

Corporate Governance

Internal Control

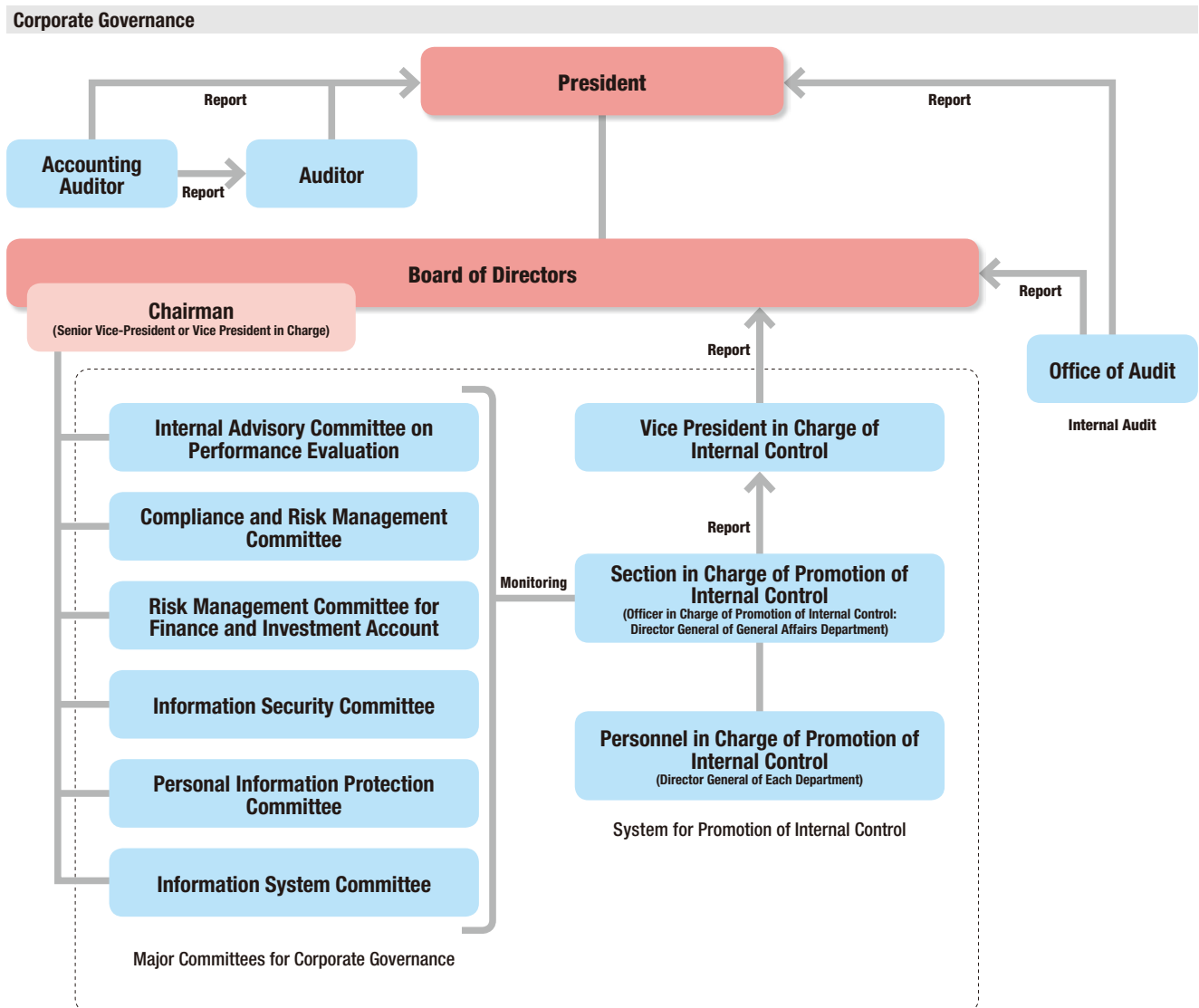
In order to improve the effectiveness and efficiency of its operations, to comply with laws and other rules, and to accomplish objectives as stipulated in the Act of the Incorporated Administrative Agencies—Japan International Cooperation Agency, JICA has developed a corporate governance structure.

