includes several million dollars [7].

In addition to contributions to international funds, Japan provides in Ukraine grant support for the development of cultural initiatives, General Grant Aid assistance for the implementation of small projects, to assistance overcome the consequences of natural disasters, attracting of Japanese advisory experts, training of Ukrainian specialists in Japan as part of educational programs and seminars, the cooperation projects and non-project type and so on. The Japanese ODA priorities at the grant basis in Ukraine is the development of culture and art, education, environmental protection, health care, and support economic reforms. Since 2014, the Government of Japan provides support Ukraine in the implementation of infrastructure and humanitarian projects, including a program of restoration eastern regions of the Ukraine, providing equipment for medical institutions, medical equipment for the eastern regions of Ukraine, humanitarian assistance for internally displaced persons [1, 4].

The Japanese government allocated about 13.6 million US dollars Grant Assistance for to facilitate the rehabilitation of the affected population and restoration of the eastern regions of Ukraine in 2016. This aid intended for various projects that under the auspices international organizations and the UN agencies in Ukraine and in the coordination of the Ministry of Regional Development of Ukraine [1, 4].

The total amount of grants and technical assistance from Japan in the ODA

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Japan provides grant program "Kusanone" in Ukraine since 2002. This small-scale grant assistance for Human Security Projects "Kusanone." Within the program in recent years was implemented about 113 projects worth 8.2 million US dollars. This programs funded by the Japanese government and that is the help Ukraine. Within the program "Kusanone" Japan helped with technical and other types of assistance about 70 Ukrainian hospitals and 30 educational institutions. This program "Kusanone" has a direct impact on the welfare of the most vulnerable segments of the population and is part of Japanese Official Development Assistance to Ukraine [4, 9].

Part of the Japanese ODA goes to the Ukraine through loans and project grants of the International Organizations such as the IMF, World Bank, the EBRD and others.

Japan's important contribution to improving the economic situation in Ukraine was the development policy loan worth 400 million US dollars to finance the state budget and support reform of the Government Ukraine. This loan is provided on favorable terms with interest rate of 0.95% for 20 years, of which 6 years — preferential [4].

Between the Japan Bank for International Cooperation and the Government of Ukraine signed an agreement on development of the international airport “Borispol” in 2005. Under this agreement, Ukraine has received a loan of 190.9 million US dollars for 30 years at 1.5% for the construction of the terminal «D», which was opened in 2012 [10].

Ukraine became the first partner of Japan in Europe relative to the implementation of the Kyoto Protocol. Governments of Ukraine and Japan signed an the Agreement to acquire of assigned amount units by the Green Investment Scheme (GIS) between the National Environmental Investment Agency of Ukraine and the New Energy and Industrial Technology Development Organization (NEDO) on 18 March 2009. The result of this cooperation was to provide 1,568 hybrid cars made in Japan as part of the upgrade patrol cars, Insulation of facades, windows and roofs in 374 institutions of social infrastructure (schools, hospitals, etc.), modernization 135 Kyiv subway cars with using the Japanese energy saving technologies [11].

As part of a package of financial aid from 24 March 2014 assumed full reconstruction and upgrading Bortnychi aeration station. In this project supposed to provide US \$ 1.1 billion loan for 40 years at 0.1% per annum. The agreement was signed between the governments of Ukraine and Japan for target credit for the reconstruction of Station on 2 June 2015. Successful implementation of the project on modernization Station can cause an increase in Japanese private investment in Ukrainian economy, because Ukraine will be better known for Japanese private equity [11].

Assistance for overcoming the consequences of the Chernobyl accident and non-proliferation of nuclear material is 219 million US dollars. 117 million US dollars - this assistance that Japan has provided Ukraine to ensure the shelter by building Chernobyl sarcophagus [4].

The powerful Japanese government official assistance opening the way for

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private investment of Japanese business in Ukraine.

