

**Japan International Cooperation Agency (Incorporated Administrative Agency)**  
**(Finance and Investment Account)**

<https://www.jica.go.jp/>

1. Summary of operations implemented using FILP funds

As a core institution providing Official Development Assistance (ODA), Japan International Cooperation Agency (JICA) supports developing countries by providing concessional funds with low interest rates and super-long terms to finance development efforts for economic and social development and poverty reduction.

- ODA Loan: Lending, to governments or others in developing areas, for the execution of development projects (projects deemed to contribute to economic and social development in developing areas and also deemed to be necessary for the promotion of economic relations between such areas and Japan), or for the accomplishment of plans related to the economic stability of such areas.
- Private Sector Investment Finance (PSIF): Debt or equity finance to corporations or others in Japan or in developing areas, for the execution of development projects.

2. Amount of lending under FY2021 FILP

(Unit: billion yen)

FY2021 FILP	Estimated outstanding amount of FILP lending at the end of FY2020
678.4	2,943.3

3. Estimated policy cost analysis of the project

(1) Policy cost

(Unit: billion yen)

Category	FY2020	FY2021	Fluctuation
1. Government expenditure (subsidies, etc.)	-	-	-
2. Government revenue (payments to the government, etc.)*1	-	-	-
3. Opportunity cost of capital investments, etc.	-188.4	-130.1	+58.3
<b>Total (1+2+3=policy cost(A))</b>	<b>-188.4</b>	<b>-130.1</b>	<b>+58.3</b>
Analysis period (years)	48 years	47 years	-1 year

(2) Breakdown of policy cost by the time of the provision of funds

(Unit: billion yen)

Category	FY2020	FY2021	Fluctuation
(A) Policy cost (previously cited)	-188.4	-130.1	+58.3
1) Opportunity cost of capital investments, etc. provided before the beginning of the analysis period	1,711.2	2,284.6	+573.4
2) Policy cost expected to be newly accrued during the analysis period	-1,899.6	-2,414.7	-515.1
Government expenditure (subsidies, etc.)	-	-	-
Government revenue (payments to the government, etc.)*1	-	-	-
Opportunity cost of surplus, etc.	-1,909.4	-2,427.8	-518.4
Opportunity cost of capital investments, etc.	9.8	13.1	+3.3

(5) Sensitivity analysis (cases where assumptions change)

(Unit: billion yen)

(A) Policy cost (previously cited)	Case before the negative interest rate policy*2	Fluctuation			
			1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*1	3. Opportunity cost of capital investments, etc.
-130.1	261.9	+392.0	-	-1,481.7	+1,873.7

(A) Policy cost (previously cited)	Case of a 1% increase in expenses (property and personnel expenses)	Fluctuation			
			1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*1	3. Opportunity cost of capital investments, etc.
-130.1	-128.5	+1.6	-	-	+1.6

(3) Year-to-Year comparison analysis

(Computing any fluctuation from previous year)

(Unit: billion yen)

Policy cost		FY2020	FY2021	Simple fluctuation
		Simple comparison (before adjustment)	-188.4	-130.1
Past year comparison (after adjustment)	1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2021 analysis)	-178.7	-249.6	Real fluctuation (2-1)
	2) Adjusting assumed interest rates (Analysis results of re-estimation using assumed interest rate for FY2020)	-	-	-70.8

【Real fluctuation factor analysis】

○Factors behind policy cost increase

- Increase in cost through new loans provided in FY2021 (+183.3 billion yen)

○Factors behind policy cost decrease

- Decrease in cost due to finalization of FY2019 results and revision of FY2020 projections (-247.7 billion yen)  
- Others (Decrease in administrative cost due to new financing, etc.) (-6.4 billion yen)

(4) Breakdown of policy cost by causative factor

(Unit: billion yen)

(A) Policy cost in FY2021 (previously cited)	-130.1
1) Prepayments	-
2) Loan losses	-158.2
3) Others (including profit spread)	28.1

(Note) Components in each column may not add up to the total because of rounding.

\*1 Government revenue (payments to the government, etc.) is booked as a negative amount. Example: -10 b. yen for 10 b. yen in payments to government, etc.

\*2 Assumed interest rates (discount factor and future interest rate) are based on the market yield on Japanese government bonds on January 28, 2016, before the introduction of the negative interest rate policy.

#### 4. Outline of estimation and project prospect employed in the analysis

[Outline of estimation]

- 1) The estimation covers the Finance and Investment Account.
- 2) Scale of account: Outstanding balance of financing as of the end of FY2019 was 12,805.4 billion yen, and planned amount of financing for FY2020 and FY2021 is 3,150.0 billion yen.
- 3) The analysis period is 47 years from FY2021 to FY2067, when the longest-term loans will have be repaid.
- 4) The standard interest rates of JICA apply to new loans.

