

# *CHAPTER EIGHT*

## *THE ROLE OF JAPANESE AID IN INDIA'S ECONOMIC DEVELOPMENT PROGRAMME*

## 8.1 INTRODUCTION

Development of any economy depends on capital. It mainly depends on private and foreign investment (capital). India is a second large population and developing economy in the World, so need more investment. Foreign capital & aid is one of the most economic instruments which are used to suit the requirements of economic growth. Without capital, it is not possible to fulfill the development of any nations. The new economy policy had placed India on the road to market and free economy. The role of foreign aid has particularly analyzed under four distinct phase in this chapter. Japanese aid has provided two way routes for accelerating trade between India and Japan. A numbers of technological, infrastructural, and other projects have been undertaken in India with the help of Japanese aid. Japan is at present the largest bilateral ODA partner of India.

Japan has been extending bilateral economic assistance of India since 1958. Official Development Assistance (ODA) inflows have made a significant contribution to India's economy in many sectors. Its given long history of interactions with India, it was expected that Japan's support for the liberalization programme would be translated in to its enhanced presence in India's investment and trade scenario. Japan's natural potency in capital-intensive long gestation projects and India's funding deficit in infrastructure makes India and Japan natural win-win partners. The JICA's continuing role in India's infrastructural development over the years and their unwavering commitment to India's economic potential are testament to how great a role Japan has played in India's infrastructure needs so far<sup>142</sup>. Japan assistance to accelerate economic development of India is highly appreciated. Japan's assistance has been mainly helpful in the infrastructure sectors such as power, urban transportation, urban water supply, sanitation water management,

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142. G.Nataraj and A.Bhunia 'Asia's win-win partnership', The Financial Express, (2014), Vol. 39, No. 279, P. 9

seaports and tourism. Japan has also supported India in health, environment and forest sectors. A new dimension to India–Japan development cooperation was introduced during the April 2005 in New Delhi where India has indicated its willingness to receive STEP loans for a large infrastructure project in the railway sector. Grant assistance has also played its part by way of technical assistance for the enhancement of knowledge and skills of Indian nationals, development studies and grant aid projects, such as improvement of hospitals and development of ground water<sup>143</sup>.

## **8.2 Characteristics of Japanese ODA**

### **8.2.1 Destination and importance of Japan’s ODA**

- (a) Japan’s ODA for India is one of the most efficient estimators to strengthen Japan- India relations set forth by “Japan-India strategic and global partnership”.
- (b) Sustainable and inclusive growth of India is paramount in ensuring that of Asia including Japan. Improving investment environment in India, including developing infrastructure, contributes to India’s sustainable growth, health improve and poverty reduction.
- (c) Enhancing human exchanges between Japan and India provides a basis for building strong bilateral relations.

### **8.2.2 Priority areas of Japan’s ODA: May 2006**

- (a) Promotion of economic growth.
- (b) Development of infrastructure (power and infrastructure).
- (c) Environment protection.
- (d) Health and medical sector and
- (e) Expansion of human resources development.

### **There are also there medium-term policy objectives of Japanese ODA to India from 2007**

- (a) Promotion of economic growth and strengthening bilateral economic relations.

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143. Report of the ‘INDIA–JAPAN’ study group 2006, chapter-5, Role of Japan ODA in promoting economic partnership.

- (b) Poverty reduction and social sector development. And
- (c) Cooperation in the fields of environment, climate change and energy<sup>144</sup>.

### **8.2.3 Rules and regulations of Japanese Aid**

The rules and regulations of aid are settled on a normal basis. The rate of interest and the terms of repayment differ from donor to donor, time to time, loan to loan and even purpose to purpose. Japan aid in the beginning carried very high interest rates.

The Japanese ODA loans to India are “Untied loans”. These are routed JBIC [Japan Bank for International Co-operation]. ODA loans are mostly project tied with an interest rate of 1.3 percent per annum (2007) for general projects with a 30 years tenure including a grace period of 10 years. For environment projects, the interest rate is 0.75 percent per annum with a 40 years tenure including a grace period of 10 years, apart from these standard rules and regulations for various types of projects<sup>145</sup> [Table 8-10, 8-11].

### **8.2.4 Present rules and regulations of Japanese ODA Loan**

The interest rates applicable from April 2010 are 1.4 percent per annum for general projects with a 30 years tenure including a grace period of 10 years. For environment project, the interest rate is 0.65 percent per annum with a 40 years tenure including grace period of 10 years. From October 2007 onward, in addition, a commitment charge 0.1 percent is levied after 120 days of the signing of the loan agreement on the undisbursed loan<sup>146</sup>.

### **8.2.5 Terms and conditions of Japanese AID in India vis-à-vis other countries**

In 2007, the Japan carried higher rate of interest rate than Germany and IDA and lower than Russia federation. The interest on Japan loan was 1.3 percent, while Russia federation loan carried 4.0 percent interest and loan from Germany carried 0.75 percent interest, loan from IDA carried 0.75 percent interest [Table 8-10].

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144. Ministry of foreign affairs of Japan, “Japan’s ODA to India,” (June, 2011), P.1

