



Second Opinion: JICA Bonds as Social Bonds

Updated date : 10 Aug 2017(*)

Publication date : 24 Aug 2016

Review provider : The Japan Research Institute, Limited.

Executive Summary

1. Introduction

This document is published by the Japan Research Institute, Limited (JRI), as a Second opinion of JICA Bonds, which are issued by the Japan International Cooperation Agency (JICA) to raise funds for Official Development Assistance(ODA) Loans. This review was conducted by JRI with reference to the updated “Social Bond Principles, 2017” (hereinafter as SBP) published in June 2017 by the International Capital Market Association.

2. Role of review provider and scope of review

The role of JRI is as a consultancy which provides an external review for JICA Bonds. SBP recommends that issuers obtain external reviews to confirm the alignment of the Social Bonds with the key features of SBP and they specify the following four types of external reviews: Consultant Review, Verification, Certification, and Rating. This document falls under the category of Consultant Review. The scope of this review is to confirm whether the framework of JICA Bonds is appropriate in accordance with the SBP’s four components: i) use of proceeds, ii) process for project evaluation and selection, iii) management of proceeds, and iv) reporting.

3. Our opinion (summary)

As a result of the review with reference to the four components of SBP, we evaluate that JICA Bonds are aligned with the character of Social Bonds, defined in SBP, where the proceeds will be exclusively used for social projects to address social issues. The reviews of each component are as follows.

- **Use of proceeds:** JICA’s ODA Loans, on which the proceeds of JICA Bonds are totally allocated, has clear eligibility criteria for selecting sectors and countries of loan projects.
- **Process for project evaluation and selection:** An adequate external evaluation system such as Development Project Accountability Committee, Advisory Committee for Environmental and Social Considerations, and Advisory Committee on Evaluation has been established and run among JICA’s operations including ODA Loans. This enables JICA to ensure transparency and to promote disclosure.
- **Management of proceeds:** The proceeds of JICA Bonds have been managed in a highly transparent system.
- **Reporting:** JICA has published the ex-ante and ex-post evaluation reports including quantitative and qualitative impact for every ODA Loan project. Especially, in addition to the evaluation by the external consultants, some projects in ex-post evaluation have made highly transparent disclosure by issuing third-party opinion by experts. Furthermore, we recommend that JICA disclose its accumulated impact of ODA Loans by bundling the impact of each project in order to enable investors to understand the impact of JICA Bonds as Social Bonds.



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