This opinion was expressed in an interview Japanese Ambassador Extraordinary and Plenipotentiary in Ukraine Shiheki Sumi. "I think that the official assistance of the Japanese government opens the way for private investment. Japanese investors do not go in a country about which have a little information. We have an example in Asia, in which first came a Japanese official assistance, followed by them private investment. I hope that this happens in Ukraine", - said Ambassador [12].

To increase the investment attractiveness of Ukraine for Japan was particularly important to development and sign the Agreement on the promotion and protection of investments 5 February 2015. This step was predicted in 2011, according to the Declaration of Global Partnership [10].

Foreign Direct Investment FDI from Japan to Ukraine amounted to 160.5 million US dollars in September 2016. The increase in the reporting year amounted to about 10 million US dollars. Japanese investments are concentrated mainly in selling and servicing vehicles Japanese production, production of component parts for vehicles, as well as in the manufacture of tobacco products [11].

In view of direct investment affiliates of Japanese corporations located in Europe, the Japanese investment in Ukraine are to \$300 million US dollars. The largest volume of Japanese investments involved in the trade and repair of motor vehicles (60%) and processing industry (35%). Major Japanese businesses operating in Ukraine are "Sumitomo", "Itochu", "Mitsui", "Marubeni", "Mitsubishi", "Sojitz" [11].

The exemplary example of cooperation can be considered an investment agreement signed in April 2004 between the Ukrainian trade and industrial complex "Bogdan" and Japanese company "Isuzu" for the buses production. Also well represented by JTI (Japan Tobacco International) from 1993, which has a factory in Kremenchug. This company is among the five largest taxpayers on the results of

2015 and exports its products to nearly 20 countries [10].

Following the signing and entry into force of the Agreement on free trade zone between Ukraine and the EU has increased interest of Japanese business to create new businesses. In September 2015, it became aware of the decision of the Japanese company Fujikura to open the enterprise for the production of automotive components (Yavoriv district of Lviv region) with the possibility of expansion. The opener of two lines of Fujikura factory in Ukraine in 2016. Fujikura plans to launch another 4 line that will increase the number of employees from 1.5 thousand to 3 thousand. Over the next three years, the company has to employ more than 3,000 workers [10]. Construction of the factory will continue year and a half, the amount of investments will be 75 million dollars. In his speech at the meeting, President “Fujikura” Masahiko Ito called on other Japanese companies to invest in Ukraine and take advantage of competitive advantages Ukrainian market [11].

For the development of mutual trade contributes Coordinating Council for Economic cooperation with Japan at the Ministry of Economic Development Committee of Ukraine and the Committee for Economic Cooperation with Ukraine Japan Business Federation “Keidanren”. The last sixth joint meeting was held in Japan on 22 November 2016 [7, 11].

Ukraine discuss with the Japanese Business Federation KEIDANREN possibility of opening offices in Ukraine Japanese International Cooperation Agency (JICA) and the Japanese organization promoting foreign trade (JETRO). This will intensify cooperation with Japanese investors and facilitate the implementation of major joint projects. In particular, the JICA office is a kind of “single window”, which will intensify the monitoring of new infrastructure and complex technological energy efficiency projects. For example, will accelerate to realize the reconstruction project Bortnychi aeration station. Opening of offices JETRO and JICA will actively involve Japanese technology and maintain supplies to Europe under the Japanese brand

Japan's Official Development Assistance for Support of Reform and Development of..... goods produced in Ukraine. The increased interest of Japanese investors also associated with a change in the political situation in Ukraine, intensification of cooperation between Ukraine and the IMF [9].

Among the promising spheres cooperation with Japanese companies are implementing modern energy saving and "environmentally friendly" technologies in various sectors in Ukraine - energy, industry and municipal sector. Attracting Japanese investment in the development of transport and energy infrastructure in Ukraine, as well as the agricultural sector, including its material and technical base, are other promising areas of cooperation with Japan. Discussion of these and other prospects for cooperation should be part of the following bilateral Ukrainian-Japanese contacts [9].

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