[Project prospect]

- 1) Prepayments are not expected, because ODA loans are provided at extremely concessional conditions.
- 2) For the administrative expenses of FY2021, the expense associated with new financing and the one associated with the management of past financing are distinguished and the latter will be decreased according to the transition of the balance from FY2022.
- 3) Based on the latest loan write-off results (for the past 10 years), JICA plans to write off some loans to borrowers in bankruptcy, rehabilitation, reorganization, etc. for a more conservative policy cost analysis. JICA also plans to reschedule some debt according to standard conditions of the Paris Club of official creditors.

FY	Result				Estimated	Planned	Assumptions for calculation
	2016	2017	2018	2019	2020	2021	2022 to 2067 (cumulative ratio)
Charge-off ratio	-	-	-	-	-	-	0.6%

#### 5. Reasons for granting of subsidies, mechanism and underlying laws

This account receives capital investment from the General Account of the Government, as financial resources needed for providing highly negotiable loans with long terms and low interest rates to developing areas as Official Development Assistance.

(Underlying laws and regulations)

• Capital investment

“Japan International Cooperation Agency Act”

Article 5(2): The Government may, when it finds necessary, make additional capital contributions to the Agency within the amounts prescribed by the budget.

• Payment to the National Treasury

“Japan International Cooperation Agency Act”

Article 31(4): With respect to the Accounts for the Finance and Investment for each business year, if the calculation of profits and losses resulted in a profit, the Agency shall use it to make up the losses carried forward from the preceding business year, and if there is still any residual amount, shall accumulate such amount as a reserve fund for finance and investment until it reaches the amount equal to the amount of stated capital allocated for the Accounts for the Finance and Investment.

Article 31(7): The Agency shall pay the balance, obtained by deducting the amount accumulated as the reserve fund for finance and investment pursuant to the provision of paragraph 4 from the residual amount prescribed in said paragraph, to the National Treasury by May 31 of the following business year.

#### 6. Special remarks

As for the financing related to the Finance and Investment operations, the Japan International Cooperation Agency Act restricts the type of loans that can be extended to those with concessional lending conditions in terms of interest rate, repayment period, etc. This is to prevent the lending conditions from overburdening the recipient developing countries. JICA is conducting the operations in compliance with this provision of the Act. As a result, there has emerged a structure where JICA frequently lends funds at lower interest rates than the JICA’s borrowing interest rates by providing concessional funds with long terms and low interest rates.

(Reference) Outcome and social and economic benefits of operations

<Lending and equity finance>

- Accumulated amount of loan and equity participation commitments during FY1961-2019: 40,174.2 billion yen
- Accumulated amount of loan and equity participation disbursements during FY1961-2019: 29,259.5 billion yen
- Loan and equity commitments in FY2019: 1,523.2 billion yen
- Loan and equity disbursements in FY2019: 1,107.6 billion yen
- Loan outstanding balance as of the end of FY2019: 13,013.0 billion yen

<Social and economic benefits>

- Contribution to the establishment and maintenance of good relationships with developing countries through continued assistance from Japan.
- Contribution to economic and social development, poverty reduction, environmental conservation, and stabilization of national economy in developing countries by improving infrastructure and alleviating poverty.
- Contribution to stability and development in the international community through tackling global issues (global warming, etc.), peace-building, and responding to disasters.
- Contribution to improvement in policy framework as well as human resource development in developing countries through intellectual assistance.
- Promotion of economic and personnel exchanges between Japan and developing countries through application of the experience, technologies, and know-how possessed by the private sector, local governments, NGOs, and universities.

**(Reference 1) Survey on the impact of yen loans on economic development in developing countries**

- According to the verification of correlation between ODA and GDP using data from 1970 to 2007, an increase in ODA equivalent to 1% of GDP of the aid receiving country raises the growth rate of GDP per capital by about 0.30%. (C. Arndt, S. Jones and F. Tarp (2015) "Assessing Foreign Aid's LongRun Contribution to Growth and Development").
- The impact of ODA loan on the economic growth (growth rate of GDP per capital) is found positive regardless of the difference of the policy and institutional environment. It was measured by analyzing the impact of ODA loan and ODA grant respectively, using data from 1970 to 1997. (Kohama, H., Sawada, Y. and Kono, H. (2003) "Aid, Policies, and Growth Reconsidered").
- According to the empirical analysis on whether foreign aid facilitates FDI flows into the aid recipient country, the foreign aid from Japan has a positive effect on FDI flows of Japanese companies, while aid from other donor countries (the paper analyzed foreign aid from Japan, U.S., United Kingdom, Germany and France) reveals no such effect. (Kimura, H. and Todo, Y. (2007) "Is Foreign Aid a Vanguard of FDI? A Gravity-Equation Approach")

**(Reference 2) ODA loan social benefit index.**

- The average EIRR (Economic Internal Rate of Return) of ODA loan projects which were completed and evaluated between FY2010 and FY2019 was 16.73%. (EIRR is an indicator to show the socio-economic benefits of development projects.) (JICA survey implemented in FY2020).