Specifically, in order to promote internal control as laid out in the Act on General Rules for Incorporated Administrative Agencies, JICA has established an internal control system, where under the President, who represents JICA and presides over its operations, the Vice President in charge of general affairs takes charge of internal control along with the Director General of General Affairs Department, who takes charge of its promotion in the organization. The status of internal control is monitored on a regular basis, and reported to and deliberated on the Board of Directors.

JICA has also established the Office of Audit as an independent section that conducts internal audits to ensure the efficiency and effectiveness of its operations. Furthermore, JICA receives audits from auditors and accounting auditors, and maintains the quality of its governance by firmly following up the results of the audits.

Moreover, JICA strives to raise awareness regarding internal control by developing rules for internal control and a series of manuals to set out standard operating procedures, and also promote internal control activities through reference document: “Internal Control at JICA.”

For important areas of internal control, JICA sets up committees that deliberate on relevant issues and take necessary precautions. JICA has also established contact points for internal and external whistleblowing to ensure that needed information is communicated from parties inside and outside of JICA.



Performance Evaluation

JICA, as an Incorporated Administrative Agency (IAA), is required to improve quality and efficiency, ensure autonomous management, and secure transparency of its operations. In order to carry out these operations along with plan-do-check-action (PDCA) cycle, the Act on General Rules for Incorporated Administrative Agencies identifies the mechanism for medium-term objective-based management and the performance evaluation system.

● Medium-term Objective-Based Management and a Performance Evaluation System

To achieve the Medium-term Objectives set by the competent ministers, JICA prepares its five-year Medium-term Plan and an Annual Plan, and operates in accordance with these Plans. JICA also performs self-evaluations at the end of each fiscal year and each five-year Medium-term Plan period, and submits the results to the competent ministries. At the same time, JICA prepares the next Medium-term Plan and Annual Plan based on the results and thus iterates the PDCA cycle to induce more effective and efficient operation of projects.

More precisely, while the Medium-term Plan needs to obtain approvals from the competent ministers, Annual Plans are prepared by JICA and submitted to the ministers. JICA also prepares self-evaluations on its annual operational performance, compiles them into a Performance Report, and submits it to the ministers. The ministers evaluate the report, give feedback to JICA and also publish it, and may order JICA to improve its operational management based on the results of the ministers' evaluation.

Additionally, at the end of each Medium-term Objectives period, the ministers conduct overall review on JICA's operations and organization, examining necessity for the continuation of each operation and the retention of organization itself, and take necessary measures based on the results.

Meanwhile, the Evaluation System Committee for Incorporated Administrative Agencies, established under the Ministry of Internal Affairs and Communications, states its opinions, as necessary, on the content of Medium-term Objectives, Medium-term evaluations conducted by the competent ministers, and the necessary measures to be taken at the end of a Medium-term Objectives period, as described in the previous paragraph. This mechanism ensures the objectivity of the evaluation system.

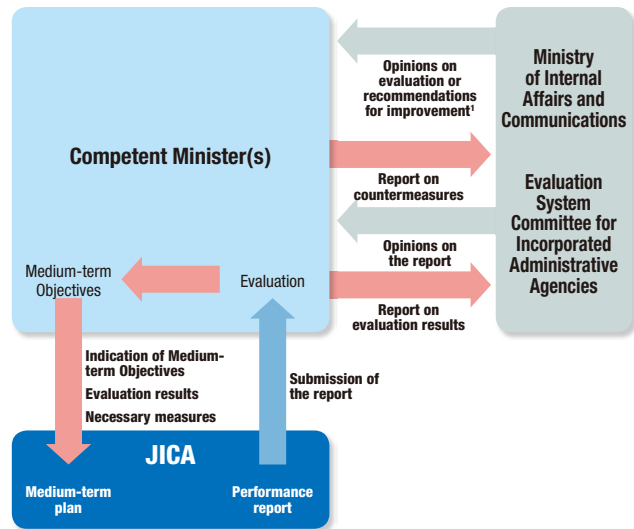
● Efforts for Achieving the Medium-term Plan and the Annual Plans

In order to improve JICA's operational quality, the ongoing Medium-term Plan (business year 2012 to 2016) prioritizes formulation and implementation of quality projects that are based on a concept of human security, with focus on poverty reduction, sustained economic growth, addressing global issues, and peacebuilding, which are the Japanese government priority issues for development cooperation.

