

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 FY2022 FILP

(Unit: billion yen)

FY2022 FILP	Estimated outstanding amount of FILP lending at the end of FY2021
641.7	3,411.7

3. Estimated policy cost analysis of the project

(1) Policy cost (Unit: billion yen)

Category	FY2021	FY2022	Fluctuation
1. Government expenditure (subsidies, etc.)	-	-	-
2. Government revenue (payments to the government, etc.)*1	-	-	-
3. Opportunity cost of capital investments, etc.	-130.1	-105.1	+25.0
Total (1+2+3=policy cost(A))	-130.1	-105.1	+25.0
Analysis period (years)	47 years	47 years	-

(2) Breakdown of policy cost by the time of the provision of funds (Unit: billion yen)

Category	FY2021	FY2022	Fluctuation
(A) Policy cost (previously cited)	-130.1	-105.1	+25.0
1) Opportunity cost of capital investments, etc. provided before the beginning of the analysis period	2,284.6	2,568.6	+284.1
2) Policy cost expected to be newly accrued during the analysis period	-2,414.7	-2,673.7	-259.1
Government expenditure (subsidies, etc.)	-	-	-
Government revenue (payments to the government, etc.)*1	-	-	-
Opportunity cost of surplus, etc.	-2,427.8	-2,688.4	-260.6
Opportunity cost of capital investments, etc.	13.1	14.7	+1.6

(3) Year-to-Year comparison analysis

(Computing any fluctuation from previous year)

(Unit: billion yen)

Policy cost	Simple comparison (before adjustment)	FY2021	FY2022	Simple fluctuation
		-130.1	-105.1	+25.0
Past year comparison (after adjustment)	1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2022 analysis)	-128.3	-159.6	Real fluctuation (2-1)
		-128.3	-159.6	-31.3

[Real fluctuation factor analysis]

○Factors behind policy cost increase

- Increase in cost due to interest rate gap for new loans provided in FY2022 (+150.4 billion yen)

○Factors behind policy cost decrease

- Decrease in cost due to finalization of FY2020 results and revision of FY2021 projections (-145.1 billion yen)
- Others (Decrease in administrative cost due to new loan, etc.) (-36.6 billion yen)

(4) Breakdown of policy cost by causative factor (Unit: billion yen)

(A) Policy cost in FY2022 (previously cited)	-105.1
1) Prepayments	-
2) Loan losses	-240.7
3) Others (including profit spread)	135.6

(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		
-105.1	250.0	+355.1	-	-1,470.0	+1,825.1
(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		
-105.1	-102.4	+2.7	-	-	+2.7

(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 FY2020 was 13,572.5 billion yen, and planned amount of financing for FY2021 and FY2022 is 2,920.0 billion yen.
- 3) The analysis period is 47 years from FY2022 to FY2068, 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 FY2022, the expense associated with new loan 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 FY2023.
- 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
	2017	2018	2019	2020	2021	2022	2023 to 2068 (cumulative ratio)
Loan write-off ratio	-	-	-	-	-	-	0.58%

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 FY1961-2020: 41,740.3 billion yen
- Accumulated amount of loan and equity participation disbursements during FY1961-2020: 30,698.6 billion yen
- Loan and equity commitments in FY2020: 1,566.6 billion yen
- Loan and equity disbursements in FY2020: 1,438.8 billion yen
- Loan outstanding balance as of the end of FY2020: 13,757.7 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) Response cases

(1) COVID-19 responses

-JICA created the COVID-19 Crisis Response Emergency Support Loan to flexibly provide funds for economic measures under a FY2020 supplementary budget approved by the National Diet in April 2020 and decided on 379.5 billion yen in yen loans to 14 countries (some 630.0 billion yen in loans were reported in advance) by the end of March 2022. JICA also applied the Post-Disaster Standby Loan to COVID-19 control measures for the first time. The Philippine president expressed his thank for the application at summit talks.

(2) High-quality growth and subsequent poverty reduction

-In Pakistan, JICA used excellent Japanese technologies to realize difficult mountainous road construction, contributing to improving regional connectivity. The construction project was awarded the Japan Society of Civil Engineers technology prize.