**(Reference 3) Direct and indirect contributions to Sustainable Development Goals (SDGs) financed by yen loans (JICA survey implemented in FY2020)**

(Safe drinking water: Goal 6)

Based on ex-post project evaluations implemented from FY2010 to FY2019, supply of safe drinking water to about 63.02 million people through waterworks projects around the world.

(Disaster prevention: Goal 11)

Based on ex-post project evaluations implemented from FY2010 to FY2019, contribution toward protection of about 4.38 million people from disaster through projects pertaining to flood control, etc.

(Airports: Goal 9)

Based on ex-post project evaluations implemented from FY2010 to FY2019, airport improvement projects in developing countries have contributed to the response to yearly passenger demand of about 104.67 million people per year.

(Railroads: Goal 9)

Based on ex-post project evaluations implemented from FY2010 to FY2019, railroad improvement project in developing countries have contributed to the transport of about 2.34 billion passengers per year.

(Roads: Goal 9)

Based on ex-post project evaluations implemented from FY2010 to FY2019, road improvement projects in developing countries have led to the construction of approximately 5,525 km of new road and improvement of approximately 24,916 km of existing road, and realized traffic volume of about 1.93 million vehicles per day.

(Ports and harbors: Goal 9)

Based on ex-post project evaluations implemented from FY2010 to FY2019, port and harbor improvement projects in developing countries have contributed to realize cargo handling volume of about 363.85 million tons per year.

(Power generation: Goal 7)

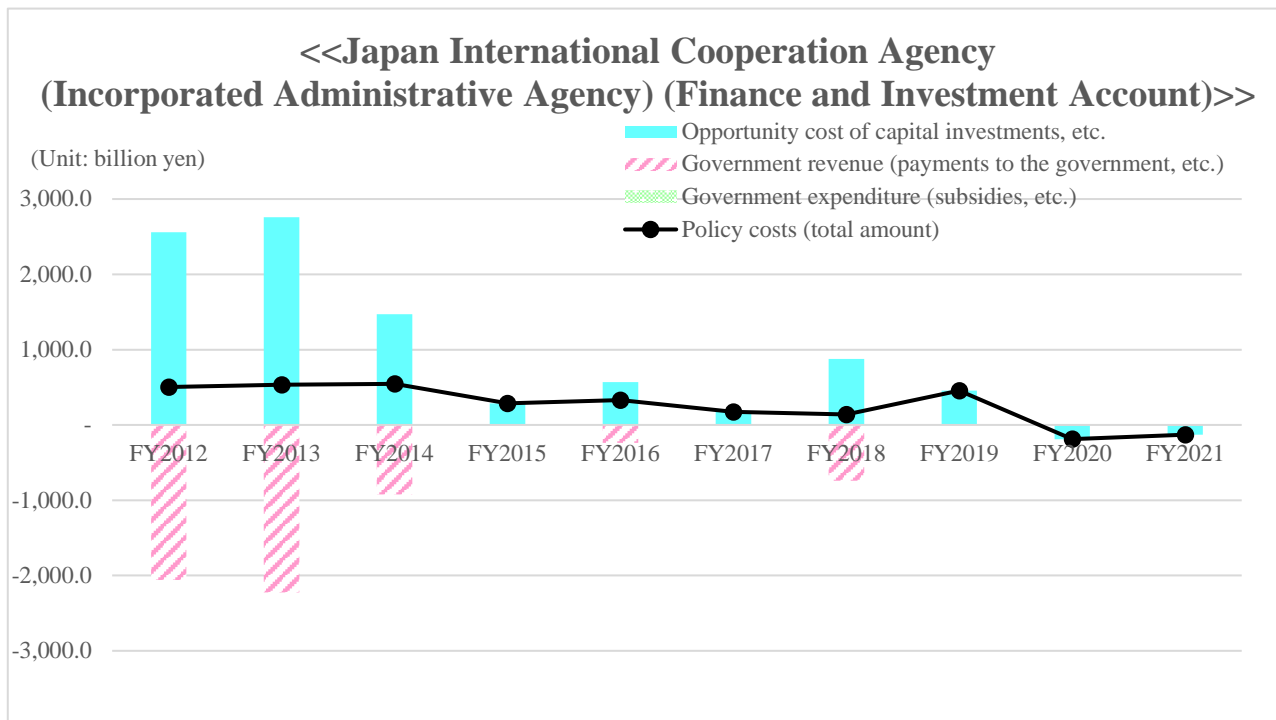
Based on ex-post project evaluations implemented from FY2010 to FY2019, construction of power generation facilities improvement projects in developing countries have supported power generation of about 58,904 GWh per year (according to the world average, this is equivalent to the amount consumed by about 21.54 million people in 2015).