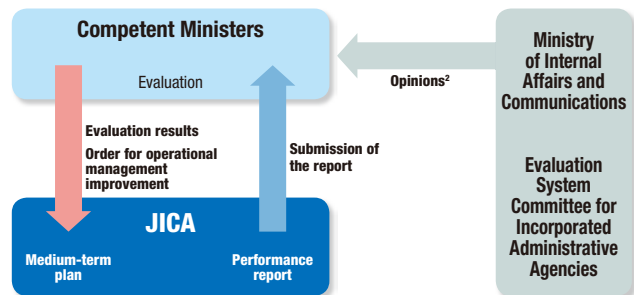
As specific measures, JICA is promoting strategic initiatives based on analyses on each country, region, issue, and sector. Such initiatives include promotion of a program approach that incorporates technical cooperation, ODA Loan, and Grants in

Framework for Performance Evaluation and Operational Management Review

Medium-term cycle



Annual cycle



1. In cases where recommendations are made, the Committee may state opinions to the Prime Minister when specifically necessary
2. Only when application of an evaluation is deemed remarkably inappropriate

a comprehensive manner; strengthening of partnerships with private sector, local governments, NGOs, and universities; and enhancing contribution to Japan's leadership roles in the international community. Furthermore, JICA will continuously take measures to improve the flexibility of organizational management, promote competitiveness and transparency in its contracting process, and enhance cost efficiency.

JICA internally monitors the progress of operations to achieve these Plans. Additionally, JICA reviews its performance and self-evaluation through the Internal Advisory Committee on Performance Evaluation, with the participation of external experts. JICA also reflects the results of the evaluations by the ministers, the opinions of Evaluation System Committee for Incorporated Administrative Agencies of the Ministry of Internal Affairs and Communications, and the results of internal monitoring on the improvement of its operational quality and optimization of its operational management.

Compliance and Risk Management

Compliance Policy

- (1) JICA shall improve the transparency and fairness of its operations and financial activities in order to secure public trust.
- (2) JICA shall contribute to the sound development of the international economic community through development assistance in order to secure the trust of the international community.
- (3) JICA shall meet the needs of developing regions and swiftly and flexibly provide quality services.
- (4) JICA shall consider natural and social environments when conducting its operations.
- (5) JICA shall communicate well with various levels of society and maintain an organizational culture of transparency.

● Compliance Framework and Risk Management

JICA bears heavy social responsibilities and is charged with a public mission as an incorporated administrative agency. In order to discharge this social responsibility while responding to the expectations of the general public and the international community, as well as in light of changes in the environment surrounding Japan, it is becoming increasingly important to ensure transparency and fairness of its operational management in accordance with laws, internal regulations and social norms. A compliance system is essential for appropriate operational management. Based on this understanding, JICA has defined principles of conduct as compliance policy.

Compliance is one of the objectives of internal control, while identification and assessment of risks are fundamental components of internal control. JICA defines risks as those factors that will act as barriers to its operations. To achieve organizational objectives and plans, such as the Medium-term Plans, in an effective and efficient manner, JICA assures implementation of risk management systems and performs risk identification and

assessment for the smooth running of its projects.

To properly embed a compliance framework and risk management within the organization, an accident report system and external and internal whistleblower report systems have been established to prevent violations of laws and internal regulations, to secure proper and prompt response to violations, and to prevent the reoccurrence of violations. JICA also works on prevention of fraud and corruption to avoid bribery and other unacceptable acts to be identified in the projects funded by JICA. JICA has also distributed a compliance manual to all of its officers and staff. This manual identifies, organizes, and systematizes those compliance policies, laws, rules, and social demands that must be observed in addition to serving as a guide to behavior for staff.

Furthermore, in order to deliberate and consider various issues related to compliance and risk assessment and management, the Compliance and Risk Management Committee, which is chaired by the Senior Vice-President, meets regularly. For the purpose of firmly establishing and strengthening an organizational compliance framework, JICA implements activities in each fiscal year based on the compliance program determined by the committee. Also, all departments annually review and assess risks that are relevant to their operations.

● Activities in Fiscal 2015

In fiscal 2015, JICA Consultation Desk on Anti-Corruption that was enhanced in fiscal 2014, continued its operation, and JICA opened a new contact point for external whistleblowing. The new contact point, in line with the purpose of the Whistleblower Protection Act, accepts reports from outside JICA for detecting and correcting unlawful acts relating to JICA's operational management and for ensuring fairness.

