Finance and Investment Cooperation is a type of ODA that lends or invests relatively large amounts of development funds under concessional terms to developing countries and regions to support their efforts for their growth and development.

**ODA Loans**

**Support and Emphasize Ownership by the Developing Country**
Ownership of developing countries is crucial for economic growth and poverty reduction in these countries. ODA Loans, which require repayment, promote efficient use of the borrowed funds and appropriate supervision of projects, thereby encouraging developing countries’ ownership in the development process. In addition, as ODA Loans are financial assistance with a repayment obligation, this method of assistance places a relatively small fiscal burden on the Japanese government and represents a sustainable instrument for ODA.

**Project Cycle**
ODA Loans are carried out in a project cycle consisting of six major steps, as described in the chart at the upper-right. Lessons learned from ex-post evaluations will be utilized for preparing new projects.

**Types of ODA Loans**

1. **Project-Type Loans**
   (1) **Project Loans**
   Project loans are a major type of ODA Loan that finances projects such as roads, power plants, irrigation, water supply, and sewerage facilities. The loans are used for the procurement of facilities, equipment, services, and for conducting civil and other related work.

   (2) **Engineering Service (E/S) Loans**
   Engineering service (E/S) loans are financed for engineering services necessary in the stage of survey and planning of projects, especially for large-scale projects and projects that involve many uncertainties. These services include detailed data collection on project sites, detailed designs, and preparation of bidding documents. In the same manner as project loans, the project’s overall necessity and relevance must be confirmed through a feasibility study (F/S) or other suitable procedures.

   (3) **Financial Intermediary Loans (Two-Step Loans)**
   Financial intermediary loans are implemented through the financial institutions of the recipient country based on the policy-oriented financial system of the recipient country. These loans provide funds necessary for the promotion of small and medium enterprises, agriculture, other specified industries, and construction of facilities to improve the living standards of the people with low incomes. These loans are known as “two-step loans” (TSL) because under the process, funds pass through two or more financial institutions before the end-beneficiaries receive the funds. Under this type of loan, funds can be provided to a large number of end beneficiaries.

2. **Program Loans**
   Program loans support the implementation of national strategies and poverty reduction strategies of developing countries that aim to improve policies and to implement systemic reforms. In recent years, the type of loan that is incorporated into the borrowing country’s budget based on the achievement of strategic goals by the borrowing country’s government is becoming more common. The confirmation process of the achievements involves consultations on future reform items to support developing countries with policy and institutional reforms within a long-term framework.

**Private-Sector Investment Finance**

**Support for Development Projects by the Private Sector in Developing Countries**
In recent years, the importance of the private sector in economic and social development in developing countries has been steadily increasing. Together with the other international organizations as well as European and U.S. donors, JICA is greatly...
In the Private-Sector Investment Finance (PSIF) independent account, loans totaled ¥27,615 million, affiliate companies’ stock was ¥44,100 million, and investment securities were ¥6,033 million as of March 31, 2019. Ordinary revenues were ¥28,126 million (including dividends on investments of ¥20,872 million) and net income was ¥26,827 million in the year ended March 31, 2019. The independent account received the assets of the PSIF operations on October 1, 2008, when JICA was established under its current structure.

Ordinary revenues consist of dividends on investments, interest on loans, and other revenues from PSIF; ordinary expenses consist of loss on valuation of affiliated companies’ stock, loss on investment securities, interest on borrowing, provisions for the allowance for possible loan losses, outsourcing expenses, and other items involving PSIF. Revenues and expenses that are not directly related to PSIF (depreciation, real estate expenses, personnel expenses, etc.) are not included in the independent account revenues and expenses.

**Scope of Support**

PSIF is adopted for projects with high development effectiveness categorized as follows: (1) infrastructure and growth acceleration; (2) SDGs and poverty reduction; and (3) measures against climate change [see page 50].

**Organizational Structure of Risk Assessment and Control**

PSIF is implemented with an appropriate organizational structure for risk assessment and control. In addition to mutual checks and controls among the departments concerned, JICA conducts portfolio management for the whole of PSIF through an independent account* and reinforces its capacity for project implementation, risk assessment, and management.

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* In the Private-Sector Investment Finance (PSIF) independent account, loans totaled ¥27,615 million, affiliate companies’ stock was ¥44,100 million, and investment securities were ¥6,033 million as of March 31, 2019. Ordinary revenues were ¥28,126 million (including dividends on investments of ¥20,872 million) and net income was ¥26,827 million in the year ended March 31, 2019. The independent account received the assets of the PSIF operations on October 1, 2008, when JICA was established under its current structure.

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