-In Cambodia, JICA mobilized all available support tools for the development and operation of Sihanoukville port, leading the port to develop into a representative Cambodian port handling more than 70% of container cargoes in the country. The head of the project's implementer received the Order of the Rising Sun, Gold Rays with Neck Ribbon from the Japanese government.

(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 FY2011 and FY2020 was 16.42%. (JICA survey implemented in FY2021)

(Reference 3) Direct and indirect contributions to Sustainable Development Goals (SDGs) financed by yen loans (JICA survey implemented in FY2021)

(Safe drinking water: Goal 6)

Based on ex-post project evaluations implemented from FY2011 to FY2020, supply of safe drinking water to about 72.84 million people through waterworks projects around the world.

(Disaster prevention: Goal 11)

Based on ex-post project evaluations implemented from FY2011 to FY2020, contribution toward protection of about 3.88 million people from disaster through projects pertaining to flood control, etc.

(Airports: Goal 9)

Based on ex-post project evaluations implemented from FY2011 to FY2020, airport improvement projects in developing countries have contributed to the response to yearly passenger demand of about 78.06 million people per year.

(Railroads: Goal 9)

Based on ex-post project evaluations implemented from FY2011 to FY2020, railroad improvement project in developing countries have contributed to the transport of about 1.71 billion passengers per year.

(Roads: Goal 9)

Based on ex-post project evaluations implemented from FY2011 to FY2020, road improvement projects in developing countries have led to the construction of approximately 5,373 km of new road and improvement of approximately 18,117 km of existing road, and realized traffic volume of about 1.84 million vehicles per day.

(Ports and harbors: Goal 9)

Based on ex-post project evaluations implemented from FY2011 to FY2020, port and harbor improvement projects in developing countries have contributed to realize cargo handling volume of about 351.37 million tons per year.

(Power generation: Goal 7)

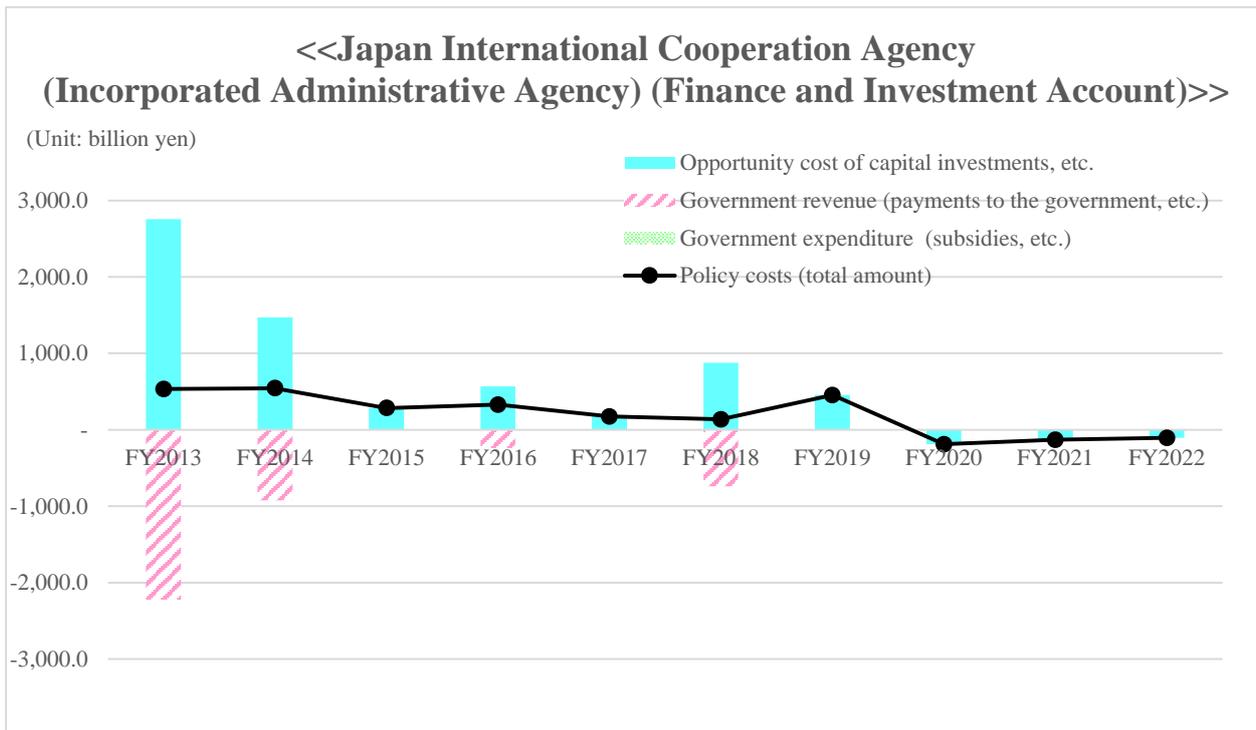
Based on ex-post project evaluations implemented from FY2011 to FY2020, construction of power generation facilities improvement projects in developing countries have supported power generation of about 56,777 GWh per year (according to the world average, this is equivalent to the amount consumed by about 20.77 million people in 2015).

