

Japan International Cooperation Agency

United Nations University

NO. 12

United Nations University
Financial Assistance Program

Final Report

(Summary)

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March 2002

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Japan International Cooperation Agency

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PREFACE

In response to a request from United Nations University (UNU), the Government of Japan decided to conduct a development study on Financial Assistance Programme for Privately-Financed Foreign Students in Japan and entrusted to the study to Japan International Cooperation Agency (JICA).

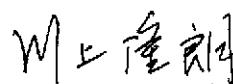
JICA selected and commissioned a study team headed by Mr. Nakagome Akihiro, a partner of Shin Nihon & Co. to conduct the study between June 2001 and March 2002. In addition, JICA set up an advisory committee which consisted of the Ministry of Foreign Affairs and the Ministry of Education, Culture, Sports, Science and Technology between June 2001 and March 2002. The advisory committee examined and discussed the study from policy aspect. The team hosted workshops twice with regard to the outcome of the study for educational institutions and support organizations for foreign students

The team held discussions with UNU, Japan Bank for International Cooperation, educational institutions, support organizations for foreign students and invited a wide range of opinions from pre-college students and foreign students and prepared this final report.

I hope that this report will contribute to the promotion of this project, to assistance of pre-college students and foreign students coming to Japan for study and to the enhancement of friendly relationship between students' home country and Japan.

Finally, I wish to express my sincere appreciation to whom it may concern for their cooperation and assistance extended to the team.

March 2002



Kawakami Takaaki

President

Japan International Cooperation Agency

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Acronyms

AIEJ	Association for Internal Education Japan
APJLE	Association,for the Promotion of Japanese Language Education
ATM	Automatic Teller Machine
BTM	Bank of Tokyo Mistubishi
CDFS	Center for Domestic and Foreign Students
DAC	Development Assistance Committee
DFI	Diamond Factor Inc.
FAP	Financial Assistance Program
FAPS	Financial Assistance Program Systems
FBPMS	Financial Budget and Personnel Management System
GOJ	Government of Japan
HELP	Higher Education Loan Fund Project
IT	Information Technology
JBIC	Japan Bank for International Cooperation
JICA	Japan International Cooperation Agency
JIF	Japan Indonesia Forum
MECSST	Ministry of Education, Culture, Sports, Science and Technology
METI	Ministry of Economy, Trade and Industry
MOFA	Ministry of Foreign Affairs
MOJ	Ministry of Justice
ODA	Official Development Assistance
POSB	Postal Office Saving Bank
SAPROF	Special Assistance for Project Formulation
TCS	Tata Consultancy Services
UN	United Nations
UNU	United Nations University

Executive Summary

1. Scope of the Study

Since the 100,000 Foreign Students Hosting Plan was formed in the early 1980's, the Government of Japan (GOJ) has promoted its foreign student hosting policy. According to the report of the Advisory Committee of Foreign Student Policy, which was hosted by the Ministry of Education (current Ministry of Education, Culture, Sports, Science and Technology (MECSST)) in March 1999, the foreign student hosting policy was formed as a part of intellectual international cooperation through the development of human resources network as well as cooperation with the international community, and the GOJ has aimed to improve the framework of foreign student hosting and enhance its educational programs.

In addition to the existing support programs, the Ministry of Foreign Affairs (MOFA) of GOJ and the United Nations University (UNU) have planned to introduce an educational loan program for privately financed foreign students from developing countries as a part of Yen Loan from JBIC to UNU. Nowadays many foreign students have to spend a lot of money for travel to Japan, entrance fees and tuition, housing expenses including rental deposit and key money when they come to Japan first. It is then planned to provide financial assistance to foreign students by means of educational loan to cover those expenses. For the GOJ, an educational loan program will not require so much budgetary expense as a grant program, and thus it can benefit more foreign students.

Since UNU had scarce experience and human resources to formulate the program framework, it requested the GOJ to develop a program plan. The objective of the study was to formulate an educational loan program for privately financed foreign students so as to promote human resource development in developing countries.

The following points were considered as preconditions of the study:-

- (1) The UNU will surely reimburse to JBIC, because the GOJ will provide financial assistance to UNU accordingly. The type of JBIC scheme implemented for the Program has been discussed by JBIC, MOFA and UNU.
- (2) A guarantee by a Japanese national will not be a mandatory requirement for loan application and disbursement.
- (3) The recipient students will have to complete their repayment before they leave Japan, and UNU will not take a concrete follow-up action to recover the outstanding amount

against the recipient student if he returns to his home countries.

- (4) The applicants should come from a country or region specified in the Development Assistance Committee (DAC) list, and the number of recipient students by home country will not be pre-determined before screening.
- (5) The interest rate imposed on the recipient students may be about 1% per annum, but the detail of loan conditions would be decided by UNU, MOFA and JBIC.

2. Current Situation of Foreign Students

As a result of the questionnaire survey, the following answers with regard to the life status of foreign students in Japan were obtained. The targets were Japanese language educational institution students (pre-college foreign student visa holders) and university and graduate school students (foreign student visa holders).

The respondents raised the following points as their difficulties and problems encountered in daily and school life after coming to Japan.

- (1) A guarantor various contracts can hardly be found.
- (2) Many foreign students encounter financial hardship.
- (3) There are few suitable accommodations for foreign students.
- (4) Some foreign students can hardly find an appropriate part time job.
- (5) There is little information about university entrance examinations.
- (6) The pre-college foreign students are disadvantageous to obtain students discount and scholarships.
- (7) There are some discriminations and prejudice against pre-college students and foreign students.

As for their financial situation, the average pre-college foreign students have the surplus of about 20,000 yen per month, while the average foreign students have a little surplus. Generally, the foreign students encounter more hardship than the pre-college foreign students in their daily life.

3. Demand for Financial Support

The magnitude of disbursement of the Program was estimated in some ways, and according to the demand of students it was estimated at about 30 billion yen, while it has become about 3 billion yen if the repayment capability of foreign students is considered. On estimating demand for financial support, only the students who wish to apply for the Program was considered, and 78% of pre-college foreign students and 66% of foreign students wished to obtain some financial assistance, according to the questionnaire survey. The initial cost to enter educational institutions is approximately one million yen for Japanese language institutions and 1.3 million yen for universities or graduate schools.

4. Proposed Loan Disbursement Conditions and Procedures

The maximum loan amount was calculated from the repayment capability of recipient students, so that bad loan risk would be minimized while the recipient students would have no difficulty to repay. It was assumed that the recipient students would be able to repay 10,000 yen per month. For university or graduate school students, the recipient students may be selected from those who have enough surplus.

It is proposed that a six month of grace period (period of deferment) be allowed before the first scheduled repayment because the foreign students would need some time to find a suitable employment and facilitate their life after their arrival in Japan. The last month of repayment should be three months before the graduation month.

It is also proposed that funds be paid directly to the bank accounts of the educational institution to enrol on behalf of a recipient student if he is a Japanese language institution student in order to alleviate bad loan risk, while funds be remitted directly to the bank account of a recipient student if he is a university or graduate school student. The automatic transfer services should be utilized for collection from recipient students.

Since the yen loan (or investment) between JBIC and UNU will attract 0.75% interest (or commission in case of investment) and 0.1% banking commission, there will be a need to collect about 1% interest from the recipient students. However, there are some objections related to the loan interest in view of the objectives of the Program and cost effectiveness. Thus, it is proposed that instead of interest, such management cost be recovered from the students in form of an administration fee, the purpose of which shall be explained to the students. The disbursement condition for the students who are enrolled in vocational schools and junior colleges should be studied after the evaluation of pilot phase.

5. Proposed Screening Procedures

The evaluation of responsibility of the students is important in screening process, and it is necessary not only to examine application documents but also to interview applicants. However, the Program will benefit several thousand recipient students every year in the future, and it would be necessary to interview more applicants if the interview method would be adapted. It is difficult to interview so many applicants because of the constraints of time, manpower and budget. It is therefore suggested that the screening be largely based on the recommendation of Japanese language institutions and universities primarily.

If the screening is based on the recommendation of educational institution, it is important to evaluate its credibility. In other words, it will be necessary for UNU to evaluate that the educational institutions appropriately recommend applicants in accordance with the recommendation policy stipulated by UNU and that their recommendations have been made based on appropriate criteria.

If a recipient student unexpectedly delays repayment, the reason for delay should be identified. Unless the student has unavoidable reasons, such as illness or accident, the late payment should be reported to the educational institution that has recommended him, and the credibility of recommendation of the educational institution should be reviewed in the following year. For example, the maximum number of students recommended by the institution for the Program may be reduced.

The other screening method is that UNU or its agent will interview the applicants and select the recipient students on the basis of its own criteria. In this case, there will be a need to solve some issues, i.e., assignment of screening staff, arrangement of interviews, and necessary provision of budget and human resources for the interviews.

The screening method that UNU directly interviews with applicants without utilizing school recommendations will promote this program to more students and thus, offer more opportunity of studying in Japan. Therefore, separate allocation for this screening method in addition to one for school recommendations should be considered in the future after discussing the above issues.

6. Proposed Disbursed Fund Management

As the disbursed fund management is one of the most essential elements of the Program, an overdue account list should be prepared and utilized in order to control the bad loans.