Furthermore, to improve compliance awareness, JICA revised its compliance manual drastically to change the contents to be more user friendly, and to reflect amendments such as revisions of relevant regulations. In addition, to improve compliance awareness of the persons concerned with JICA's operation and management, such as staff members and experts, JICA conducted training on compliance and prevention of fraud and corruption, and discussed views on risk assessment within the organization.

Risk Management of Finance and Investment Account

The operations of the Finance and Investment Account involve various risks, including credit risk, market risk, liquidity risk, operational risk and other risks. The nature as well as the volume of risks in JICA's operations and the ways to deal with them differ from the risks and countermeasures at private financial institutions. Nonetheless, it is essential for JICA to have appropriate risk management just as at a financial institution. In line with the global trend of increasingly focusing on risk management among financial institutions and regulators, JICA is constantly improving risk management of its Finance and Investment Account.

More specifically, risk management of the Finance and Investment Account is positioned as a managerial issue that needs to be addressed systematically by the entire organization. JICA has thus adopted a risk management policy for its operations. Under the policy JICA identifies, measures and monitors various risks. The objective of this policy is to ensure sound and effective operations and to earn returns commensurate with risks. JICA has established Risk Management Committee for Finance and Investment Account that examines important issues related to integrated risk management.

● Credit Risk

Credit risk refers to the potential loss from difficulties or failure to recover credit assets due to the deteriorating financial condition of a debtor. The main area of Finance and Investment operations is lending. Consequently, the control of credit risk is a major part of JICA's risk management. Sovereign risk makes up a considerable part of the credit risk that accompanies ODA Loan operations. JICA, as an official financier, evaluates sovereign risk by making full use of information gathered through communication with the governments and relevant authorities in the recipient countries, multilateral institutions such as the International Monetary Fund (IMF) and the World Bank, other regional and bilateral donor organizations, and private financial institutions in developed countries. As for Private-Sector Investment Finance (PSIF), JICA assesses the risk associated with lending to private entities as well as country risk and currency risk.

1. Credit Rating System

JICA has established a credit rating system as part of the organization's operating procedures that is to cover all the borrowers. Credit ratings are the cornerstone of credit risk management, being used for conducting individual credit appraisals and quantifying credit risks. Credit ratings are divided into two categories: sovereign borrowers and non-sovereign borrowers. A different credit rating system is used for each category. Ratings are subsequently updated as appropriate.

2. Self-Assessment of Asset Portfolio

When managing credit risks, it is important to make proper self-assessments of the loan portfolio and implement write-offs and loan loss provisions in a proper and timely manner. Based on the Financial Inspection Manual prepared by Japan's Financial Services Agency, JICA has developed internal rules for assessment. To ensure an appropriate checking function in this process, the first-stage assessment is conducted by the relevant departments in charge of lending and investment, and the second-stage assessment is conducted by the credit risk analysis department. An accurate understanding of asset quality is essential to maintain JICA's financial soundness as well as for disclosure.

3. Quantifying Credit Risk

In addition to individual credit risk management, JICA is working on quantifying credit risks with a view to evaluating the risk of the overall loan portfolio. To do that, it is important to take into account the characteristics of JICA's loan portfolio, a significant proportion of which consists of long-term loans and sovereign loans to developing and emerging countries. Also, JICA takes into account multilateral mechanisms for securing assets such as the Paris Club, which is a unique framework for debt management by official creditor countries. By incorporating these factors in the credit risk quantification model, JICA measures credit risks and utilizes it for internal controls.

● Market Risk

Market risk refers to the potential losses incurred through changes in the value of assets and liabilities caused by fluctuations

in foreign currency exchange rates and/or interest rates.

JICA bears risks arising from long-term fixed rate interest loans due to the characteristics of its lending activities. In this regard, JICA is enhancing its capacity to absorb interest rate risk by using capital injections from the General Account Budget of the Japanese government.

Furthermore, interest-rate swaps are carried out exclusively for the purpose of hedging interest rate risk. In order to control counterparty credit risk of interest rate swaps, the market value of transactions and credit worthiness of each counterparty are constantly assessed and collateral is secured when necessary.

JICA hedges exchange rate risks, which may arise from foreign currency-denominated loans in PSIF and the Japanese ODA Loan with Currency Conversion Option, with currency swaps, etc.