(Environment: Goal 15)

Based on ex-post project evaluations implemented from FY2011 to FY2020, construction of power generation facilities improvement projects in developing countries have supported afforestation of about 2,850,000 ha (equivalent to about 13 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)

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Policy costs (total amount)	534.3	545.2	285.0	330.9	173.2	137.4	454.8	-188.4	-130.1	-105.1
Government expenditure (subsidies, etc.)	-	-	-	-	-	-	-	-	-	-
Government revenue (payments to the government, etc.)	-2,222.1	-923.3	-	-237.3	-	-739.5	-	-	-	-
Opportunity cost of capital investments, etc.	2,756.4	1,468.5	285.0	568.2	173.2	876.9	454.8	-188.4	-130.1	-105.1

【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 FY2022 (estimated) 8.3 trillion yen)

【FILP agency's self-assessment of policy cost analysis results (FY2022)】

• 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 FY2022, the total policy cost increased from the previous year to -105.1 billion yen as a rise in the applicable discount factor at the end of the analysis period from the previous year led the present discounted value of outstanding capital investments and reserves at the end of the analysis period to decline from the previous year. The policy cost in the case before the negative interest rate policy was +250.0 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 2.7 billion yen and the cost amount was kept at -102.4 billion yen.

(Reference) Financial Statements

Balance Sheet (Finance and Investment Account)

(Unit: million yen)

Item	End of FY2020 (Result)	End of FY2021 (Estimated)	End of FY2022 (Planned)	Item	End of FY2020 (Result)	End of FY2021 (Estimated)	End of FY2022 (Planned)
(Assets)				(Liabilities and net assets)			
Current assets	13,445,271	14,202,108	14,847,213	Current liabilities	146,301	157,809	202,338
Cash and bank deposits	220,490	226,154	177,216	Current portion of bonds	10,000	30,000	30,000
Loans	13,341,710	14,154,151	14,855,406	Current portion of borrowings from government fund for Fiscal Loan	104,069	96,878	141,879
Allowance for loan losses	-176,363	-242,960	-249,616	Accrued payments	6,495	6,495	6,495
Accrued income	33,239	39,841	39,271	Accrued expenses	5,220	6,615	8,047
Guarantee deposits	10,303	10,304	10,318	Derivatives	10,836	8,652	6,748
Other current assets	15,891	14,619	14,619	Lease liabilities	20	18	15
Fixed assets	158,555	176,073	185,561	Deposit received	5,921	5,921	5,921
Tangible fixed assets	9,165	9,267	9,450	Advance revenues	64	64	64
Buildings	2,078	2,130	2,290	Provisions	3,230	3,167	3,169
Land	6,612	6,612	6,612	Provision for bonuses	341	278	280
Construction in progress	4	-	-	Provision for contingent losses	2,889	2,889	2,889
Other tangible fixed assets	471	525	547	Suspense receipt	447	-	-
Intangible fixed assets	5,016	4,561	8,554	Fixed liabilities	3,426,630	4,169,266	4,720,143
Trademark rights	0	0	0	Bonds	898,211	1,122,211	1,290,211
Software	4,175	4,561	2,859	Discount on bond	-492	-443	-393
Software in progress	841	-	5,695	Borrowings from government fund for Fiscal Loan	2,518,683	3,036,205	3,418,025
Investment and other assets	144,375	162,245	167,558	Long-term lease liabilities	26	15	-
Investment securities	6,645	10,225	11,938	Long-term deposits	6,257	7,472	8,687
Affiliated companies stock	76,089	78,589	78,589	Provision for retirement benefits	3,841	3,701	3,508
Money in trust	60,953	71,953	75,553	Asset retirement obligation	106	106	106
Claims in bankruptcy, rehabilitation, reorganization or other equivalent claims	87,063	87,063	87,063	(Total liabilities)	3,572,931	4,327,075	4,922,480
Allowance for loan losses	-87,063	-87,063	-87,063	Capital			
Long-term prepaid expenses	5	5	5	Government investment	8,202,168	8,249,188	8,296,278
Guarantee deposits	683	1,473	1,473	Retained earnings	1,832,533	1,800,712	1,808,709
				Reserve	1,799,526	1,832,533	1,800,712
				Unappropriated income for the current year	33,008	-31,821	7,997
				(Of this, gross profit)	33,008	-31,821	7,997
				Valuation and translation adjustments	-3,806	1,205	5,307
				Affiliated companies stock valuation differences	28,561	28,561	28,561
				Valuation difference on securities	3,058	2,951	2,964
				Deferral hedge profit/loss	-35,425	-30,307	-26,217
				(Total net assets)	10,030,895	10,051,105	10,110,294
Total assets	13,603,826	14,378,181	15,032,775	Total liabilities and net assets	13,603,826	14,378,181	15,032,775