The life assistance service should be provided to the recipient students in order to alleviate life hardship, which may cause bad loans. It should be ascertained that the students abide by the initial repayment period so as to prevent continuous arrears.

To follow up the overdue accounts, non-repayment reminder postcards should immediately be sent to the recipient students who have failed to repay. If a recipient student does not repay even after the reminder postcards are sent to them, he should be contacted by telephone, whereas in principle UNU will not visit him for collection.

7. Life Assistance

The life assistance should be a part of important activities of the Program, but its scope should be limited to some extent because there will be substantial number of recipient students in the future. The services should be provided through telephone in principle, except in case of emergency the recipient student may be invited or visited to meet.

8. Proposed Establishment for the Program

UNU should take charge of public relations and advertisement, disbursement, collection, and disbursed fund management while its agents should take charge of life assistance and follow-up of late repayment. The life assistance and follow-up of late repayment should be outsourced to the agents because there will be a need to rely on expertise and experience of external consultants. In addition, those business areas will need to interact with the recipient students more closely. Therefore the Program should be conducted in collaboration with the foreign student department of educational institutions, as well as foreign student supporting organizations under the local governments. The agent should report to UNU regarding the situation of life assistance and follow-up activities. If the local foreign students supporting organizations are cooperative with the Program, the collaboration with them should be sought in the future.

9. Information Systems

It is imperative to develop, implement and operate a new information system (Financial Assistance Program System or FAPS) in order to achieve accurate and efficient processes with the Program. The new information system should alleviate the workload of compiling transfer and collection data, editing and printing of reports and postcards, maintaining and balance of disbursed fund, calculating fees, linking with the existing information systems of UNU.

The number of recipient students per year will be several hundreds at the pilot phase and

after that it will increase. It is thus necessary to develop a new information system to meet the work volume.

10. Operation Cost of the Program

The annual operation cost was estimated at about 300 million yen at the pilot phase and about 700 million yen in the event that yearly new loan disbursements increased to 3,000 students in the future.

11. Audit

UNU is entitled to receive external audits only based on the internal code of the UN Headquarters. An agreement between the UN Headquarters and GOJ will be required to conduct an external audit for the Program.

Chapter 1 Introduction and Scope of the Study

1.1 Introduction

This Final Report is prepared for the main project of the Financial Assistance Program, which will be subsequently carried out after the evaluation of a pilot project. It is therefore assumed that the proposals described in the Final Report will be reviewed after the pilot project.

Since the 100,000 Foreign Students Hosting Plan was formed in the early 1980's, the Government of Japan (GOJ) has promoted its foreign student hosting policy. According to the report of the Advisory Committee of Foreign Student Policy, which was hosted by the Ministry of Education (current Ministry of Education, Culture, Sports, Science and Technology (MECSST)) in March 1999, the foreign student hosting policy was formed as a part of intellectual international cooperation through the development of human resources network as well as cooperation with the international community, and the GOJ has aimed to improve the framework of foreign student hosting and enhance its educational programs.

The educational programs include the MECSST scholarship for foreign students, loan programs for foreign students and grant programs for foreign students. The GOJ has also assisted privately financed foreign students - consisting of more than 80 % of foreign students - by tuition reduction/exemption and Honors Scholarships. The Honors Scholarship program was implemented in 1978, and 10,390 foreign students - about 20 % of privately financed foreign students – received the scholarship in fiscal year 2000. However, the number of foreign students increased greatly in recent years, and more assistance is desirable.

In addition to the above support programs, the Ministry of Foreign Affairs (MOFA) of GOJ and the United Nations University (UNU) have planned to introduce an educational

loan program for privately financed foreign students from developing countries as a part of Yen Loan from Japan Bank for International Cooperation (JBIC) to UNU. Nowadays many foreign students have to spend a lot of money for travel to Japan, entrance fees and tuition, housing expenses including rental deposit and key money when they come to Japan first. It is then planned to provide financial assistance to foreign students by means of educational loan to cover those expenses. For the GOJ, an educational loan program will not require so much budgetary expense as a grant program, and thus it can benefit more foreign students.

Since UNU had scarce experience and human resources to formulate the program framework, it requested the GOJ to develop a program plan in November 2000. The GOJ responded to the request, and the Scope of Work was discussed and signed on March 26, 2001 by the GOJ and the Department of Financial Assistance Programme (FAP) of UNU which is the counterpart organization of this study.

1.2 Objectives and Scope of the Study

The objective of the study was to formulate an educational loan program for privately financed foreign students so as to promote human resource development in developing countries. The following points were noted as the preconditions of the study.

- (1) A Yen Loan program aims to assist developing countries by providing a long-term and low-interest loan to fulfill their financial demand for the development of economic and social infrastructure and economical growth. Therefore, one option considered to assist foreign students was to provide financial assistance to the developing countries, which will then provide individual loan to the students who wish to study in Japan. However, it was rejected because the recipient countries may not be capable to operate the Program, and therefore UNU will instead provide the financial assistance to individual students in the Program.
- (2) In order to alleviate the bad loan risk, a guarantee by a Japanese national might be useful. But it is generally difficult for foreign students to find a guarantor in Japan.

If a guarantee would be a mandatory requirement for application for the Program, less foreign students would apply. Thus a guarantee shall not be mandatory in this Program.

- (3) It is thought that many recipients would prefer a longer repayment period, but it would be difficult to collect monies from the recipient students after they return to their home countries. Therefore, the recipient students should complete their repayment while they stay in Japan, and UNU will not take a concrete follow-up action to recover the outstanding amount against the recipient if he returns to his home countries.
- (4) In line with the purpose of this program, the number of recipient students by home country will not be pre-determined before screening.
- (5) An interest rate should be as low as possible to reduce the burden of recipient students.

1.3 Schedules and Methodology of the Study

The study was divided into two phases and conducted for approximately 9 months from June 2001 to March 2002.

- (1) Explore demands for financial assistance, analyze various risks and formulate the establishment and overall functions of the Program (Study in Japan Phase 1)

The study team submitted the Inception Report to UNU at the beginning of July and a workshop was held to explain about the study to the educational institutions and support organizations for foreign students. The study in Japan phase 1 ended in September 2001.

The main content of the study was as follows: -

- 1) Collect and analyze the materials/information related to the Program, including JBIC SAPROF (Special Assistance for Project Formulation) report about the Program;

- 2) Conduct questionnaires and interviews survey to foreign students, educational institutions and local support organization for foreign students.
- 3) Analyze the result of questionnaires and interviews survey and formulate the establishment and overall functions of the Program.

The study team prepared the Progress Report based on the result of the above studies.

- (2) Prepare operation manuals for the Program and compile the Final report (Study in Japan Phase 2)

The second phase study was undertaken from November 2001 to January 2002. The study team prepared operation manuals for the Program, and the second workshop was held to explain about the Progress Report. Thereafter the Final Report was drafted and revised to reflect comments from UNU and the Advisory Committees for the study.

The initial plan of the study has been modified because the framework and magnitude of the Program have been revised, and the concerned parties, i.e., UNU, MOFA, JICA, and the study team, agreed to the new plan in December 2001. The above study is based on the agreement.

Chapter 2 Current Situation of Support for Foreign Students

2.1 Current Situation of Foreign Students

According to the survey conducted by the MECCST, the number of foreign students on May 1, 2000, was 64,011 and increased 8,256 or 14.8% compared with the previous year.

Table 2-1 Number of Foreign Students ¹

Year	Number of Foreign Students	Rate of Increase
1991	45,066	+ 9.0%
1992	48,561	+ 7.8%
1993	52,405	+ 7.9%
1994	53,787	+ 2.6%
1995	53,847	+ 0.1%
1996	52,921	- 1.7%
1997	51,047	- 3.5%
1998	51,298	+ 0.5%
1999	55,755	+ 8.7%
2000	64,011	+ 14.8%

The ratio of foreign students by home countries had not changed since the previous year; i.e., Asian foreign students amounted to 90.5% while North American/European students amounted to 5.4%. As for the short-terms foreign students, Asian students increased greatly while North American/European students decreased relatively.

¹ As of May 1 (Also Table 2-2 to Table 2-3)

Table 2-2 Number of Foreign Students by Region

Region		Total Number of Foreign Students		Number of Short-term Students	
Asia	May 2000	57,938	90.5%	3,054	60.1%
	May 1999	(49,919)	(89.5%)	(1,982)	(49.8%)
Europe	May 2000	2,220	3.5%	835	16.4%
	May 1999	(2,053)	(3.7%)	(771)	(19.4%)
North America	May 2000	1,241	1.9%	819	16.1%
	May 1999	(1,261)	(2.3%)	(862)	(21.7%)
South America	May 2000	890	1.4%	123	2.4%
	May 1999	(849)	(1.5%)	(85)	(2.1%)
Africa	May 2000	712	1.1%	10	0.2%
	May 1999	(693)	(1.3%)	(10)	(0.3%)
Oceania	May 2000	520	0.8%	219	4.3%
	May 1999	(522)	(0.9%)	(255)	(6.4%)
Middle East	May 2000	490	0.8%	22	0.5%
	May 1999	(458)	(0.8%)	(14)	(0.3%)
Total	May 2000	64,011	100.0%	5,082	100.0%
	May 1999	(55,755)	(100.0%)	(3,979)	(100.0%)

Chinese, Korean and Taiwanese students amounted to 77.1%, and especially the Chinese students increased remarkably by 6,390 or 24.7% from the previous year. As for the short-term students, Chinese and Korean students increased considerably and amounted to 45.7%.