145. Position paper on external assistance received by India, (March, 2008), P. 27

146. Department of economic affairs, Japan division bilateral development cooperation with Japan, P. 1

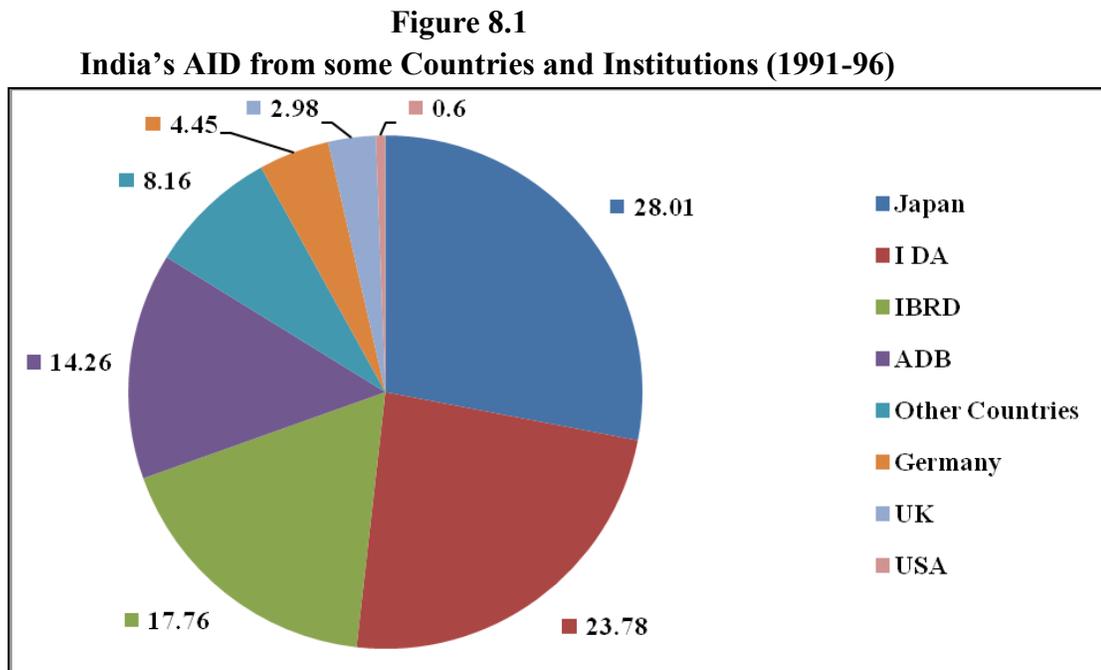
### 8.3 Foreign aid and Indian economy - An Overview

A study of composition of India's AID from some Countries and Institution show four distinct phases (1991-96, 1996-2001, 2001-2006, & 2006-2011). The relative position of different Countries and Institution in the total aid has changed over time.

#### 8.3.1 First phase [1991-1996]

In the first phase the main source of India's aid was Japan. India External assistance of an order of Rs. 132917.2 million was authorized for meeting out the exigencies of this period.

India received assistance of Rs. 37239.2 million (96.89 percent loan + 3.11 percent grant) from Japan. It comes to 28.01 percent of total aid as against 23.78 percent in case of IDA, 17.26 percent in case of IBRD, 14.26 percent in case of ADB, 4.45 percent in case of Germany, 2.98 percent in case of UK, and less than one percent in case of USA. The average assistance of an order of Rs. 112561 million was utilized. More than third – fifth of Japan aid was utilized. The above analysis has also shown by Table 8-1, 3, 4, &7 and Figure 8.1 are given below:

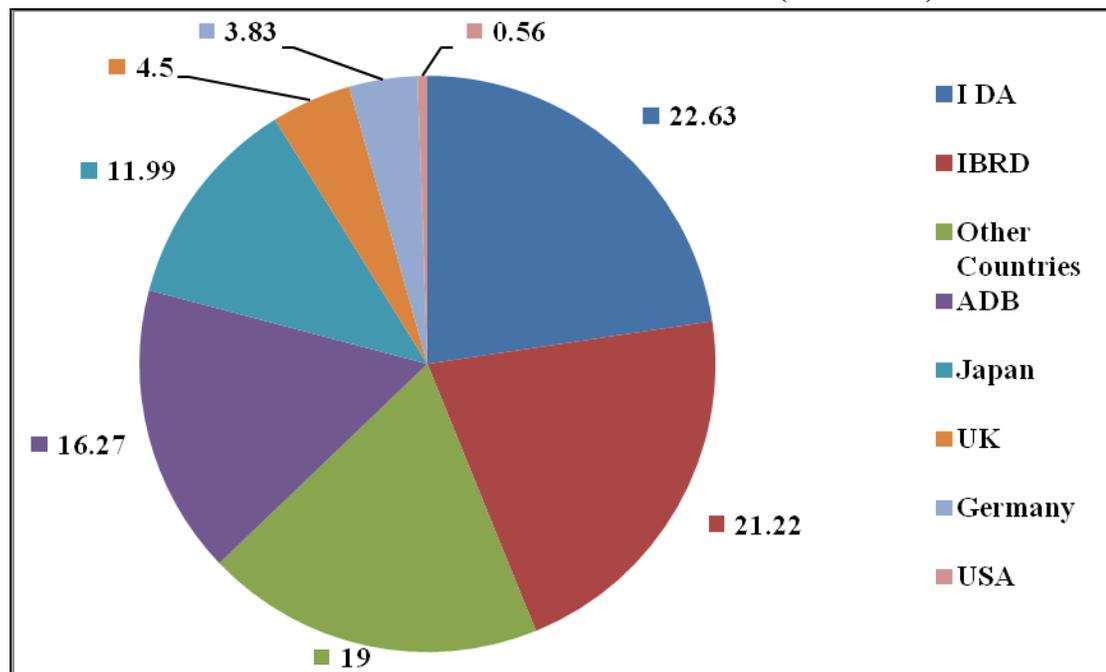


### 8.3.2 Second phase [1996-2001]

On average, 22.00 percent higher authorization of Rs.162163.4 million was made in the second phase. This increase may be explained in terms of more authorizations from IDA, IBRD and ADB.

Japan held the status of the biggest donor country to India until 1998. When India conducted the nuclear tests, unfortunately, Japan suspended its ODA in May 1998 following the nuclear test conducted by India. It seriously affected the bilateral interactions. Normalcy was restored only in October 2001 when Japan lifted its earlier suspension of ODA. India should understand that ODA is now becoming more and more controversial even within Japan<sup>147</sup>.

