

## **Blockchain for Transparent ODA - A Strategy for Japan**

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## Japan's Official Development Assistance (ODA)

- **Definition:** The financial aid and technological assistance that the Japanese government provides to developing countries to support development and humanitarian needs.
- **Description :**
  - Administered through JICA and the Ministry of Foreign Affairs
  - Support Infrastructure, education, healthcare, and peacebuilding initiatives (Southeast Asia and Africa)

## Challenges

- Lack of Transparency
- Corruption and Misuse of Funds
- Delayed and Inefficient Aid Delivery
- Limited Real-Time Monitoring
- Erosion of Public and International Trust

## Blockchain

- **Definition:** Blockchain is a secure, decentralized digital ledger that records and verifies transactions across a network.
- **Description :**
  - Store data in blocks that are securely linked to form a chronological chain.
  - Operates on a peer-to-peer network without a central authority.
  - Uses cryptographic algorithms to secure and validate transactions.
  - Once recorded, data in a block cannot be altered without changing all subsequent

**Advantages**

- Increase transparency in aid distribution
- Provide a tamper-proof record of transactions.
- Enable real-time tracking of financial flows
- Automate aid disbursement via smart contracts
- Reduce third-party intermediaries and processing delays

### **Potential Negative Effects**

- Digital exclusion in low-connectivity regions
- Overreliance on technology over governance reform
- Vulnerabilities in smart contact coding
- Cybersecurity threats and data breaches
- Legal and regulatory uncertainty
- Reduced human oversight in aid decisions
- High implementation costs and complexity.

## Recommendations

1. Implementation and Pilot Programs
  - a) Launch small-scale pilot projects using blockchain to track ODA flows
  - b) Integrate small contracts into JICA and MOFA financial systems
2. Legal and Institutional Support
  - a) Develop clear legal frameworks for blockchain in aid management
  - b) Ensure data protection and cross-border regulatory compliance
3. Capacity Building and Infrastructure
  - a) Support blockchain education and training for local partners
  - b) Invest in digital infrastructure in low-connectivity recipient areas
4. Collaboration and Innovation
  - a) Partner with private tech firms for secure, scalable solutions
  - b) Establish a cross-sector task force for blockchain in development aid