Table 2-3 Number of Foreign Students by Country

China ²	May 2000	32,297	50.5 %
	May 1999	(25,907)	(46.5%)
South Korea	May 2000	12,851	20.1%
	May 1999	(11,897)	(21.3%)
Taiwan	May 2000	4,189	6.5%
	May 1999	(4,085)	(7.3%)
Malaysia	May 2000	1,856	2.9%
	May 1999	(2,005)	(3.6%)
Indonesia	May 2000	1,348	2.1%
	May 1999	(1,220)	(2.2%)
Thailand	May 2000	1,245	1.9%
	May 1999	(1,107)	(2.0%)
The United States	May 2000	1,044	1.6%
	May 1999	(1,073)	(1.9%)
Bangladesh	May 2000	800	1.2%
	May 1999	(806)	(1.5%)
Vietnam	May 2000	717	1.1%
	May 1999	(558)	(1.0%)
The Philippines	May 2000	477	0.7%
	May 1999	(497)	(0.9%)
Others	May 2000	7,187	11.4%
	May 1999	(6,600)	(11.8%)
Total	May 2000	64,011	100.0%
	May 1999	(55,755)	(100.0%)

2.2 Current Situation and Problems of Foreign Students Hosting Framework

The foreign students has increased in recent years and amounted to 64,011 in May, 2000. The year 2000 achieved a significant 14.8% growth rate compared with the previous year.

The education projects based on the 100,000 Foreign Students Hosting Plan made Japan have more capacity to host the foreign students and resulted in the increase of foreign students. However, further development related to hosting foreign students is necessary to deal with the rapid increase of foreign students.

One of the important matters upon hosting foreign students is to improve their lives in

² Including Hong Kong

Japan. The following problems should be taken into consideration to accommodate foreign students:

- (1) The price of goods and services in Japan is more expensive than other Asian countries.
- (2) There are few accommodations suitable for foreign students.
- (3) Some students encounter culture and communication gaps.

One of the obstacle for the students who wish to study in Japan is that they need a lot of monies when they start to study aboard in Japan for travel expense, school fees and accommodations, and it has eventually become a prevention factor to host more foreign students. It is thus necessary to provide educational loan to the foreign students for their expenses when they come and study in Japan.

Chapter 3 Estimation of Demands for Financial Support

3.1 Method of Estimation

The demands for financial support by the foreign students when they come and study in Japan are estimated as follows: -

- (1) The number of foreign students in the year 2001 is projected from the latest statistics in year 2000, released officially by the Government, and three cases are considered.
 - 1) Assumption 1: The number of students in 2001 would increase at the average rate in the past five years (linear regression analysis was used to calculate the average rate).
 - 2) Assumption 2: The number of students in 2001 would increase at the same growth rate as that of the previous year (14.8%)
 - 3) Assumption 3: There would be no change in the number of students in 2001 from that of the previous year.
- (2) At first, the demands were estimated by multiplying the number of students projected as above by the average amount of demands for loan, obtained from questionnaire survey. The projected number of students was adjusted because some students answered that they would not have demands for loan.
- (3) Secondary, the demands were estimated in view of capability of students to repay the loan. The respondents of the same questionnaire survey answered the maximum installment for repayment in a month, and that amount was used to calculate the demands.

- (4) There was a discrepancy between the above amount the respondents answered and the their actual financial situation they also answered in the same questionnaire. Therefore, the demands were estimated from the monthly cash flow calculated on the basis of monthly income and expenditure of respondents.

Namely, the amount of demand for the Program was estimated in three ways.

3.2 Summary of Estimation of Demands

Table 3-1 is the summary of estimation of demands for financial support. The three assumptions in Chapter 3.1 are considered separately.

Table 3-1 Summary of Estimation of Demands for Financial Support (unit billion yen)

	School	Country	Students	(1) based on students' needs		(2) from repayment capability		(3) from cash flow		from adjusted demands ratio	
Assumption 1	Japanese Language Institution	China	16,920	84 %	11.9	56 %	3.0	41 %	1.1	49 %	1.3
		Korea	7,064	73 %	4.2	63 %	1.9	29 %	0.3	46 %	0.5
		Total	27,404	79 %	18.1	58 %	5.5	35 %	1.5	47 %	2.0
	University G/School	China	7,662	71 %	4.5	47 %	1.9	29 %	0.4	38 %	0.5
		Korea	2,929	63 %	1.4	53 %	0.9	24 %	0.1	39 %	0.2
		Total	17,656	66 %	9.5	47 %	4.6	26 %	0.7	37 %	1.0
	Total				27.6		10.1		2.3		3.1
Assumption 2	Japanese Language Institution	China	17,098	84 %	12.0	56 %	3.0	41 %	1.1	49 %	1.3
		Korea	7,164	73 %	4.3	63 %	1.9	29 %	0.3	46 %	0.5
		Total	27,675	79 %	18.3	58 %	5.6	35 %	1.5	47 %	2.1
	University G/School	China	10,214	71 %	6.0	47 %	2.5	29 %	0.5	38 %	0.6
		Korea	3,903	63 %	1.8	53 %	1.3	24 %	0.1	39 %	0.2
		Total	23,566	66 %	12.6	47 %	6.1	26 %	1.0	37 %	1.4
	Total				30.9		11.7		2.5		3.4
Assumption 3	Japanese Language Institution	China	14,569	84 %	10.2	56 %	2.6	41 %	1.0	49 %	1.1
		Korea	6,096	73 %	3.7	63 %	1.6	29 %	0.3	46 %	0.4
		Total	23,587	79 %	15.6	58 %	4.8	35 %	1.3	47 %	1.8
	University G/School	China	7,643	71 %	4.5	47 %	1.9	29 %	0.4	38 %	0.5
		Korea	2,921	63 %	1.4	53 %	0.9	24 %	0.1	39 %	0.2
		Total	17,611	66 %	9.4	47 %	4.5	26 %	0.7	37 %	1.0
	Total				25.0		9.3		2.1		2.8

Chapter 4 Proposed Plan: Public Relations and Advertisement

4.1 General Requirements of Public Relations and Advertisement

The purposes of public relations and advertisement are to disseminate the Program to foreign students who will be the recipients of the Program and eventually to increase the number of privately financed foreign students. It would greatly contribute to the 100,000 Foreign Students Hosting Plan, a policy of the GOJ, and thus the public relations and advertisement will be highly important in this Program.

It is necessary to formulate the separate plans of public relations and advertisement for resident students and non-resident students respectively, because each should have different contents according to its different target. With regard to publicity for resident students, it will be effective to disseminate the Program through the educational institutions where they are enrolled. On the other hand, in order to find recipient students, publicity should also be aimed at non-resident students. In developing the methods of public relations and advertisement in foreign countries, it should also be considered that public relations will be linked with those conducted by educational institutions, and a synergic effect will be expected by offering information on both admission and the Program together.

4.2 Proposed Plan: Public Relations and Advertisement for Resident Students

The target of public relations and advertisement for resident students should include pre-college foreign students who study at Japanese language institutions and intend to study further at universities, graduate schools or vocational schools in Japan, as well as foreign students who study at Japanese universities and intend to study further at graduate schools in Japan. Therefore, public relations and advertisement should be undertaken focusing on Japanese language institutions, universities and graduate schools. The interviews with

foreign students also revealed that they usually obtain information about financial assistance from information desks and/or message boards at the educational institutions. Meanwhile, the advertisement through medium such as magazines should be developed after evaluation of pilot phase. Posters and brochures, Internet, and information desks should play a main role of public relations and advertisement for resident students.

4.3 Proposed Plan: Public Relations and Advertisement for Non-Resident Students

The target of public relations and advertisement for non-resident students will be foreign students who live outside Japan and intend to study at Japanese language institutions, universities, graduate schools vocational schools and other educational institutions in Japan. As is planned in the Japan, public relations and advertisement should be undertaken focusing on the institutions that will recommend students for the Program, such as the educational institutions and high schools that have Japanese language courses, as well as some organizations relating to dispatching foreign students, such as institutions under education ministry of foreign governments. However, it is still unclear how the new “Examination for Studying Abroad in Japan”, which will start in 2002, will change the trend of studying abroad in Japan, and thus it is suggested that public relations and advertisement for non-resident students, as well as the selection criteria of recommending institutions in foreign countries, be reviewed after evaluation of the pilot phase. The interviews revealed that many educational institutions participated in the Exhibitions for Studying Abroad hosted by the Association for Internal Education Japan (AIEJ) and it is anticipated that the Program may be also disseminated at those events. Posters and brochures, Internet, and the Exhibitions for Studying Aboard should play a main role of public relations and advertisement for resident students.

Chapter 5 Proposed Plan: Screening

5.1 General Requirements of Screening

The criteria for applicant selection usually include evaluations of their responsibility, study results and repayment capability. In the Program, it is necessary to formulate a repayment schedule the students will be able to complete their repayment while they are enrolled in school in order to alleviate the bad loan risk as much as possible. However, the responsibility of applicants may not be easily evaluated whereas study results can be measured quantitatively. Meanwhile, it is necessary for the Program to select and benefit the foreign students who will contribute to the development of economic and social welfare in their home countries in future in accordance with the primary objective of Official Development Assistance (ODA). Thus, it is also important to evaluate their responsibility. The abovementioned points should be considered during the applicant screening process.