**Figure 8.2**  
**India's AID from some Countries and Institutions (1996-2001)**



In this period, Japan aid amounted to Rs. 19456.8 million (96.92 percent loan +3.08 percent grants) accounting for the relatively reduced share of 11.99 percent in total aid which was about third – fifth of IDA's share (22.63 percent), IBRD's share (21.22

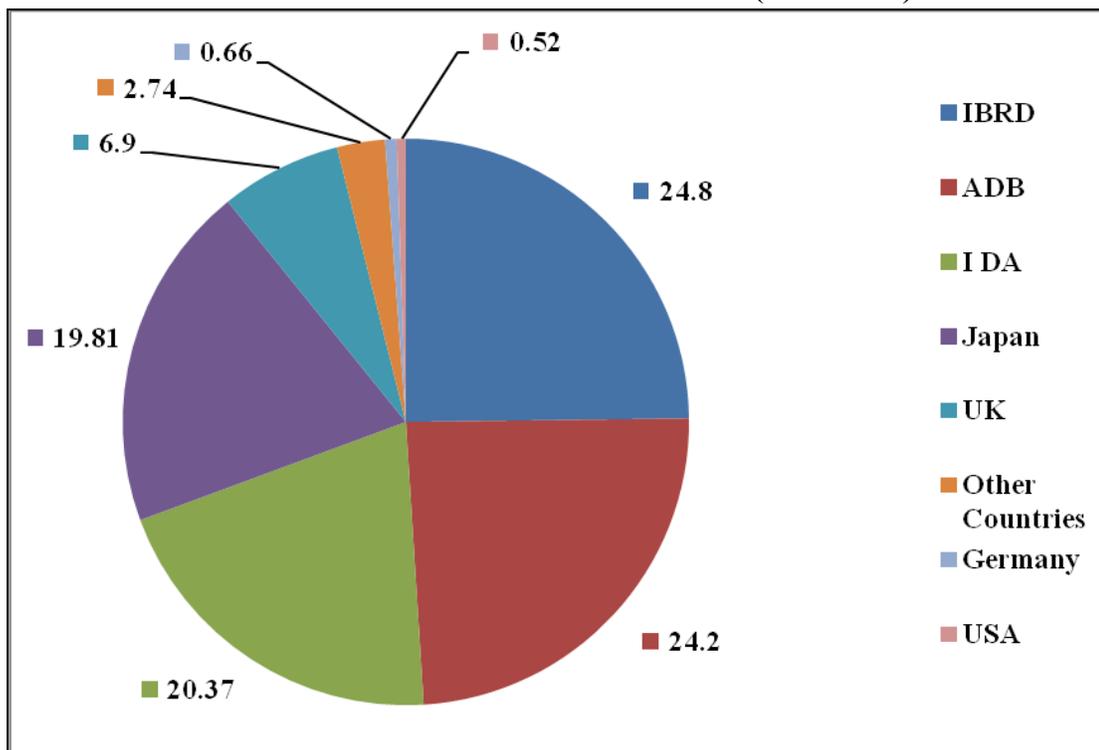
147. Kazuto Tsuji, "The changing perspectives of Japan ODA: implication for India" in K.V. Kesavan (Ed) building A global partnership P. 135 – 143

percent) and ADB's share (16.27 percent). This was however, higher than Germany's (3.83 percent), UK's (4.50 percent) and USA's (0.56) percent, 148. 17 percent of the assistance was utilized. The above analysis has also shown by Table 8-1, 3, 4, &7 and Figure 8.2.

### 8.3.3 Third phase [2001-2006]

The pace of development was accelerated in the third phase period. External assistance of an order of Rs. 215983.8 million which was 33.18 percent higher than that of second phase was authorized for third phase. Japan authorized on average aid of Rs 41495.2 million (99.65 percent loan + 0.35 percent grant) in this period which accounted for 19.81 percent of total aid as compared to 0.66 percent in the case of Germany, 0.52 percent in USA and 6.90 percent in UK. While IBRD's share, IDA's share and ADB's share was more than sixty five percent of the total aid. More than fourth – fifth of Japan aid was utilized. The above analysis has also shown by Table 8-1, 3, 4, & 7 and Figure 8.3 are given below.

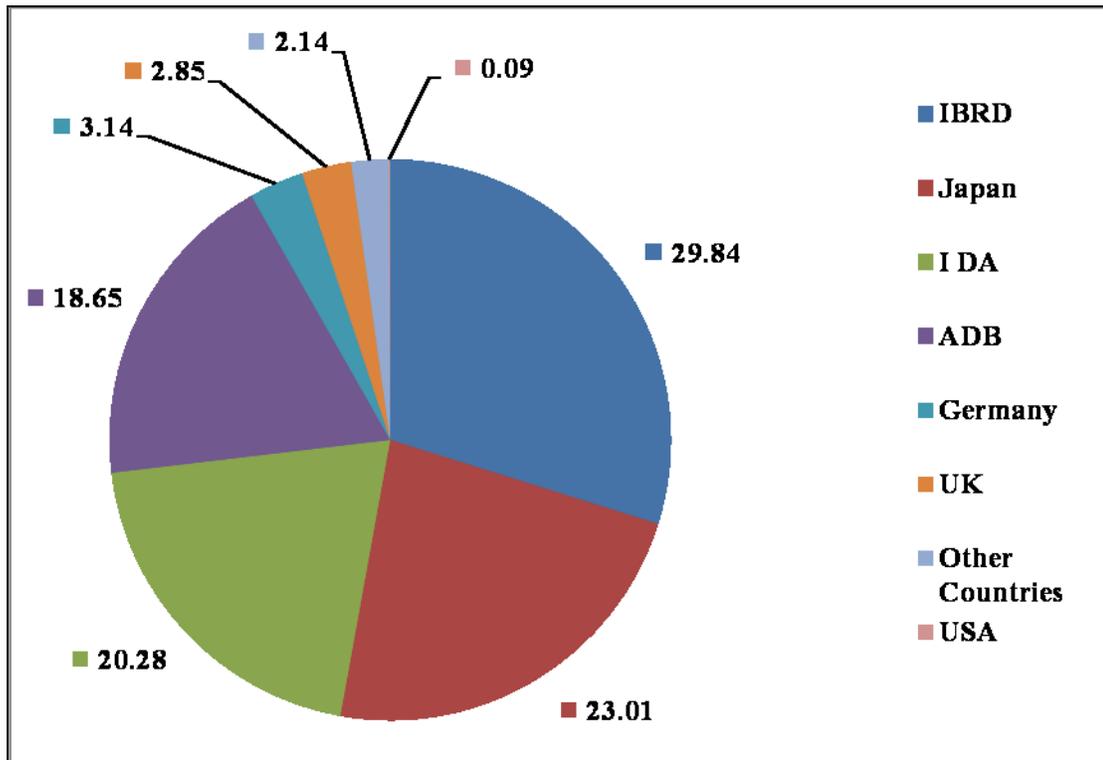
**Figure 8.3**  
**India's AID from some Countries and Institutions (2001-2006)**



