

Role of official development assistance (ODA) loans for enabling low carbon society (LCS)

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ODA loan is one of modalities of Official Development Assistance providing loans with concessional terms and conditions. To achieve its objectives, ODA loan has several characteristics, such as:

ODA Loans

- provide from Government to Government (G-G),
- focus on development objectives in developing countries
- support public projects and public-private partnership projects which are low commercially viable
- create enabling environment for private investors to invest in Developing countries.

Through its characteristics, ODA loans aims to encourage developing countries' ownership and self-efforts for their sustainable development.

Japanese ODA Loan offers very concessional terms and conditions for environmentally sound projects with interest rate in the range of 0.55% to 0.65% per annum and repayment period of about 40 years with 10 years grace period. ODA loans focus on development objectives; support public-, public-private partnership-, and low commercially viable- projects; and create enabling environment for private investors to invest in developing countries (DCs).

ODA loans have worked as an effective policy incentive tool. ODA loans have introduced special terms and condition for environmental projects/programs as a part of Kyoto Initiative in 1997. Since then, the number of environmental projects has been increased as shown below. ODA loans have worked as stocktaking of “know-how” to address to climate change.

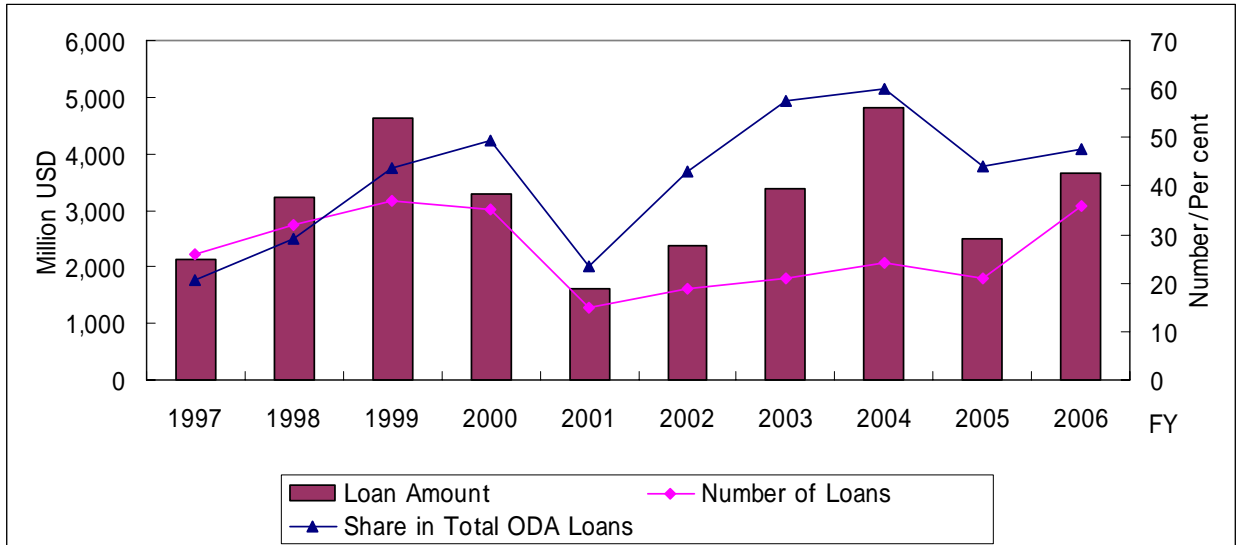


Figure: Trends of environmental ODA loans

ODA loans will be provided through several sorts of finance schemes, such as project loans that could support construction of LCS, development policy Loans (DPLs) that support SD-PAMs, two step loans and engineering service loans. ODA loans are sometimes provided through co-financing with the World Bank, Regional Development banks such as Asian Development Bank, Global Environment Facility and/or other bilateral donors. Technical assistance through special assistance facility (SAF) is also provided by JBIC for smooth implementation of its funded projects.

These financing schemes could be applicable to LCS as complement of private finance.

One of the key points of roadmap to low-carbon world is to create environment in realizing LCS through ownership with strong political will, result-oriented development policies and actions and access to adequate, predictable and sustainable financial resources with incentive. The other key point is to understand the investment and development environment that are different among countries due to their potential such as political stability and resource endowment.