5.2 Proposed Plan: Screening

The evaluation of responsibility is important in screening process, and it is necessary not only to examine application documents but also to interview applicants. However, the Program will benefit several thousand recipient students every year in the future, and it would be necessary to interview more applicants if the interview method would be adapted. It is difficult to interview so many applicants because of the constraints of time, manpower and budget. Thus, the responsibility of applicants should be evaluated from the application documents.

On the other hand, if many application procedures and documents are mandatory in the Program, it will be cumbersome for the applicants and less number of students will apply for the Program. It is therefore suggested that the screening be largely based on the

recommendation of Japanese language institutions and universities primarily.

(1) Screening Based on Recommendation by Educational Institutions

1) If a Japanese language institution student enter into a university

Most privately financed foreign students enter the universities from Japanese language institutions. The major Japanese language institutions usually evaluate the responsibility of students as a primary factor at screening process. It is proposed that after studying the selection method used by Japanese language institutions, which should include evaluation of responsibility, the screening should be primarily based on the recommendations of the Japanese language institutions.

2) If a university student enter into a graduate school

The above method may be applied to a university student who is going to enter graduate schools, namely, the screening should be based on the recommendations of the universities the applicants belong to. However, the interviews with universities revealed that it would be rather easy for them to recommendation a student if he intends to enter the affiliated graduate school but difficult if he intends to enter non-affiliated graduate school. This may be because there is not much advantage for the university if it recommends its student to non-affiliated graduate school. Although there may be only few cases in the Program, it will be necessary to obtain cooperation of universities for such cases.

3) If a non-resident student enter into an educational institution in Japan

The screening in this case also should be based on the recommendation of educational institution. However, there is a risk if the screening is solely based on the recommendation of an overseas institution, as it is difficult to know the reputation and credibility of the overseas institution. In future it will be necessary to evaluate the credibility of overseas institution, and it will be essential to enhance overseas networks

and collect more information so as to undertake the primary screening at some developing countries. In a short term, if an applicant is recommended by the host university or a graduate school where he will enter, it should also be evaluated in addition to the recommendation of the overseas institution.

4) If an applicant has a guarantor

It is not mandatory for applicants to have a guarantor in the Program. However, if there is a guarantor, the bad loan risk will be alleviated and more students may be benefited. Therefore, if an applicant has a guarantor, he should be positively evaluated in the screening on condition that the responsibility of guarantor is also evaluated.

If the guarantor is a host school, it is assumed that it has responsibly recommended the applicant. Thus their recommendation will be more credible than the case without guarantees. If the guarantor is other Japanese national or organization, the recommendation of the host school is as credible as the case without guarantees.

The screening method based on the recommendation of educational institution is used by the Japan Scholarship Foundation and also widely adopted when Government-financed foreign students are selected, and thus it should also be adopted in the Program.

5) Evaluation of Credibility of Recommendation

If the screening is based on the recommendation of educational institution, it is important to evaluate its credibility. In other words, it will be necessary for UNU to evaluate that the educational institutions appropriately recommend applicants in accordance with the recommendation policy stipulated by UNU and that their recommendations have been made based on appropriate criteria.

If a recipient student unexpectedly delays repayment, the reason for delay should be identified. Unless the student has unavoidable reasons, such as illness or accident, the

late payment should be reported to the educational institution that has recommended him, and the credibility of recommendation of the educational institution should be reviewed in the following year. For example, the maximum number of students recommended by the institution for the Program may be reduced.

6) The maximum number of students recommended by each institution

The above screening method is based on condition that each educational institution is informed the number of students they will be able to recommend in advance. Another option considered is that UNU will evaluate the applicants openly without specifying the number of students to be recommended by each institution and select the recipient students by its own criteria only. However, this option should be rejected due to the following reasons: -

- (a) The number of recipient students is limited due to budgetary constraints and loan conditions. It is necessary for UNU to evaluate the applicants more deeply if it receives more applications than the number of expected recipient students.
- (b) The educational institution may not be strict when they recommend the appropriate students, if it is not informed of the maximum number of students they will recommend.
- (c) The control measure to evaluate the educational institutions that will recommend a student cannot be adapted, i.e., if the institution does not recommend appropriate students, the maximum number of students they can recommend will be reduced.

(2) Screening Not Based on Recommendation by Educational Institutions

The other screening method is that UNU or its agent will interview the applicants and select the recipient students on the basis of its own criteria.

In this method, UNU should interview the applicants in order to evaluate their responsibility. Thus, UNU will need to assign staff in charge or establish a department to conduct interviews with applicants. The following points should be solved if this method is to be used: -

- 1) Employing staff in charge of screening who can appropriately evaluate the responsibility of applicants.
- 2) Determining interviews schedule
- 3) Arranging financial and human resources for interviews

Taking the abovementioned points into consideration, the following chapter will describe the screening method based on the recommendation of educational institutions.

5.3 Proposed Plan: Screening Procedures

In principle the uniform set of application documents should be submitted by applicants regardless of state of resident or non-resident. The predetermined formats should be prepared in order to facilitate the procedures at UNU.

The Japanese language institutions or universities that will recommend applicants should collect the application documents and submit them to UNU to prevent the faulty applications.

The standard screening procedure is basically the same for resident students and non-resident students.

Figure 5-1 Screening Procedures

Primary Screening

- Scrutinize recommendation letter ¹



- Scrutinize method of recommendation by educational institution ²



- Scrutinize study results of the applicant



- Scrutinize financial record and plan. Financial record should be scrutinized more for resident applicants



- Scrutinize other application documents



- Notify the primary screening result

Secondary Screening

- Scrutinize the receipt for payment of entrance fees and visa status ³



- Notify the final result



- Scrutinize the other documents

¹ Resident students need recommendation from the educational institution to graduate, while non-resident students need recommendation from the educational institution to enroll.

² The educational institution should recommend the applicants on basis of their responsibility through interviews.

³ Resident students should submit a copy of receipt or equivalent document, while non-resident students should submit a copy of visa.

5.4 New Examination for Foreign Students

A new examination for foreign students (Examination for Japanese University Admission for International Students) will succeed the current examination system for foreign students, beginning in 2002. The objectives of this examination are to integrate the existing General Examination for Foreign Students and Japanese Language Proficiency Test and evaluate applicants more appropriately. The examination will be carried out bi-annually (June and November) at more than 10 major overseas cities in order to facilitate access to applicants who wish to study in Japan and enhance their opportunities. Accordingly, those who wish to begin studying at universities in Japan in April 2003, will be able to take the examination in June or November 2002, and perhaps even in their home country if such country is one of the designated venues of examination.

The results of the new examination will be an important benchmark in the future to evaluate the applicants in view of study results. It is therefore necessary to study further how the new examination should be used for the screening of the Program.

Chapter 6 Proposed Plan: Disbursement

6.1 General Requirements of Disbursement

The loan should be disbursed to the selected applicants after the loan agreement is signed in accordance with the necessary procedures. It is necessary to care that the disbursed fund is appropriately used by students for the initial expense for their school life. The financial institution (bank) which will deal with transfer of fund between UNU and the recipients should be selected appropriately.

6.2 Proposed Plan: Disbursement

The Program aims to provide financial assistance to the foreign students for their travel expense to Japan, admission fees to educational institutions, rental deposit and key money for their accommodations, and other initial expenses. The questionnaire and interview survey revealed that average foreign students would be able to repay about 10,000 to 20,000 yen per month, and it is assumed that the feasible maximum loan amount will be as much as the admission fee or tuition for the first semester. Thus the option initially considered was to disburse the funds directly from UNU to the educational institutions that the student would enroll. However there are the following problems if this disbursement method is implemented: -

- (1) The disbursement procedures will be more complicated and the educational institution also may incur more administrative costs.
- (2) The demands of students will not be changed so much before and after the admission to the educational institution, as many university or graduate schools receive admission fees and tuition for the first year separately.

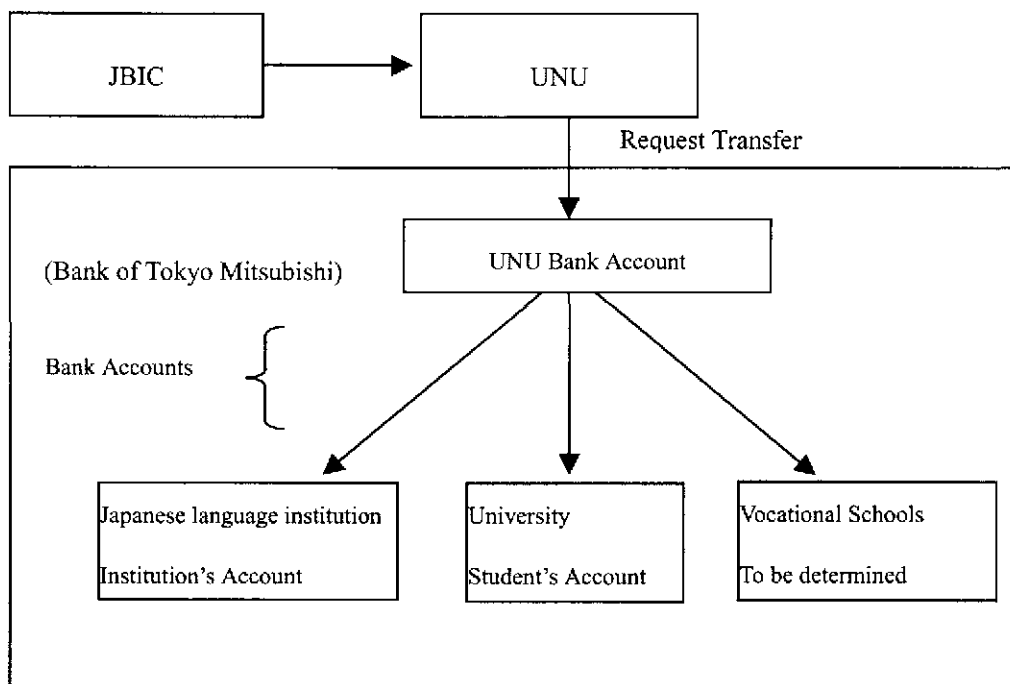
Thus it is proposed that the foreign students who are going to enroll in university or graduate school will receive funds directly from UNU through their bank accounts, after UNU verifies that they have paid the admission fee to the educational institution. As for the applicants who wish to study at a Japanese language institution, the funds should be disbursed to the institutions through their bank account.