### 8.3.4 Fourth phase [2006-2011]

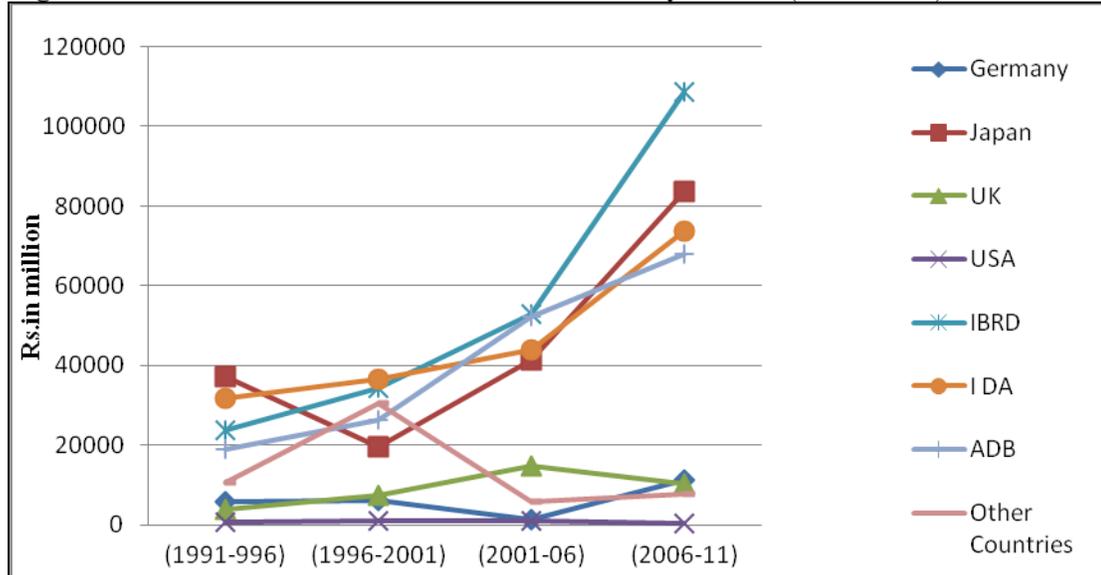
The fourth phase witnessed authorization of Rs. 363913.2 million, recording a rise of 68.49 percent. The Japan assistance, therefore, amounted on average to Rs. 83738.8 million on (94.13 percent loan + 5.87 percent grants). The share of Japan reached of 23.01 percent. This was however higher than Germany's (3.14 percent), UK's (2.85 percent), IDA's (20.28 percent) and ADB's (18.65 percent). On the other hand, it was less than that of IBRD's (29.84 percent) and 58.89 percent of the assistance was utilized. The above analysis has also shown by Table 8-1, 3, 4, & 7 and Figure 8.4 are given below.

**Figure 8.4**  
**India's AID from some Countries and Institutions (2006-2011)**



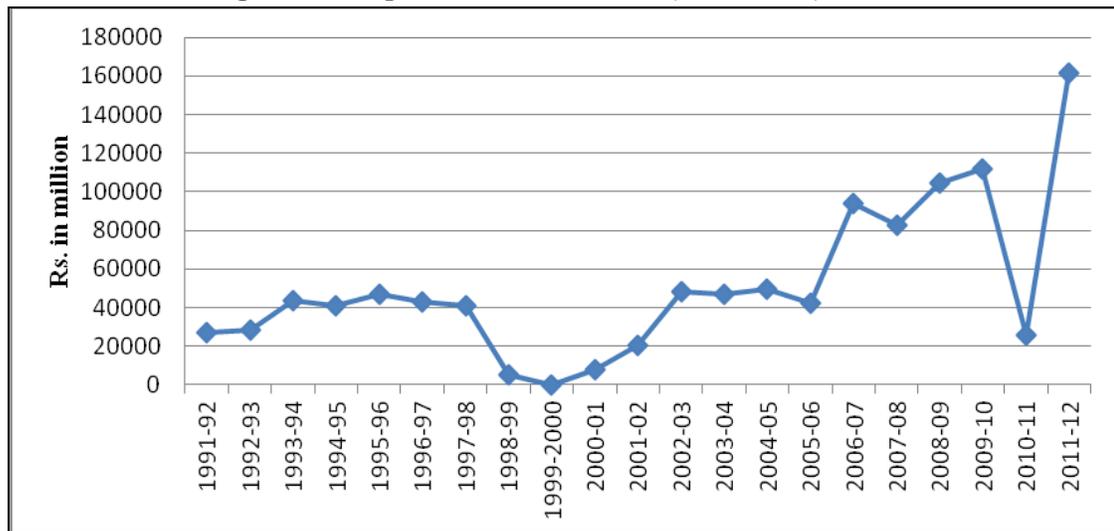
Overall in this period (1991-2011) IBRD and IDA has been highest AID donor Countries or Institution in India but Japan has given more aid in comparison to other countries. On the other hand Japan has been India's single largest bilateral AID donor country.