Moreover, when foreign currency-denominated investments are extended in PSIF, the valuation of investments is exposed to exchange risks. JICA manages this risk through regular and continuous monitoring of exchange rate fluctuations in the currency of the country in which the counterparty is located.

● Liquidity Risk

Liquidity risk refers to risk of having difficulty securing sufficient funds due to a deterioration of JICA's credit or to an unexpectedly large increase in expenditures or an unexpectedly large decrease in revenues.

JICA uses many measures to avoid liquidity risk through management of its cash flow. This includes efforts to secure multiple sources of funds such as Agency Bonds and borrowing under Fiscal Investment and Loan Programs.

● Operational Risk

Operational risk refers to potential losses incurred from work processes, personnel activities, improper systems, or other external events. For JICA, this refers to risks that stem from its operations, systems, and internal or external misconduct. JICA manages the operational risk as part of the efforts to promote its compliance policy.

Security and Safety Management

The Government of Japan and JICA, based on the outcome of the Council on Safety Measures for International Cooperation Projects that was established under the Minister of Foreign Affairs in response to the Dhaka terrorist attack, implement enhanced measures and strengthen safety control in the areas of (1) improvement in collection, analysis, and sharing of threat information, (2) thorough implementation of the codes of conduct among project members and NGOs, (3) enhancement of protection measures, training, and drills both in hardware and software aspects, (4) responses to actual emergencies, and (5) enhancement of risk control awareness and identification of the preferred stance among the Ministry of Foreign Affairs and JICA, in addition to the existing activities.

In addition to the measures against terrorism that happens frequently in developed countries as well as in developing countries, following measures are still important tasks, that is, measures against deteriorated public order due to unstable political situations, continuous serious challenges including damages from general crimes such as theft, pilfering, assaults, and robberies, and from traffic accidents caused by undeveloped transportation infrastructure, poorly maintained vehicles, and immature driving techniques.

In this regard, JICA gives a high priority to security and safety management in order to ensure safe activities of JICA personnel in abroad.

The number of cases of crime that affected individuals concerned with JICA in fiscal 2015 was 399, and this was approximately on the same level as the 396 cases in fiscal 2014.

● Implementation of Security and Safety Measures Training for Related Personnel

JICA conducts security and safety measures training before dispatching personnel engaged in JICA activities, including staffs, experts, volunteers and their families, and after their arrival at their destinations. These training sessions provide specific and practical instructions and advice regarding safety risks in each area, as well as on emergency response to crimes, selection of residence, communication skills with local residents, and so on. JICA overseas offices periodically hold Security and Safety Meetings that provide the latest local safety information and opportunities to share actual experiences of encountering crimes and lessons learned, leading to increased awareness on security and safety among the participants. In future, JICA will provide opportunities for training and drills to a larger-scope audience involved in JICA projects, and will also make an effort to improve the quality of the training and the drills.

● Assignment of Security Advisors

JICA locally assigns personnel with public security and safety management expertise as Security Advisors. They collect and analyze day-to-day security information and provide appropriate guidance and instructions on prevention and measures against problems such as general crimes and traffic accidents.

● Establishment of Emergency Communication System for Overseas Offices and Headquarters

JICA has established a safety system in each country for prompt communication of information and confirmation of safety of its personnel in cases of emergency. JICA maintains a standby system in Japan that can effectively receive and handle emergency contacts from overseas offices 24 hours a day, 365 days a year.

● Dispatch of Security Survey Missions

JICA dispatches security survey missions from its headquarters or from overseas offices to assess local safety conditions and to implement country-specific safety measures. Based on analysis of those local security conditions, JICA makes appropriate decisions on the range of JICA personnel activities and necessary safety measures to implement. In fiscal 2015, missions were dispatched to eight countries from JICA headquarters and overseas offices. To deal with general crimes, JICA dispatches a security advisory mission to provide safety guidance to related personnel. Among other topics, the guidance covers prevention of residential and other crimes. The advisory mission was dispatched to 15 countries in fiscal 2015. Depending on local conditions relating to traffic accidents, the usage situation of rental motorcycles, etc., JICA dispatches missions to study local traffic and provide instruction on traffic safety. Missions were dispatched to seven countries in fiscal 2015.

● Security Measures for Residences of Related Personnel

JICA conducts security checks on the residences of personnel to secure safety. JICA enhances crime prevention systems as necessary (construction of raised fences, reinforcement of doors and window frames, installation of iron bars and auxiliary locks, etc.) as well as the allocation of security guards.