Most Japanese language institution students need to pay admission fees and tuition at once before coming to Japan, and the demands for financial support happen intensively. The interviews with some Japanese language institutions revealed that it would be possible for them to receive the admission fee and tuition separately although the procedures might become more complicated. It is therefore proposed that the students who are going to enroll pay the admission fees and tuition partially, and that UNU will disburse the funds to the educational institution for the remainder. Should the funds be transferred to the educational institution directly, it will alleviate the risk of Japanese language institution that they do not receive funds from the recipient.

The loan amount should be determined in relation to the amount required for initial expense including admission fees and tuition. Some privately financed foreign students need more than one million yen for the initial expense for enrolment and it is assumed that the student would spend the disbursed funds from the Program for the payment of school fees. Although the usage of funds provided to the students may not be strictly limited upon disbursement, the amount used for school fees will be reimbursed to the students by UNU based on the evidence of payment.

The flow of disbursement process is specified in Figure 6-1.

Figure 6-1 Flow of Disbursement



6.3 Loan Conditions

The maximum loan amount should be calculated based on an affordable monthly repayment amount, so that the bad loan risk may be alleviated and that students will have little difficulty when they repay. Table 6-1 and Table 6-2 show the average monthly income and expenditure of the respondents of questionnaire survey, and the reasonable monthly repayment amount estimated from cash flow of the respondents. The tables indicate that the maximum loan amount should be stipulated on condition that monthly repayment amount is approximately 10,000 yen. Therefore the maximum loan amount for students to enroll in Japanese language institutions and graduate schools (2 years) and university students (4 years) should be 200,000 yen and 400,000 yen respectively.

Table 6-1 Monthly Income and Expenditure

	Income	Expenditure	Surplus
Japanese Language Institutions			
China	124,813	103,911	20,902
South Korea	119,971	105,894	14,077
Subtotal	121,595	104,792	16,803
University / Graduate Schools			
China	109,902	109,091	811
South Korea	112,219	112,060	159
Subtotal	110,159	110,083	76
Total	116,672	110,851	5,821

Table 6-2 Repayment Capability Answered by Respondents

	5,000 yen +	10,000 yen +	15,000 yen +	20,000 yen +
Japanese Language Institutions				
China	84%	64%	54%	43%
South Korea	97%	88%	75%	63%
Subtotal	89%	73%	62%	50%
University / Graduate School				
China	84%	63%	50%	36%
South Korea	93%	78%	62%	46%
Subtotal	86%	66%	53%	39%
Total	88%	70%	58%	45%

It is proposed that six months of grace period (period of deferment) be allowed before the first scheduled repayment, because Japanese language institution students who have just arrived in Japan need some time to find a part-time job and get used to their life in Japan. On the contrary, most university students have lived in Japan for a certain period before enrollment, and so they may be able to find part-time employment easier, and some university students may be able to start repayment earlier. However, the questionnaires survey revealed that approximately 60% of respondents preferred six months grace period while only 10% of respondents would be able to begin repayment within two months. It is therefore proposed that the grace period be six months for university students as well.

The month of graduation (usually March) could be considered as the month of last repayment, but some students will return to their home countries before the graduation month and close their bank accounts for repayment. It is thus proposed that the month of

last repayment be 3 months before the graduation month (usually December).

It is proposed that an automatic transfer service be utilized for collection (repayment), as mentioned in Chapter 7.

Since the Yen Loan from UNU to JBIC will attract 0.75% interest and 0.1% bank commission, there will be a need to collect approximately 1% interest from the recipient students. However, there are some objections related to the loan interest in view of the objectives of the Program and cost effectiveness, as described below: -

- (1) The objective of the Program is to provide financial assistance to foreign students, and an interest-free loan would be preferable taking it into consideration. The interview survey revealed that some students, especially Chinese students, pointed out this matter and felt that the interest-bearing loan would imply more commercial aspects.
- (2) More administrative costs will be incurred for systems development and maintenance if 1% interest is introduced. The increase of surplus by the introduction of 1% interest may be materially marginal because of such increased administrative costs, and, thus, it may not be cost-effective.

Interest-free educational loan programs have been introduced by other organizations such as the Japan Scholarship Foundation, some local governments and universities. However, the source of the Program will incur some management costs, which will be equivalent to 1% per annum. Thus, it is proposed that instead of interest, such management cost be recovered from the students in form of an administration fee, the purpose of which shall be explained to the students.

Table 6-3 summarizes the proposed loan conditions.

Table 6-3 Proposed Loan Conditions

	<i>Japanese Language Institution (2 years course)</i>	<i>University</i>	<i>Graduate School</i>
Maximum Amount	200,000 yen	400,000 yen	200,000 yen
Grace Period	Six months	Six months	Six months
Repayment Frequency	16	40	16
Installment	About 10,000 yen	About 10,000 yen	About 10,000 yen
Interest Rate	0%	0%	0%
Disbursement	To the bank account of educational institution	To the bank account of recipient student	To the bank account of recipient student
Collection	Automatic Transfer Services	Automatic Transfer Services	Automatic Transfer Services

The disbursement condition for the students who are enrolled in vocational schools and junior colleges should be studied after the evaluation of pilot phase.

Chapter 7 Proposed Plan: Collection

7.1 General Requirements of Collection

The most important thing to reduce the bad loan is to collect from the recipient students securely. Thus, it is necessary to prepare the repayment schedule for the recipient students to be able to repay. The proposed collection procedures specified in Chapter 7 should be reviewed after the evaluation of pilot phase.

- (1) An automatic transfer service should be utilized so as to collect monies from the bank account of the recipient students. The six-month grace period should be stipulated and after that a fixed amount should be automatically repaid to UNU every month.
- (2) The automatic transfer service should provide the facility to collect monies from any financial institution where the recipient student has an account.
- (3) The recipient student should be able to repay earlier than the initial schedule if he wishes to do so.
- (4) The repayment schedule should be suspended or changed on condition of advance authorization, if there is an unavoidable reason.

7.2 Proposed Plan: Collection

The automatic transfer service is effective in that it will facilitate the repayment of the recipient students and the collection of UNU at a lower administrative cost. Most respondents of the interviews survey agreed to the automatic transfer service. The six-month grace period should be stipulated as they may need time to find a new apartment and part-time job after entering Japan, as discussed in Chapter 6.

This section will discuss which financial institution should be used, either Bank of Tokyo Mitsubishi (BTM), which is a private commercial bank, or Postal Office Saving Bank (POSB), which is a public financial institution. The services offered by BTM and POSB are shown in Table 7-1. It illustrates that POSB offers much inexpensive automatic transfer service than BTM. However, the interviews with students revealed that less than 20% of the respondents had bank accounts at POSB. If the POSB were used for the program, it would be necessary for all students to have a bank account at POSB for the automatic transfer service. Even if all students would open a new account at POSB, they would have to transfer money from their main bank account to the POSB account every month for repayment. It will be cumbersome for the recipient students, and there will be more unsuccessful transactions of repayment because the recipient students may sometimes forget to transfer their monies between the bank accounts, and eventually it will increase the bad loan risk in the future. Therefore, BTM should be selected as the financial institution to provide the automatic transfer service, despite more expensive bank commission.