**Figure 8.5 Authorization of external assistance by source (1991-2011)**



After analysis of the above chart & figure we observed that Japan has given more aid in comparison to other countries. On the other hand it was less than that of IBRD & IDA.

**Figure 8.6 Japanese AID in India (1991-2012)**



#### 8.4 Contribution of Japanese ODA in India

The contribution of Japanese assistance has been many-fold. A brief study of the contribution Japan in the different states, few sectors and projects supported by Japanese ODA is given below.

A large part of Japan's assistance to India has been for infrastructural development, mainly transport and power sectors. JICA has signed many projects related to the infrastructure development in India. These include Delhi - Mumbai industrial corridor, Bakreswar thermal power project, Purulia pumped storage project, West-Bengal transmission system project, Dhauiliganga hydroelectric power plant construction project, Simhadri thermal power project Andhra Pradesh, Bangalore metro rail project, Kolkata east-west metro project, Chennai metro project, Metro rail project, Delhi Mass Rapid Transport System Project, Forestry Biodiversity project, etc. Main objective of these projects was to develop a smooth infrastructure to ease the pressure on the growing population. Japanese policy of yen loans in recent years have been provided not only for the construction of infrastructure but also for environment improvement, human development and capacity development of the implementing organizations<sup>148</sup>. Some time ago, the workers working at construction sites in the India did not have the practice of wearing safety helmets and safety shoes while on the Job. However, following the suggestion given by Japanese consultants, all workers now wear safety helmets and safety shoes while on the Job and the sites are now thoroughly organized. Furthermore as many migrant workers working on many projects lack the knowledge on HIV [India ranks second], the New Delhi office of JBIC has started conducting HIV prevention activities for migrant workers as an effort for social contribution based on the results of the survey which was commissioned to the local Non-Government Organization (NGO). These activities could be viewed as pioneering moves that could be applied in other projects in the future<sup>149</sup>.

#### **8.4.1 Transport Sector**

Japanese projects in the transport sector like Delhi-Mumbai Industrial Corridor (DMIC), Delhi mass rapid transport system, National highway improvement project, Bangalore metro rail project, Kolkata east-west metro project, Hyderabad outer ring -

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148. Pravakar sahu, (2013), "The impact of Japan's official development assistance on Indian infrastructure" institute of economic growth (IEG), Delhi, India, P.20

149. Japan's country Assistance program for India, May 2006, P.21

road project, Chennai metro project & Metro rail project etc. Japan has assured technical and monetary support for these projects. Japan agreed to partner the corridor project (DMIC) during Indian Prime Minister Dr. Manmohan Singh's visit to Tokyo in December 2006 covering a distance of 1483 Kilometers between Delhi and the Jawaharlal Nehru port, Mumbai it will pass through six states- the UP, Delhi, Haryana, Rajasthan, Gujarat and Maharashtra. The industrial corridor will have a 4000 MW power plant three ports and six airports. Besides giving a grant Japan will also invest in the project work on the DMIC began in January 2008 and is expected to be completed in seven years<sup>150, 151</sup>. The purpose of Delhi mass rapid transport system project is to improve the urban environment in Delhi, and alleviate heavy traffic and reduce traffic pollution such as exhaust gas by improving the urban function of the city. This shall be attained by constructing approximately 59 km of the total Length of an approximately 24 km mass rapid transport system of subways, elevated railways and ground level railways. Recently signing for the projects are the landmark steps in the direction of improvement in the transport sector in India.

#### **8.4.2 Power Sector**

Japan has supported the development of power sector in few states Andhra Pradesh, West Bengal, Bangalore, Maharashtra, Haryana, Uttarakhand and Mizoram. But Japan has continuously supported of power sector in certain states such as West Bengal and Andhra Pradesh, where Japan has played a main role in setting up power plants. West-Bengal transmission system project & Bakreswar thermal power station the power grid across the state of West Bengal has been enhanced and expanded by yen loans in order to increase the capacity of electricity transmission facilities and reduce the rate of electricity loss from transmission in this regard upon implementation of this assistance “soft assistance was carried out together with the hard” assistance. Tamil Nadu Transmission System Project also supported by Japanese ODA and largely fulfils the ‘e energy’ demand in the country.

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150. Geethanjali Netaraj (2010), “India – Japan investment relations trends & prospects”, P.10

151. K. V. Kesavan, (2010), India and Japan changing dimensions of partnership in the post-cold war period, P.27

### **8.4.3 Agriculture and rural sector**

Agriculture and rural development is a high priority sector in terms of poverty alleviation, considering that the majority of the poor people live in rural areas in India, improvement of agriculture production and diversification of agro–industries will create new job and help upgrade income levels of the growing population. Yen loan have been extended to irrigation, sericulture, forestation and watershed management’s project in several states in which participation of local community is integral to the project implementation and sustainability<sup>152</sup>.

### **8.4.4 Forest and Environment sector**

India has its target to cover 33 percent of its total land area with forest [currently it is about 21 percent]. Nevertheless, its forests are decreasing and deteriorating because there is greater demand than supply for lumber and wood among people living in the forest area and other factors. Japan has provided yen loans totaling to 91.8 billion yen in ten projects for forest related business by the end of 2003. Japan has been not only engaged in projects with its objective limited to a forestation but also those projects such as the Tamil Nadu a forestation project<sup>153</sup>. In recent years more and more loans have been extended to projects in the field of environment. Urban environment related programs comprising water supply or sewerage scheme in the metros of Delhi, Chennai and Bangalore have been assisted. To improve health and living environment around the holy Yamuna river by reducing its pollution load. Japan is assisting Ganga action plan & Yamuna Action plan, comprising construction of sewage treatment plants, public toilets improved crematoria and bathing Ghats and conducting massive public participation and awareness campaigns<sup>154</sup>.