(Environment: Goal 15)

Based on ex-post project evaluations implemented from FY2010 to FY2019, construction of power generation facilities improvement projects in developing countries have supported afforestation of about 2,890,000 ha (equivalent to 13.21 times as large as the area of Metropolis of Tokyo (219,000 ha)) in developing countries.

# Overview of policy cost analysis results

## 【Changes in policy costs】



Note: Policy costs for each fiscal year differ in assumptions including interest rates applied to estimates.

(Unit: billion yen)

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Policy costs (total amount)	502.4	534.3	545.2	285.0	330.9	173.2	137.4	454.8	-188.4	-130.1
Government expenditure (subsidies, etc.)	-	-	-	-	-	-	-	-	-	-
Government revenue (payments to the government, etc.)	-2,057.4	-2,222.1	-923.3	-	-237.3	-	-739.5	-	-	-
Opportunity cost of capital investments, etc.	2,559.8	2,756.4	1,468.5	285.0	568.2	173.2	876.9	454.8	-188.4	-130.1

### 【Explanation of policy cost trends】

- Large fluctuations in policy costs (total amounts) in some fiscal years are mainly caused by the effect of the assumed interest rates. The balance of government investment of Japan International Cooperation Agency (Finance and Investment Account) is approximately 8 trillion yen, therefore, changes in the assumed interest rates have a large impact on policy costs (total amounts). (Balance of capital investment as of the end of FY2021 (estimated) 8.2 trillion yen)

### 【FILP agency's self-assessment of policy cost analysis results (FY2021)】

- Because of extra-long-term assets unique to JICA business operations, the JICA policy cost analysis is very susceptible to assumed interest rates and the discount factor at the end of the analysis period. In the policy cost analysis for FY2021, the total policy cost increased from the previous year to -130.1 billion yen because of a reduced present discount value of outstanding capital investments at the end of the analysis period due to a rise in the applicable discount factor. The policy cost in the case before the negative interest rate policy was +261.9 billion yen, indicating that the policy cost fluctuates wildly depending on interest rate changes. In the case of a 1% increase in expenses (property and personnel expenses), the policy cost increased because the surplus at the end of the analysis period declined due to a rise in expenses, but the policy cost increase was small at 1.6 billion yen and the cost amount was kept at -128.5 billion yen.

## (Reference) Financial Statements

## Balance Sheet (Finance and Investment Account)

(Unit: million yen)