Table 7-1 Services of Financial Institutions

Transfer Funds by On-line Data Transmission (UNU has its main bank account at BTM)		
Item	Postal Office Saving Bank	Bank of Tokyo Mitsubishi
Base Charge	None	7,000 yen monthly ("Self Bank")
Commission (per transaction)	30 yen	If the transaction amount is 30,000 yen or more, To the same branch : 0 yen To another branch : 210 yen To another bank : 525 yen
Applicable Financial Institutions Where the Recipients (Students and Educational Institutions, etc.) Hold Their Accounts.	Only POSB	Almost All Financial Institutions Except POSB
Applicable Financial Institutions where UNU holds it account.	POSB	BTM
Method of Data Transmission (Firm Banking)	Bankers Association standard format (Zen-Gin) Data transmission software is necessary.	Bankers Association standard format (Zen-Gin) "Self bank" being used at UNU.
Constraints	Both students and UNU must have accounts at POSB. The funds cannot be transferred through on-line data transmission between POSB and BTM.	A terminal at UNU has been used to connect to "Self bank" at UNU.
Automatic Transfer Service (UNU has its main bank account at BTM)		
Item	Postal Office Saving Bank	Bank of Tokyo Mitsubishi ¹
Base Charge	None	3,000 yen/month Commission for money collection : 200 yen
Commission (per transaction)	25 yen	152 yen
Applicable Accounts (student)	POSB only	Almost all financial institutions including POSB
Applicable Account(UNU)	POSB	BTM
Notification of Failure of Collection due to shortage of balance at student accounts	Notified by data transmission	Notified by data transmission
Method of data transmission (Firm Banking)	Bankers Association standard format (Zen-Gin) Data transmission software is necessary.	Bankers Association standard format (Zen-Gin) Data transmission software is necessary.
Date of Automatic Transfer	Any date	12 th or 27 th day of a month

Some students may be able to have more income from part-time job during holiday seasons, especially the summer holidays, and they may wish to repay in advance of the initial repayment schedule as they will be released from the debt. On the other hand, since it will

¹ "Wide Net" service is offered by Diamond Factor Inc., a BTM subsidiary

be the exceptional case, the collection procedure may be more complicated. It is proposed that the automatic transfer service initially agreed between the recipient student and UNU be maintained, but that he also would be able to request to repay UNU in advance.

It is anticipated that some recipient students may become unable to repay due to unavoidable circumstances, such as illness or accident. If they were forced to continue to repay through the automatic transfer service under this situation, their plight may be worse as they may need to spend more money for other purposes. Therefore, it is proposed that the automatic transfer service be suspended, if necessary. There is, however, a fear of moral hazard, and the recipient students should submit the application for suspension to UNU to seek the advance approval. In case of emergency, UNU may be informed by telephone, but the application document should be submitted shortly thereafter. It is also proposed that the surcharge be waived if the cause of late payment is reasonable.

It is proposed that the recipient students be able to change their repayment schedule if they are promised to have employment after graduation. The interviews with students revealed that the postponement of repayment would be preferred, and thus the repayment schedule of the recipient student may be changed on condition that UNU verifies the documents about his future employment.

Chapter 8 Proposed Plan: Disbursed Fund Management

8.1 General Requirements of Disbursed Fund Management

The disbursed fund management should be undertaken based on the following policies: -

- (1) As the disbursed fund management is one of the most essential elements of the Program, an overdue account list should be prepared and utilized in order to control the bad loans.
- (2) The life assistance service should be provided to the recipient students in order to alleviate life hardship, which may cause bad loans.
- (3) It should be ascertained that the students abide by the initial repayment period so as to prevent continuous arrears.
- (4) To follow up the overdue accounts, non-repayment reminder postcards should immediately be sent to the recipient students who have failed to repay. If a recipient student does not repay even after the reminder postcards are sent to them, he should be contacted by telephone, whereas in principle UNU will not visit him for collection.

8.2 Proposed Plan: Disbursed Fund Management

The disbursed fund management should be undertaken by UNU itself. It is proposed that an overdue account list be used for disbursed fund management. The list should indicate some key items including student ID, name, address, age, sex, telephone number, overdue amount, level of bad loan risk, overdue status (past repayment and follow-up records), situation of school attendance, and the provisions for bad loan (balance of overdue amount multiplied by provisional rate)

The follow-up actions should be taken to the recipient students who have failed to repay as schedule by means of reminder postcards and telephone calls. As the initial stage of follow-up, two types of non-repayment reminder postcards should be produced automatically from the computer system and sent to the recipient students who have failed to repay. If the overdue account still remains ever after the reminders have been sent twice, he should be contacted by telephone. Although the primary purpose would be the follow-up of overdue accounts, it should have more emphasis on consultancy about his school life and improvement of financial status.

The recipient students should not be visited for collection in principle, except the cases of emergency, for example, if a recipient student requests to be visited because he is ill or involved in an accident. If he lives in a remote area outside the capital sphere, the agent for the Program should visit him on behalf of UNU. The follow-up records should be shown in the overdue account list, and the bad loan risk of each recipient student should be estimated in consideration of the overdue period. The bad loan risk should be calculated as a bad loan rate, which will then be multiplied by the balance giving provision. This process should be computerized.

In general cases of amortization payments, debtors who repay as scheduled in the initial phase of repayment period will generally continue to repay as scheduled thereafter. Although in the Program the automatic transfer service will be utilized for collection and the due amount will be collected according to the schedule, the initial repayment records should still be carefully monitored.

Chapter 9 Proposed Plan: Life Assistance

9.1 General Requirements of Life Assistance

The life assistance to the recipient students will be important because the Program is not operated commercially, but it intends to support foreign students. For example, they should be assisted to earn more income in order to alleviate the bad loan risk. However, it is not is not a simple task to provide appropriate life assistance to the recipient students as it will require abundant experience to support students. In addition, it is difficult to define the scope of life assistance and it may require a lot of time and cost even for the life assistance to one student.

Thus, although the life assistance should be a part of important activities of the Program, its scope should be limited to some extent because the number of recipient students may exceed 10,000 in the future.

9.2 Proposed Plan: Life Assistance

As described in Chapter 11, the life assistance services of the Program should be outsourced to an experienced agent. The following counseling methods are proposed: -

- (1) A counseling corner should be established at UNU and its agents, and the loan students should be informed of the counseling corner by brochure.
- (2) An inquiry through postcard or newsletter should be made to the recipient students shortly after enrollment and six months later. If a recipient has a problem, he should be introduced to UNU or its agents.
- (3) At the counseling corner, the plight of the recipient student should be solved via

telephone. The advice should be given immediately for assistance or as soon as possible thereafter if good advice is not immediately available. The details of their problems and advice should be input into the life assistance record.

- (4) The life assistance should be provided mainly by means of telephone. However, in the event of the following, a counselor should meet or visit the student.
 - 1) Illness or Accident
 - 2) Mental Problems
 - 3) Financial Problems
 - 4) Dropout

The life assistance of the Program should include introduction of part-time job, introduction of accommodations, counseling services and interaction with recipient students. They should be conducted to support the existing program of other organizations.

Chapter 10 Estimation of Bad Loan Risks

10.1 Definition of Bad Loan

The bad loan is defined in the Program as follows. The overdue amount should be appropriated to the provisional account for bad loan before it is formally identified as bad loan.

- (1) If the recipient student is apparently incapable of reimbursing the debt, as he is dead or suffers from serious illness or injury;
- (2) If the recipient student is apparently incapable of reimbursing the loan due to poor financial status;
- (3) If the recipient student has returned to his home country permanently;
- (4) If the recipient student is missing;
- (5) If the bad loan is recognized by UNU and categorized as such by the Program Monitoring Committee

10.2 Method of Analyzing Bad Loan Risk

The process of analyzing bad loan risk is described as follows: -

- (1) The risks are categorized by type;
- (2) The risk for each category of the recipient students is estimated on the basis of interview and questionnaire surveys. The recipient students category and bad loan rate are defined as follows:

- 1) Category of Students:
 - (a) Home Country: China, South Korea, Other Countries
 - (b) School: Japanese language institution, university (undergraduate) and graduate school
 - (c) Institution Type: Government or Municipal institution, private institution
- 2) Formula to calculate expected risks:

$$[\text{Bad Loan Rate}] = [\text{Bad Loan Students Rate}]^1 * [\text{Unpaid Amount Rate}]^2$$

- (3) Calculate the bad loan rate by student category totaling the bad loan rate by student category and risk item.

$$[\text{Bad Loan Rate by Student Category}] = \Sigma [\text{Bad Loan Rate by Student Category and Risk Item}]$$

- (4) The bad loan rate is calculated by weighted average of bad loan rate by student category.
- (5) The bad loan rate given in (4) is analyzed and compared with the similar educational loan programs.
- (6) Since the total bad loan rate will be influenced by the loan conditions, several total bad loan rates are calculated according to several loan conditions.

10.3 Type of Bad Loan Risk

¹ Percentage of students who cannot complete repayment

² Balance of loan which is unpaid

(1) Risks of illness or accident

The risk is estimated based on the drop out rate of the educational institutions interviewed.

(2) Economical reasons

1) Risk of decreased remittance due to economical circumstances or risk of decreased part-time employment income

The risks caused by economical reasons depend on macroeconomic circumstances of their home countries.

2) Risk of decreased part-time employment income

Some recipient students may become insolvent because they cannot work so much as planned. The interviews survey revealed that some students would not be able to continue part-time employment in the third and fourth years at the university level, as they need to study more. It is therefore assumed that they will have to reduce their working hours in the third year at the university and the end of the first year of graduate school. Meanwhile, most students studying at Japanese language institutions are not fluent in Japanese language immediately after arriving in Japan, and they may not be able to obtain suitable employment in Japan even if they must depend on part-time employment income.

3) Risk of inflation in Japan

This risk is calculated by the percentage of students who will become insolvent if their living costs increase by certain rate.

(3) Risk of selecting inappropriate students

This risk means that the recipient students do not have will to repay, and it happens in the

course of screening.