### **8.4.5 Health sector**

India has moved forward on private entry into the health care sector since 1991. This needs private domestic and foreign investments in infrastructural as well as

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152. Japan – India relations” outline of Japan’s ODA to India. P. 3

153. Japan’s country Assistance program for India, op.cit

154. Japan – India relations” Op.cit.

technology. Japan has a well advanced medical equipment manufacturing industry. The growing health care sector provides substantial opportunity for absorbing Japanese investments. Health sector reform received a strong push in 1992 when the concept of free medical care was revoked, while the commitment for free or subsidized care for the Below Poverty Line (BPL) population was retained. Moreover, user charges were also introduced in the hospitals. However, while the government paved the way for private sector involvement, the number of private players taking up the challenge grew quite slowly. As a result, the expansion of private health network fell short of government expectations. In this time India is the second largest population country in the world. Health care structure is over-burdened by increasing population. Many health scheme sponsors by government have led to success especially in the basic health area like- polio and death rate declined. But India faces the various health issues such as child mortality rate, malaria, female health, HIV/AIDS, poverty and hunger, high IMR, Japanese fever, hepatitis, malnutrition, safe drinking water etc<sup>155</sup>.

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155. Debashis Chakraborty,(2013), “The private sector’s role in achieving Universal Health Coverage in India” emhn briefing no.3 april-2013.

## 8.5 List of Some Major Projects in India under Japanese ODA

### 8.5.1 Forestry and environment projects

Japanese yen (million)

a	Punjab afforestation project (1)	6193
b	Punjab afforestation project (11)	5054
c	Swan river integrated watershed management project	3493
d	Capacity development for forest management and personal training project	5241
e	Tripura forestry environment improvement and poverty alleviation project	7725
f	Uttar Pradesh participatory forest management project and poverty alleviation project	13345
g	Orissa forestry sector development project	13937
h	Gujarat forestry development project phase (11)	17521
i	Tamil Nadu afforestation project	133324
j	Forestry Biodiversity project phase (11)	154790

### 8.5.2 Water supply projects

a	Amritsar sewerage project	6961
b	Hussain sagar lake and catchment area improvement project Andhra Pradesh	7729
c	Hogenakkal Water supply & fluorosis mitigation project Tamil Nadu	22387
d	Andhra Pradesh irrigation and livelihood improvement project	23974
e	Agra Water supply project	24822
f	Bangalore Water supply and sewerage project phase (1)	28352
g	Delhi Water supply improvement project	28975
h	Goa Water supply and sewerage project	22806
i	Guwahati Water supply project	29453
j	Rengali irrigation Project (I) Orissa	7760
k	Rengali irrigation Project (II) Orissa	6342
l	Rengali irrigation Project (III) Orissa	90262
m	Rajghat Canal Irrigation Project Madhya Pradesh	13222
n	Kerala Water supply phase (11)	32777

o	Yamuna action plan project (111)	32571
p	Rajasthan rural water supply & fluorosis mitigation project (phase II) nagaur	37598

### 8.5.3 Transport projects

a	Delhi - Mumbai industrial corridor [DMIC]	\$90 billion
b	Delhi Mass Rapid Transport System Project Delhi	14760
c	Delhi Mass Rapid Transport System Project II Delhi	6732
d	Delhi Mass Rapid Transport System Project III Delhi	28659
e	Delhi Mass Rapid Transport System Project IV Delhi	34012
f	Delhi Mass Rapid Transport System Project V Delhi	59296
g	Dedicated freight corridor project phase 1(II)	90262
h	Dedicated freight corridor project phase 2(II)	136119
i	National highway improvement project	22903
j	Chennai metro project (II)	59851
k	Chennai metro project (III)	48691
l	Hyderabad outer ring -road project phase 1	41853
m	Hyderabad outer ring -road project phase 2	42027
n	Bangalore metro rail project	44704
o	Kolkata east-west metro project	6437
p	Chennai metro project	21751
q	Metro rail project	198320

### 8.5.4 Power projects

a	Bakreswar thermal power project (I) West Bengal	27069
b	Bakreswar thermal power project (II) West Bengal	34151
c	Bakreswar thermal power station unit 3 extension project West Bengal	8659
d	Bakreswar thermal power station unit 3 extension project West Bengal	11537
e	Bakreswar thermal power station unit extension project West Bengal	36771
f	Purulia pumped storage project (I)	20520

g	Purulia pumped storage project (II)	23578
h	Purulia pumped storage project (III)	17963
i	West-Bengal transmission system project (I)	11087
j	West-Bengal transmission system project (II)	3127
k	Dhauiliganga hydroelectric power plant construction central Uttarkhand project (I)	5665
l	Dhauiliganga hydroelectric power plant construction central Uttarkhand project (II)	16316
m	Dhauiliganga hydroelectric power plant construction central Uttarkhand project (III)	13890
n	Tamil Nadu transmission system project	60740
o	Rural high voltage distribution system project (Andhar Pradesh)	18590
p	Simhadri Thermal Power Project (I) Andhra Pradesh	19817
q	Simhadri Thermal Power Project (II) Andhra Pradesh	12194
r	Simhadri Thermal Power Project (III) Andhra Pradesh	27473
s	Simhadri Thermal Power Project (IV) Andhra Pradesh	5684
t	Simhadri and Vizag Transmission System Project-II Andhra Pradesh	6400
u	Haryana transmission system project	20902
v	Bangalore distribution up gradation project	10643
x	Rural electrification project	20629
y	Maharashtra transmission system project	16749

### 8.5.5 Completed project

a	Chamoli project	Uttarakhand
b	Allahabad project	Uttar Pradesh
c	Visakhapatnam project	Andhra Pradesh

### 8.5.6 On-going project

a	Kalimpong project [	West Bengal
b	Bellary project	Karnataka
c	Srikakulam Project	Andhra Pradesh
d	Kushinagar project	Uttar Pradesh

### 8.5.7 Other project

A	Electronic media production centre (IGNOU)	787
B	Tamilnadu urban infrastructure project	8551
C	Visakhapatnam port expansion project (engineering services)	4290
d	Micro,Small,and medium enterprises energy saving project	30000

**Sources:** 1- Japan's ODA to India, ministry of foreign affairs of Japan.

2- Japan's country assistance program for India may, 2006.