Item	End of FY2019 (Result)	End of FY2020 (Estimated)	End of FY2021 (Planned)	Item	End of FY2019 (Result)	End of FY2020 (Estimated)	End of FY2021 (Planned)
<b>(Assets)</b>				<b>(Liabilities and equity)</b>			
Current assets	12,706,238	13,579,348	14,370,493	Current liabilities	146,954	151,268	163,354
Cash and bank deposits	180,956	104,936	95,308	Bonds to be redeemed within one year	-	10,000	30,000
Loans	12,614,846	13,575,212	14,383,461	Borrowings from fiscal loans to be repaid within one year	106,613	104,622	97,430
Allowance for possible loan losses	-142,053	-159,883	-169,415	Accrued payments	8,425	8,425	8,425
Accrued income	26,380	33,349	35,406	Accrued expenses	5,779	6,116	7,741
Guarantee deposits	8,630	9,466	9,466	Derivatives	11,633	8,141	5,796
Other current assets	17,480	16,267	16,267	Lease liabilities	147	16	12
Fixed assets	119,225	119,084	135,901	Deposit received	11,615	11,615	11,615
Tangible fixed assets	9,370	9,394	9,450	Advance revenues	3	6	6
Buildings	2,136	2,229	2,258	Reserves	2,380	2,327	2,329
Land	6,612	6,612	6,612	Allowance for bonuses	337	284	286
Construction in progress	0	-	-	Contingency reserves	2,043	2,043	2,043
Other tangible fixed assets	621	553	580	Suspense receipt	359	-	-
Intangible fixed assets	5,655	5,185	4,744	Fixed liabilities	2,763,230	3,549,953	4,292,061
Trademark rights	0	0	0	Bonds	791,079	927,079	1,151,079
Software	5,300	5,009	3,431	Discount on bond	-341	-275	-204
Software in progress	355	176	1,313	Funds for fiscal loans	1,962,569	2,612,147	3,129,117
Investment and other assets	104,200	104,505	121,707	Long-term lease liabilities	40	24	11
Investment securities	3,875	5,037	10,037	Long-term deposits	5,587	6,802	8,017
Affiliated companies stock	46,732	46,932	47,932	Reserve for retirement pensions	4,226	4,105	3,969
Money in trust	52,912	51,853	63,053	Asset retirement obligation	70	70	70
Claims in bankruptcy, rehabilitation, reorganization or other equivalent claims	87,063	87,063	87,063	(Total liabilities)	2,910,185	3,701,221	4,455,416
Allowance for possible loan losses	-87,063	-87,063	-87,063	Capital			
Long-term prepaid expenses	1	1	1	Government investment	8,150,728	8,202,168	8,249,188
Guarantee deposits	679	681	683	Retained earnings	1,799,526	1,824,220	1,826,055
				Reserve	1,703,881	1,799,526	1,824,220
				Unappropriated income for the current year	95,645	24,694	1,835
				(Of this, gross profit)	95,645	24,694	1,835
				Valuation and translation adjustments	-34,974	-29,177	-24,264
				Valuation difference on securities	6,493	6,498	6,498
				Deferral hedge profit/loss	-41,467	-35,674	-30,762
				(Total equity)	9,915,279	9,997,211	10,050,979
Total assets	12,825,464	13,698,432	14,506,394	Total liabilities and equity	12,825,464	13,698,432	14,506,394

Note: Components may not add up to the total because of rounding.

## Income Statement (Finance and Investment Account)

(Unit: million yen)

Item	FY2019 (Result)	FY2020 (Estimated)	FY2021 (Planned)
Ordinary expenses		86,837	105,647
Expenses related to operations of cooperation through finance and investment	86,837	105,647	123,143
(Interest on bonds)	(9,515)	(9,033)	(16,614)
(Interest on borrowings)	(21,707)	(12,048)	(23,048)
(Interest on interest-rate swap)	(6,222)	(5,644)	(5,356)
(Other interest expenses)	(1)	-	-
(Outsourcing expenses)	(29,138)	(35,509)	(42,495)
(Bond issuance expenses)	(361)	(712)	(974)
(Foreign exchange losses)	-	-	-
(Personnel expenses)	(4,170)	(4,346)	(4,466)
(Provision of allowance for bonuses)	(337)	(284)	(286)
(Retirement benefit expenses)	(433)	(257)	(257)
(Property expenses)	(12,296)	(17,685)	(17,700)
(Depreciation cost)	(1,726)	(2,033)	(2,167)
(Taxes)	(95)	(126)	(106)
(Provision of allowance for possible loan losses)	-	(17,830)	(9,532)
(Provision of contingency reserves)	(837)	-	-
(Other ordinary expenses)	-	-	-
(Contingency)	-	(141)	(141)
Ordinary income		182,486	130,374
Revenues from operations of cooperation through finance and investment	180,904	130,268	124,935
(Interest on loans)	(131,739)	(122,832)	(119,101)
(Interest on government bonds, etc.)	(0)	-	-
(Dividends on investments)	(15,852)	(4,259)	(3,751)
(Commissions)	(2,590)	(2,496)	(1,985)
(Foreign exchange gains)	(1,311)	(129)	-
(Profits on valuation of investment securities)	(2,016)	-	-
(Profits on valuation of affiliated companies stock)	(16)	-	-
(Money trust investment profits)	(199)	-	-
(Allowances for bad debts)	(19,922)	-	-
(Reversal of contingency reserves)	(7,243)	-	-
(Other business income)	(17)	(553)	(98)
(Other ordinary income)	-	-	-
Financial revenues	687	26	29
Miscellaneous profits	875	80	41
Profits on loans written off	20	-	-
Ordinary profit		95,650	24,726
Extraordinary losses		9	33
Loss on retirement of fixed assets	8	22	17
Loss on sale of fixed assets	0	11	10
Extraordinary profits		3	1
Gain on sales of fixed assets	3	1	-
Net profit		95,645	24,694
Gross profit		95,645	24,694

Note: Components may not add up to the total because of rounding..