The risk that malicious students are selected can be reduced in the Program if appropriate screening criteria and procedures are implemented. On the contrary, the risk that some students have little intention to repay may still remain, but the amount of loss may be marginal, as some amounts may be collected before it becomes bad loans.

10.4 Estimation of Bad Loan Risks

The bad loan risks are estimated based on the assumptions described in Chapter 10.3. In estimating bad loan risks, two extreme cases are simulated, namely, “if only appropriate students are selected” and “if no adequate criteria is adapted”. Actual bad loan risks are settled between the ratios calculated in these two cases.

(1) Estimation of bad loan risks by monthly installment

Table 10-1 Estimation of Bad Loan Risk (Appropriate Screening)

			5,000 +	10,000 +	15,000 +	20,000 +
Japanese Language Institution	China	55%	5%	5%	5%	6%
	Korea	34%	6%	6%	6%	6%
	Taiwan	3%	5%	7%	5%	7%
	Others	9%	5%	7%	8%	7%
	Total	100%	6%	5%	5%	6%
University Graduate School	China	60%	14%	15%	15%	14%
	Korea	20%	10%	11%	10%	11%
	Taiwan	7%	5%	5%	7%	8%
	Others	13%	5%	9%	8%	8%
	Total	100%	12%	13%	13%	12%
Grand Total			9%	9%	9%	9%

Table 10-2 Estimation of Bad Loan Risk (Inappropriate Screening)

			5,000+	10,000+	15,000+	20,000+
Japanese Language Institutions	China	55%	20%	29%	35%	41%
	Korea	34%	9%	13%	18%	23%
	Taiwan	3%	15%	23%	28%	35%
	Others	9%	15%	24%	30%	35%
	Total	100%	16%	23%	29%	35%
University Graduate School	China	60%	28%	36%	42%	47%
	Korea	20%	17%	23%	29%	35%
	Taiwan	7%	24%	35%	42%	48%
	Others	13%	23%	37%	43%	48%
	Total	100%	25%	33%	39%	45%
Grand Total			20%	28%	34%	40%

(2) Evaluation of bad loan risks

1) Overviews

Based on the above estimation of bad loan risks, the bad loan risk would be lower than 10% if appropriate screening method is adapted, while it would be up to 40% if inappropriate screening method is adapted.

2) Evaluation by student category

The bad loan risk of university and graduate school students may be higher than that of Japanese language institution students. The interviews survey revealed that university and graduate school students have less time for work because they need to study harder. On the other hand, many graduate school students receive scholarships and their bad loan risk is expected to be lower. As for evaluation by home country, the bad loan risk of Chinese students is higher than that of Korean students for the university and graduate school students. On the contrary, bad loan risk of Korean students is higher than that of Chinese students for the Japanese language institution students.

10.5 Proposed Measurements to Reduce of Bad Loan Rate

It is necessary to take steps to reduce bad loan rate as much as possible, based on the study specified above. In order to reduce bad loan rate, the recipient students should be responsible for repayment, and UNU should educate them to recognize their responsibility (measurement against moral hazard).

The following measures are proposed to prevent moral hazard.

(1) Penetrating the objective of the Program

It is proposed that the objective of the Program be clearly indicated in the loan agreement which will be signed by the recipient students. The objective of the program should also be clearly specified in the brochures for public relations and advertisement and at the UNU web-site. Furthermore, it should also be explained in various orientations to be held to disseminate the Program.

(2) Reduction of bad loan risk by monitoring overdue repayment

As mentioned in Chapter 8, the recipient students who failed to repay through automatic transfer service should be notified by postcard or telephone. The bad loan is identified for the accounting procedures of UNU, and it is a matter of internal processing. Therefore, the identification of bad debt loss does not mean that students no longer have to repay.

The recipient students should be requested to sign an agreement that they will pay the remaining amount to UNU through bank transfer after they return to home countries according to the revised payment schedule. If it is difficult for the recipient students to repay the full remaining amount due to low income level in their home countries, some debts may be exempted. Instead of monthly repayment to be adapted in the Program, annual repayment may also be applicable as the bank transfer fee will be considerably expensive between banks in Japan and overseas.

(3) Measures against overdue accounts

As for moral hazard measures, the following actions should be taken for default of payment, except due to unavoidable reasons such as illness or accident.

- 1) A surcharge should be introduced at an annual rate of 5 % from the day after payment is delayed, as implemented by the Japan Scholarship Foundation.
 - 2) The educational institutions that have recommended the delinquent students be informed of the fact, and, if necessary, the maximum number of students recommended by that institution should be reduced in the future.
- (4) Coordination with daily life assistance

In order to avoid bad loan, life assistance plan for students should be enhanced. The contents of a life assistance plan are proposed in Chapter 9.

Chapter 11 Proposed Establishment for the Program

11.1 General Requirements of Establishment for the Program

UNU should take charge of public relations and advertisement, disbursement, collection, and disbursed fund management while its agents should take charge of life assistance and follow-up of late repayment. The life assistance and follow-up of late repayment should be outsourced to the agents because there will be a need to rely on expertise and experience of external consultants. In addition, those business areas will need to interact with the recipient students more closely. Therefore the Program should be conducted in collaboration with the foreign student department of educational institutions, as well as foreign student supporting organizations under the local governments. The agent should report to UNU regarding the situation of life assistance and follow-up activities.

11.2 Selection of Agent for the Program

The agent which will provide life assistance and follow-up of late repayment should have adequate experience and expertise in the educational loan business. It should also be the institutions aimed at international cooperation for developing countries and should have stable financial background. It is proposed that Asia SEED be the most adequate agent for the Program.

The proposed functions to be conducted by Asia SEED include part of disbursement, disbursed fund management, life assistance, collaboration with Asia SEED's local offices, and assisting operation at UNU.

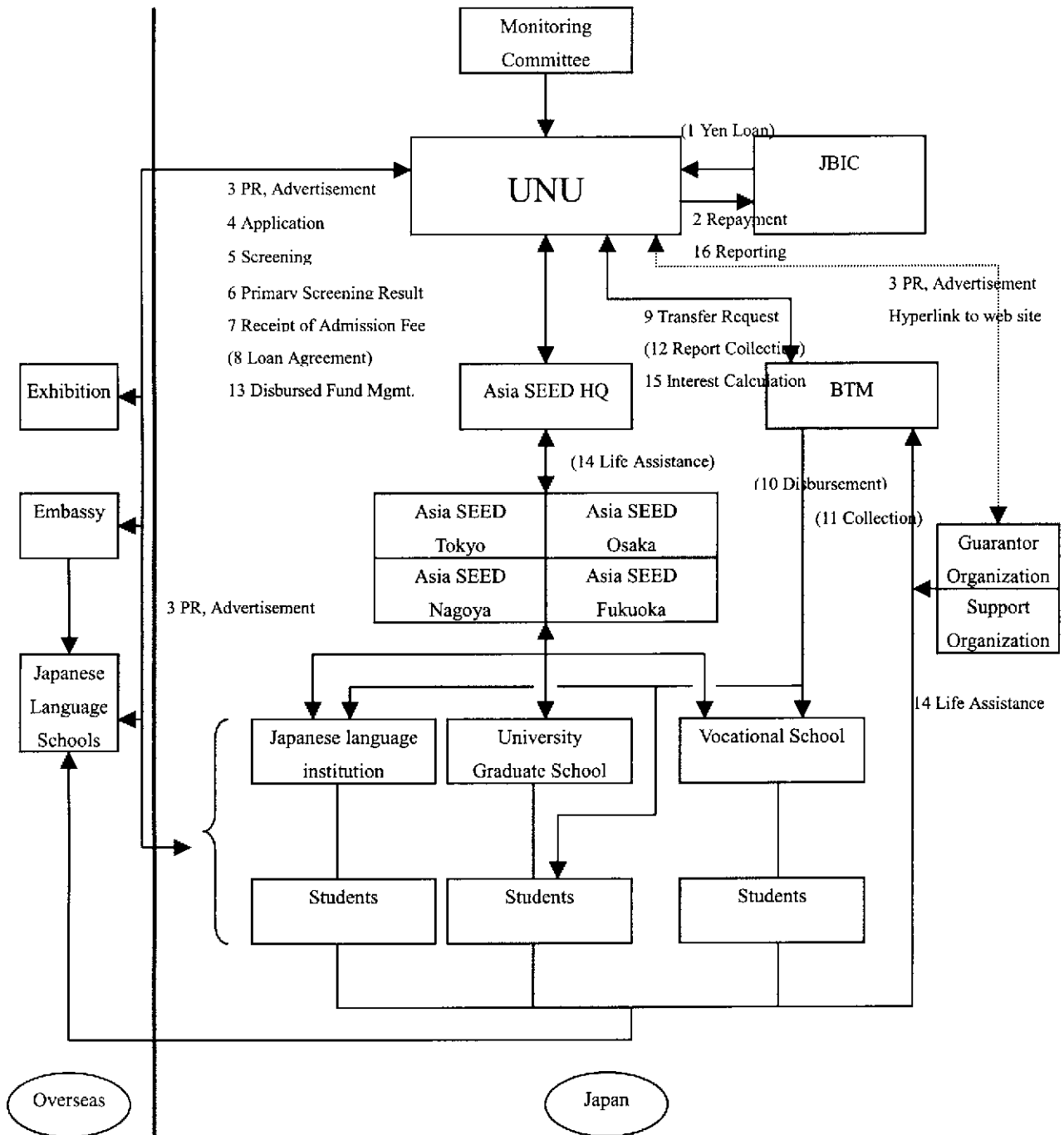
While Asia SEED is proposed as the agent for the Program in the capital area, it is expected nearly half of the applicants are from outside the capital area, especially many

foreign students live in Osaka, Nagoya and Fukuoka area. Therefore it is necessary to set up local offices at least in those cities. Since the option to ask the local organizations that support foreign students to be the agents is not feasible, it is proposed that a new local office should be set up by Asia SEED. However, if the local foreign students supporting organizations are cooperative with the Program, the collaboration with them should be sought in the future. Other cities may have a local office if it is cost-effective to do so.