● Sharing of Safety Management Information with Private-Sector Entities

As a member of the Overseas Safety Public-Private Cooperative Council, established by the Ministry of Foreign Affairs, JICA promotes public-private cooperation for overseas safety management. For individuals concerned with Japanese private corporations that have secured orders for ODA Loan projects from the governments of recipient countries, JICA encourages registration with the emergency contact networks of JICA's overseas offices, provides security information, supports safety confirmation activities, and extends other assistance. JICA's training programs for the individuals concerned are also offered to security personnel for external organizations.

● Awareness in Avoiding the Risk of Terrorism

These days, terrorism attacks frequently happen in many areas of the world, and no place can be free from the threat of terrorism, and to make awareness in avoiding the risk of terrorism an imperative precaution. JICA strives to develop awareness of terrorism to avoid terrorism risks, especially among individuals

who work in high-risk regions, for example, by briefing them on specific precautions for avoiding involvement in terrorism incidents on such occasions as pre-dispatch training and post-arrival orientation. JICA is also strengthening risk avoidance through implementation of a code of conduct for each country. To have personnel obtain on-site know-how on potential risks, such as kidnapping, riots, and terrorism, JICA has offered more pragmatic security training since 2003 in conjunction with the United Nations High Commissioner for Refugees (UNHCR) eCentre. In fiscal 2015, JICA conducted practical training on counter-terrorism measures in Japan on a trial basis.

● Security Measures in Peacebuilding and Reconstruction Assistance Areas

For peacebuilding and reconstruction assistance, JICA conducts programs in post (or ongoing) conflicts countries or regions such as Afghanistan, Iraq, Pakistan, the Palestinian territories, and Mindanao in the Philippines. In these places, JICA closely monitors political and public security conditions every day, and has implemented safety measures such as restriction on areas and times of activities and further enhancement of security systems.

Information Security and Personal Information Protection

Up to now, JICA has engaged in information security and protection of personal information by developing internal regulations such as the Information Security Management Rules and Personal Information Protection Bylaws.

Regarding information security, in the circumstances where cyber threats have become increasingly serious, as represented by targeted email attacks, the Basic Act on Cyber Security was amended and enacted in April 2016. Cyber security has been enhanced throughout all government agencies, and independent administrative agencies are now subject to investigations of causes, audits, and drills that are conducted by the National

Information Security Center (NISC).

Regarding personal information protection, since the Social Security and Tax Number System so called “My Number” system was introduced for practical use in January 2016, the importance of personal information protection has increased progressively.

To respond to this situation, JICA has strengthened operation monitoring and data acquisition from information networks and PCs, compared to previous practices, as well as conducting drills and training for employees and other persons concerned, to further improve information security and personal information protection.

Information Disclosure

In addition to those items identified in each of the following sections, JICA discloses information through its website and other means in accordance with Article 22 of the Act on Access to Information Held by Incorporated Administrative Agencies (Act No. 140 of December 5, 2001).

● Information Related to the Organization

Objectives, overview of operations, relationships with Japanese government programs; overview of organization; laws and regulations; standards for officer salaries and retirement allowances; standards for employee salaries and retirement allowances; business continuity plan; etc.

● Information Related to Operating Activities

Project reports; performance reports; Mid-term Objectives; Mid-term Plans, Annual Plans; etc.

● Information Related to Financial Standing

Financial statements, etc.

● Information Related to the Evaluation and Audit of the Organization, Operating Results, and Financial Standing

Performance evaluation documents; audit reports of auditors; audit opinions of auditors; internal audit reports; administrative

evaluations and supervisory reports; accounting audit reports; etc.

● Information Related to Noncompetitive Negotiated Contracts

Information related to noncompetitive negotiated contracts, etc.

● Information on Related Entities

Recipients of financing activities; the status of related public-interest corporations; etc.

● For More Information

For additional information, please refer to the Japan International Cooperation Agency website.

Information Related to Disclosure

→ [JICA website](#) “Home” page

→ Information Disclosure

<http://www.jica.go.jp/disc/index.html> (Japanese only)

Information Related to the Protection of Personal Information

→ [JICA website](#) “Home” page

→ Privacy Policy

<http://www.jica.go.jp/english/policy/index.html>