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

Income Statement (Finance and Investment Account)

(Unit: million yen)

Item	FY2020 (Result)	FY2021 (Estimated)	FY2022 (Planned)
Ordinary expenses		101,060	165,506
Expenses related to operations of cooperation through finance and investment			
(Interest on bonds)	101,060	165,506	120,474
(Interest on borrowings)	(8,396)	(10,106)	(18,004)
(Interest on interest-rate swaps)	(12,542)	(13,605)	(24,064)
(Other interest rate expenses)	(5,679)	(5,257)	(4,064)
(Outsourcing expenses)	(100)	(378)	(632)
(Bond issuance expenses)	(17,585)	(42,495)	(41,004)
(Foreign exchange losses)	(558)	(974)	(864)
(Personnel expenses)	-	(779)	-
(Provision for bonuses)	(4,059)	(4,411)	(4,494)
(Retirement benefit expenses)	(341)	(278)	(280)
(Property expenses)	(15)	(252)	(252)
(Depreciation cost)	(11,608)	(17,700)	(17,682)
(Taxes)	(1,945)	(2,157)	(2,218)
(Loss on liquidation of investment securities)	(95)	(106)	(121)
(Loss on valuation of investment securities)	(9)	-	-
(Loss on valuation of affiliated companies stock)	(462)	-	-
(Interest cost)	(118)	-	-
(Provision of allowance for loan losses)	-1,409	-16,913	-16,905
(Provision for contingent losses)	(34,310)	(66,598)	(6,656)
(Other business expenses)	(847)	-	-
(Other ordinary expenses)	(2,391)	(269)	-
(Contingency)	(0)	-	-
Ordinary income		134,070	133,709
Revenues from operations of cooperation through finance and investment			
(Interest on loans)	133,356	133,576	128,425
(Dividends on investments)	(122,934)	(117,076)	(115,604)
(Commissions)	(4,329)	(11,396)	(10,669)
(Foreign exchange gains)	(3,119)	(2,385)	(1,857)
(Money trust investment profits)	(1,050)	-	-
(Other business income)	(1,597)	(2,720)	-
Financial revenues	(327)	-	(295)
Miscellaneous profits	27	40	28
Profits on loans written off	686	73	40
Ordinary profit or loss	-	20	-
Extraordinary losses			
Loss on retirement of fixed assets	4	14	14
Loss on sale of fixed assets	0	11	10
Extraordinary profits			
Gain on sales of fixed assets	2	1	-
Net profit or loss		33,008	-31,821
Gross profit or loss		33,008	7,997
			7,997

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