

Role of ODA Loans (Part 1)

To develop the economies and societies of developing countries and improve the social well-being of their citizens, JBIC extends ODA loans, which are a major pillar of Official Development Assistance (ODA).

Official Development Assistance (ODA) is the scheme that the governments and agencies in developed countries extend financial and technical cooperation to developing countries for economic development and welfare improvements. ODA loans refer to a type of loan assistance on a low-interest and long-term basis, which is provided by JBIC.



Indus Highway Construction Project in Pakistan
photo: Hajime Sonoda (IC Net Limited)

1. What is ODA?

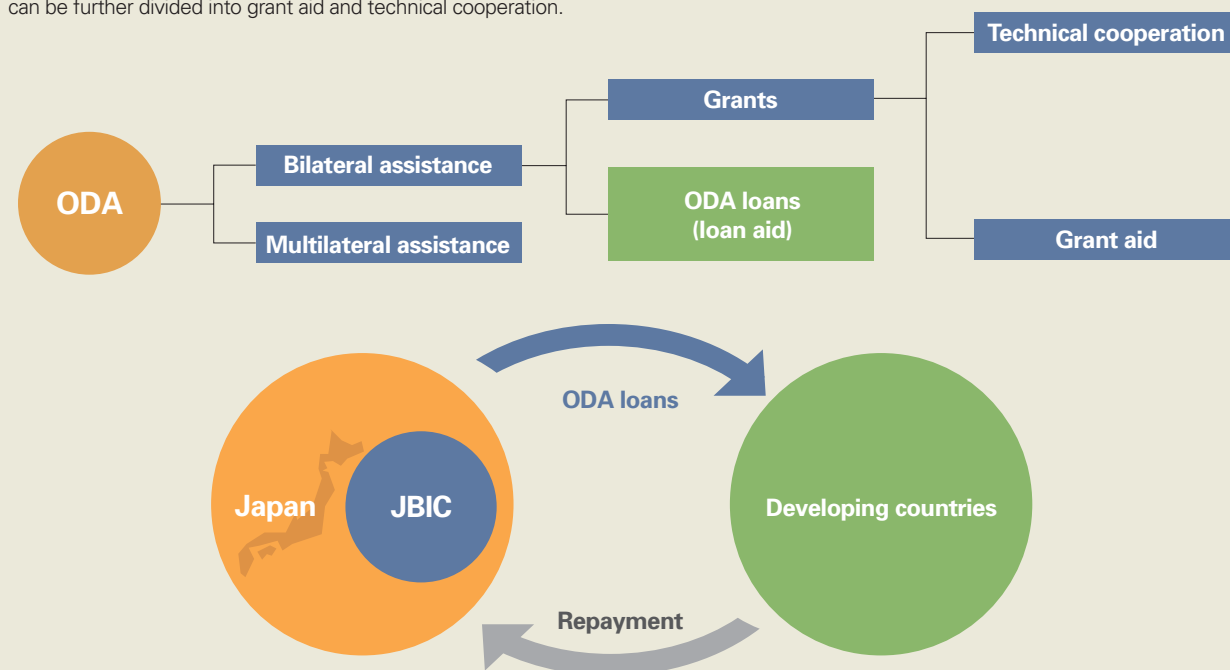
ODA may be defined as (1) funds provided by a government or government agency, (2) which contribute to the economic development or welfare improvement in a developing country, and (3) have a grant element*1 of at least 25% so that the developing country is not overly burdened. In recent years, there has been an increasing need for support on issues that affect the entire global community and should be dealt with by the global community as a whole; these issues include countermeasures for global warming, rebuilding and rehabilitation following the 2004 Indian Ocean earthquake and tsunami, peace building in strife-

ridden areas such as Iraq, and achievement of the Millennium Development Goals, including the eradication of poverty. In order to respond to the mounting need for support, Japan's Cabinet adopted the Economic and Fiscal Policy Guidelines for 2005 which announce that continuous efforts will be made to achieve ODA equivalent to 0.7% of the GNI*2.

*1 "Grant element" is an indicator that measures concessionality, or softness of financial terms, of a loan, based on the case where grant is 100%.
*2 Japan's actual ODA is 0.19% of GNI (gross national income) (provisional 2004 level)

2. What Types of ODA and ODA Loans Exist?

ODA is divided into bilateral assistance that is extended directly to a developing country and multilateral assistance that is provided by an international organization such as the United Nations. There are two types of bilateral assistance: grants and ODA loans (loan aid), and grants can be further divided into grant aid and technical cooperation.



3. What are the Significance and the Features of ODA Loans?

Significance of ODA Loans

The significance of ODA loans can lie in thier (1) securing ownership of developing countries, (2) meeting the Millennium Development Goals, (3) ensuring sustainability, (4) a bridge from dependence to independence, (5) stability of funds, and (6) strengthening of ties between Japan and developing countries.

Support for Infrastructure

To achieve the Millennium Development Goals, it is vital to, by the provision of ODA loans, promote adequate installation and proper operation of infrastructure networks and support sustainable growth of developing countries as well as poverty reduction by improving poor people's access to infrastructure services.

Diversity of ODA Loans

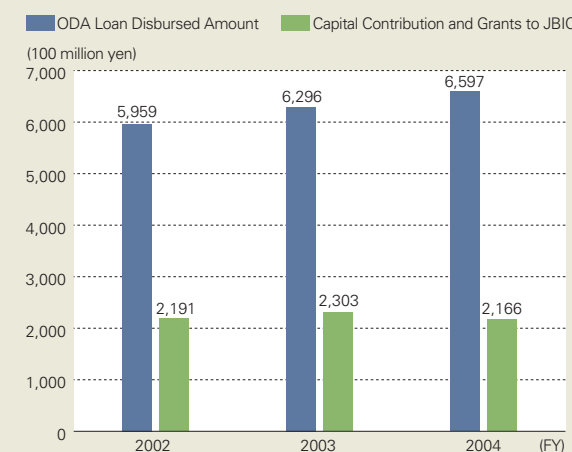
While infrastructure support is the centerpiece of ODA loans, a variety of approaches are being undertaken along with the diversification of development needs. These approaches include (1) policy assistance to efforts to reduce poverty in developing countries, (2) efforts to ensure Human Security, (3) aids to reconstruction efforts toward peace construction, (4) support for preservation of World Heritage sites, and (5) support for disaster prevention.

For details, refer to "Medium-Term Strategy for Overseas Economic Cooperation Operations" on the JBIC website.

4. What is the Amount of ODA Loan Assistance and How Much Burden do the Japanese Citizens Bear?

As ODA loans are repaid by the governments in developing countries, it is possible to effectively extend assistance with little burden on the Japanese people. This characteristic enables JBIC to undertake assistance to support large-scale projects that contribute to the achievement of the Millennium Development Goals.

ODA Loan Disbursed Amount and Capital Contribution/Grants



A beneficiary who now has access to safe water (TOWNS EAST OF COLOMBO WATER SUPPLY PROJECT in Sri Lanka)



A World Heritage site, the preservation of which is supported by an ODA loan (Ajanta-Ellora Conservation and Tourism Development Project in India)