3- Japan's ODA disbursements to India report.

4- K.V. Kesavan 2010, India and Japan, changing dimensions of Partnership in the post-cold war period, p.27

5- Japanese NGOs in India "JICA partnership program (JPP) activity In India March, 2007, p1-2,

6- Ministry of Finance, Government of India

7-Ministry of Finance, Government of Japan

8-Ex-post Evaluation Reports of Various Projects, JICA

### 8.5.8 Infectious Disease Control Projects by Japan in India's Health sector

Projects	Purpose	Donor	Organization	Year	Amount	Type
The project for construction of diarrheal research and control, centre	Infectious disease control	Japan	MOFA	2005	12788374 USD	ODA Grants
The project for construction of diarrheal research and control, centre	Infectious disease control	Japan	MOFA	2006	6087122 USD	ODA Grants
The project for the eradication of poliomyelitis in India	Infectious disease control	Japan	MOFA	2006	3917526 USD	ODA Grants
The project for the eradication of poliomyelitis in India	Infectious disease control	Japan	MOFA	2007	1799660 USD	ODA Grants
To aggregated activities	Infectious disease control	Japan	MOFA	2007	321231 USD	ODA Grants
To aggregated activities	Infectious disease control	Japan	MOFA	2008	128541 USD	ODA Grants
The project for the eradication of poliomyelitis in India	Infectious disease control	Japan	MOFA	2009	2194861 USD	ODA Grants
To aggregated activities	Infectious disease control	Japan	MOFA	2009	10096 USD	ODA Grants
The project for the eradication of poliomyelitis in India	Infectious disease control	Japan	MOFA	2011	2408828 USD	ODA Grants
To aggregated activities	Infectious disease control	Japan	MOFA	2011	11128 USD	ODA Grants
The project for the eradication of poliomyelitis in India	Infectious disease control	Japan	MOFA	2012	1503503 USD	ODA Grants

**Source:** OECD: CRS Database.

The table reveals that maximum Japanese grant was given in 2005. Thereafter it began to decline. The trend continued till 2008. It fluctuated thereafter with no visible trends.

### 8.5.9 Basic Health Infrastructure Projects by Japan in India's Health sector

Projects	Purpose	Donor	Organization	Year	Amount	Type
The project for the improvement of Sardar vallvbhai patel post graduate institute of paediatrics in the state of Orissa	Basic health infrastructure	Japan	MOFA	2006	4996788 USD	ODA Grants
The project for the improvement of Sardar vallvbhai patel post graduate institute of paediatrics in the state of Orissa	Basic health infrastructure	Japan	MOFA	2007	2105263 USD	ODA Grants
The project for expansion of Lok nayak Jayprakash eye hospital in chouparan	Basic health infrastructure	Japan	MOFA	2010	74771 USD	ODA Grants
The project for installation of medical equipment for glaucoma treatment for reduction of visual impairment and blindness	Basic health infrastructure	Japan	MOFA	2010	63789 USD	ODA Grants
The project for expansion of theeye hospital in sundarban region	Basic health infrastructure	Japan	MOFA	2010	42166 USD	ODA Grants
The project for constructing and equipping of rural hospital for scheduled caste, scheduled tribe and other backward classes	Basic health infrastructure	Japan	MOFA	2011	118061 USD	ODA Grants
The project for the construction of a hospital with a view to reducing Mortality among tribal population	Basic health infrastructure	Japan	MOFA	2011	114753 USD	ODA Grants
The project for construction of hospital centre in coochbehar district	Basic health infrastructure	Japan	MOFA	2011	92635 USD	ODA Grants
The project for	Basic health	Japan	MOFA	2012	98191	ODA

enhancing lifesaving facilities at St.Stephen's Hospital in Delhi	infrastructure				USD	Grants
The project for proper treatment to all PWHs to improve their quality of life	Basic health infrastructure	Japan	MOFA	2012	83916 USD	ODA Grants
The project for setting up of modern Eye-care centre	Basic health infrastructure	Japan	MOFA	2012	73265 USD	ODA Grants
The project for medical rehabilitation of the children with orthopaedics disability	Basic health infrastructure	Japan	MOFA	2012	30152 USD	ODA Grants

**Source:** OECD: CRS Database.

From the table we find that maximum grant was given in 2006. Grant declined substantially in 2010. Thereafter an increased is noticed as it increases in different infrastructure projects.

#### **8.5.10 Basic Health care Projects by Japan in India's Health sector**

Projects	Purpose	Donor	Organization	Year	Amount	Type
TC Aggregated Activities	Basic health care	Japan	JICA	2005	27 USD	ODA Grants
TC Aggregated Activities	Basic health care	Japan	JICA	2006	670 USD	ODA Grants
TC Aggregated Activities	Basic health care	Japan	JICA	2007	20747 USD	ODA Grants
The project for the eradication of poliomyelitis in India	Basic health care	Japan	JICA	2008	2019324 USD	ODA Grants
TC Aggregated Activities	Basic health care	Japan	JICA	2008	39981 USD	ODA Grants
TC Aggregated Activities	Basic health care	Japan	JICA	2009	21574 USD	ODA Grants
TC Aggregated Activities	Basic health care	Japan	JICA	2010	75284 USD	ODA Grants
TC Aggregated Activities	Basic health care	Japan	JICA	2011	93794 USD	ODA Grants
TC Aggregated Activities	Basic health care	Japan	JICA	2012	364499 USD	ODA Grants
TC Aggregated Activities	Basic health care	Japan	JICA	2012	16463 USD	ODA Grants

**Source:** OECD: CRS Database.

Japanese grant in basic health care project was nominal in 2005. It increased gradually and became substantial in 2008. However, it declined and became as low as 16463 USD in 2012.

## **8.6 Impact of Japanese AID in India's infrastructural development**

India's real development began in 1991 when we started new economy policy. It is playing very important role of reformation like liberalization, privatization, and globalization. Foreign aid & grant are very helpful for development of India. Japanese aid is very important for the development of infrastructural sectors like power & transport etc. It also improves social sectors development like health, education, sanitation, water supply, poverty reduction through agricultural and rural development etc.

### **8.6.1 Power sector**

Electricity demand in India showed rapid growth increasing since 1996. In response to this, the Indian Government began to concentrate on the effective utilization of the generation facilities owned by the central government in each state, the rehabilitation and modernization of existing power generation plants to secure energy production and to cope with peak demand, the development of new generation facilities with foreign assistance, and the improvement of transmission and distribution networks<sup>156</sup>. In this direction, West-Bengal transmission system project & Bakreswar thermal power project, Simhadri Thermal Power Project Andhra Pradesh, Dhauiliganga hydroelectric power plant construction project Uttarkhand have been set up in different phases. These projects have been supported by Japanese ODA. These projects were implemented to enhance the reliability of the transmission network system, to reduce transmission losses and voltage fluctuations, and to make intra-state electricity transmissions efficient through the provision of a competent electricity transmission network, the construction of new substations and the expansion of existing substations in few States (West Bengal, Andhra Pradesh, Uttarkhand). It has

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156. Pravakar sahu, (2013), "The impact of Japan's official development assistance on Indian infrastructure"  
Institute of economic growth (IEG), Delhi, India, P.21.

been highly relevant to India's development plan and development needs. Facilities provided under the projects have been operated well, and the projects have highly improved the reliability of the transmission network system, and have promoted reductions in transmission losses and in voltage fluctuation. These projects have thus largely achieved its objectives, and its effectiveness is high. It is judged that the projects have contributed directly and indirectly to industrial development, employment creation and the improvement of people's living standards in the States (West Bengal, Andhra Pradesh, & Uttarkhand). These projects sustainability are deemed high in the organisational, technological and financial aspects and no negative impact on the natural environment from the projects have been observed.

### **8.6.2 Health sector**

- For eradication of polio in India, Japan provided through UNICEF total 6.3 billion yen grant aid for procuring polio vaccine and necessary equipment since 1996. As a result of this project, polio cases decreased from 5881 in 1994 to 132 in 2004 to 1 in 2012.
- Japan extended grant aid for medical equipments at mother and child's hospital in Maharashtra, where health index is especially low (the project for improvement of medical equipment for Sir J.J.Hospital and Cama & Albles Hospital: 759 million yen, 2003). Japan also extended grant aid for creating facility in kolkata to prevent diarrheal diseases which is a major cause of infant mortality (the project for construction of Diarrheal Research and control center: 2.134 billion yen).
- Since the tenth five year plan, India has identified the health sector as one of the priority areas to be addressed in order to achieve the Millennium Development Goals (MDGs). Given that India has a vast geographical area with a large population below the poverty line, JICA sees the following three areas as priorities:
  - a. Decrease infant mortality rate and maternal mortality rate.
  - b. Strengthen strategy for controlling infectious diseases, and
  - c. Improve access to health services for the socially disadvantaged.

Japanese technical cooperation has been focusing on enhancement of skills, knowledge and technical experience of health sector personnel in various segments from grass-roots health workers to researchers. So far, Japanese assistance to the health sector has focused on improving maternal and child healthcare and sanitation through various technical cooperation projects in Madhya Pradesh, Uttar Pradesh and West Bengal. For instance, JICA has supported capacity building of Auxiliary Nurse Midwives (ANMs) in remote areas under the National Rural Health mission and Indian government's initiative to eradicate polio through UNICEF. In addition, JICA has assisted in the improvement of medical facilities at key tertiary level hospitals in major cities like Delhi, Mumbai, Chennai, Hyderabad, Kolkata, and Cuttack through grant Aid.

## **CONCLUSION**

It is widely accepted that foreign capital is the “engine of growth” for the development of developing countries. The purpose of this study is to assess the trends of Japanese Aid in India. India is the recipient of Japan aid since 1958. The development assistance is available in the form of loans repayable in foreign currency and in grants and commodities. The Japan interest in India’s economic development has been ascendant since then Japan is at present the largest bilateral ODA partner of India. The first loan agreement between India and Japan, as a member of Aid–India consortium was signed in 1958. Japan assistance to accelerate economic development of India is highly appreciated. Japanese assistance has been particularly helpful in the infrastructure sector, health sector, environment sector and forest sector.

In the first phase the main source of India’s aid was Japan. Her share in total aid was double of that of ADB. More than third –fifth of Japan aid was utilized. The Japan share in total aid during second phase was lower than that of the first phase. Japan held the status of the biggest donor country to India until 1998. When India conducted the nuclear tests unfortunately when Japan suspended its ODA in may 1998. In the third phase, India received higher aid from Japan as compared to the second phase. The share of Japan in total aid was higher than the U.K. and Germany. More than fourth – fifth of Japan aid was utilized. The fourth phase the Japanese assistance share in total aid was higher as compared to the third phase. This was however higher than Germany’s UK’s, IDA’s and ADB. On the other hand it was less than that of IBRD’s, third –fifth of the loan was utilized.

Japan’s ODA for India is one of the important tools to strengthen Japan-India relations set forth by Japan-India strategic and global partnership. Enhancing human exchanges between Japan and India provides a basis for building strong bilateral relations. The main objectives of Japan’s ODA

- [a] Promotion of economic growth (power and transportation)
- [b] Improvement of health, poverty and environmental issues.
- [c] Human resources development and people to people exchange.