11.3 Proposed Establishment for the Program

The establishment for the Program is shown in Figure 11-1.

Figure 11-1 Proposed Establishment for the Program



Contract Item	Contract between	Contract Contents
(1 Yen Loan)	JBIC and UNU	
8 Loan Agreement	UNU and Recipient Student	
10 Disbursement	UNU and Japanese Language Institution	About Repayment Suspension
11 Collection	Recipient Student and BTM	About Automatic Transfer Service
12 Collection Report	UNU and BTM	About Bank Commission
14 Life Assistance	UNU and Asia SEED	
14 Life Assistance	UNU and Supporting Organizations	

11.4 Proposed Establishment at UNU

It will be necessary to set up the Department of Financial Assistance Program (FAP) within UNU for the Program. The main work of the FAP should include: -

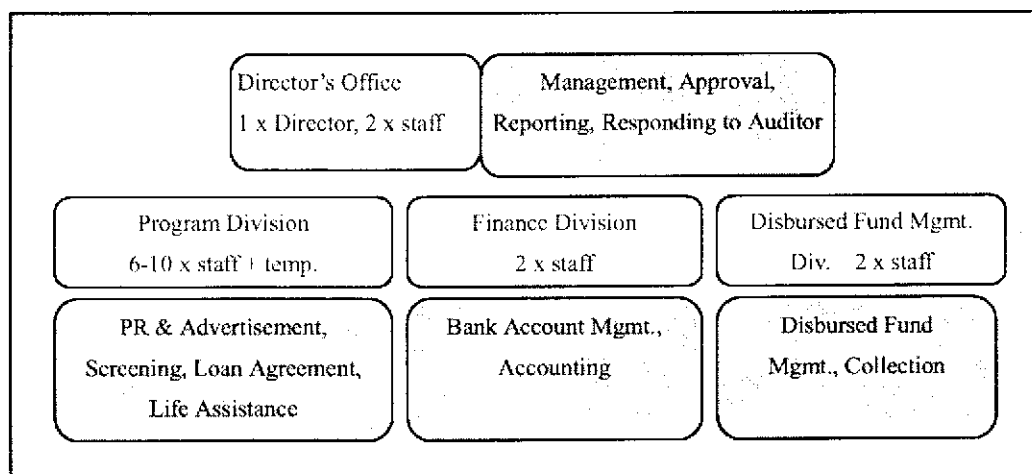
- (1) Public Relations and Advertisement, Screening
- (2) Disbursement, Collection, Disbursed Fund Management
- (3) Life Assistance
- (4) Reporting, Auditing, Liaison, Budget Preparation and Approval

The life assistance activities should be outsourced to the agent, and other activities should be conducted by the FAP of UNU as shown in Table 11-1 and Figure 11-2.

Table 11-1 Proposed Establishment at UNU and Staff Assignment

Division	Activity	Role	Number of staff
Director's Office	Overall Management (Director)	-Overall management -Chairing meetings and workshops -Approving Loan Agreement -Reporting to JBIC -Coordination with MOFA -Responding to auditors	1 person
	Sub-Management	-Preparing Program reports -Support to the Director	1 person
		-Supporting Work	1 person
Program Division	Public Relations and Advertisement	-Preparing brochures -Developing web contents -Preparing orientations -Coordination with educational institution	1 person
		-Supporting Work	1 person
	Receiving Application, Primary Screening, Secondary Screening, Loan Agreement	-Primary Screening -Secondary Screening -Preparation of loan agreement	1 person (if applicants < 800) 3 persons (if applicants = about 3,000)
		-Supporting Work	6 man months (temporary employment)
Finance Division	Bank Accounts Mgmt.	-Requesting transfer of funds -Processing collection data -Preparing funds schedule	1 person
Disbursed Fund Management Division	Disbursed Fund Mgmt.	-Bad loan risk analysis -Instruction to the agents -Fund collection	1 person
		-Supporting Work	1 person
Program Division	Life Assistance	-Life assistance -Instruction to the agents	3 persons (if applicants < 800) 3 persons (if applicants = about 3,000)
Finance Division	Accounting	-Preparing financial statement	1 person
		Total	13-17 persons plus temporary employment

Figure 11-2 Proposed Establishment at UNU



Chapter 12 Information System for the Program

12.1 General Requirements of Information Systems

It is imperative to develop, implement and operate a new information system (Financial Assistance Program System or FAPS) in order to achieve accurate and efficient processes with the Program. The new information system will benefit the following: -

- (1) At a peak period, personal information and account balances for approximately ten thousand students will need to be administered. A new information system will largely alleviate the workload by managing payment and collection data, editing and printing various reports and postcards.
- (2) The new information system will be able to process voluminous data relating to disbursed fund management and interest calculations.
- (3) The new information system will be linked to the existing system, so that the resources can be utilized more effectively.

12.2 Business Requirements of the Program

The Program has distinguished peak periods of business and FAPS is expected to effectively alleviate the workload at peak times. At the pilot phase, there will be a few hundred students every year and in future the number of recipient students will be a few thousand every year. Therefore it is necessary to develop FAPS to meet the work volume.

The following routine works are identified for the business of the Program conducted by UNU: -

Table 12-1 Scope of Business of the Program

1	Yen Loan Management
2	Public Relations and Advertisement (for Resident Applicants)
3	Public Relations and Advertisement (for Non-Resident Applicants)
4	Screening and Disbursement (for Resident Applicants)
5	Screening and Disbursement (for Non-Resident Applicants)
6	Life Assistance and Student Information Management
7	Educational Institution Information Management (for Resident Applicants)
8	Educational Institution Information Management (for Non-Resident Applicants)
9	Agent Information Management (for Resident Applicants)
10	Agent Information Management (for Non-Resident Applicants)
11	Collection and Disbursed Fund Management
12	Reporting

12.3 Systems Requirements of the Program

The systems requirements given below indicate the basic requirements when a system developer carries out basic and detailed design.

Table 12-2 Functional Requirements: Screening

1	Add, update and delete loan application	FAPS should be able to add, update or delete the information from loan applications, and automatically allocate the applicant code for the newly registered student.
2	Print applicants list	FAPS should be able to produce an applicants list that shows the order based on selection criteria.
3	Input the screening results	FAPS should have screening results for loan application of each student.
4	Produce and inquire screening results	FAPS should be able to produce and search screening results according to key items such as application data and educational institution names.
5	Produce and inquire outstanding candidates list	FAPS should be able to produce and search an outstanding candidate list that contains the qualified students who have not signed the loan agreement.

Table 12-3 Functional Requirements: Loan Agreement and Disbursement

1	Add, update and delete loan agreement	FAPS should have the loan agreement conditions for each student.
2	Calculate installment	FAPS should be able to compute the repayment schedule according to the loan amount, repayment period, collection fee rate, and other related information.
3	Produce and inquire repayment notification	FAPS should be able to produce and search repayment notifications and the balances.
4	Produce payment data	FAPS should be able to produce payment data to be transmitted to BTM and a related checklist.
5	Update transfer results	FAPS should be able to update the transaction results and reproduce the data if the transfer request has not been completed.

Table 12-4 Functional Requirements: Collection and Follow-up

1	Produce collection data	FAPS should be able to produce collection data from recipient students and a related checklist to be transmitted to DFI. In the event of temporary suspension of reimbursement, the collection data for the recipient student should not be produced. If there is an overdue amount, FAPS should be able to add the overdue amount to the usual monthly amount.
2	Update collection result	FAPS should be able to deduct the collected amount from the balance of each recipient student based on the collection results. The surcharge will first be deducted and then the balance recalculated according to the overdue period.
3	Input collection result	In the event of reimbursement by the student using bank transfer or a similar method, FAPS should be able to deduct the collected amount from the balance.
4	Produce and inquire overdue accounts list and non-repayment reminders	FAPS should be able to produce and search overdue accounts list and non-repayment reminders.
5	Produce and inquire repayment status	FAPS should be able to produce and inquire on the repayment status using historical records for each recipient student.
6	Input temporary suspension of repayment schedule	FAPS should be able to suspend expected repayment temporarily.
7	Input change of repayment schedule	FAPS should be able to change the repayment schedule to reflect a revised plan.
8	Calculate surcharges	If the overdue period is more than two months, FAPS should be able to calculate the applicable surcharges.
9	Write off the balance	FAPS should be able to write off the balance, if necessary.

Table 12-5 Functional Requirements: Others

1	Add, update and delete the information of educational institutions that recommend students
2	Add, update and delete the information of agents
3	Add, update and delete the information of educational institutions that host students
4	Add, update and delete the information of financial institutions
5	Add, update and delete other information
6	Add, update and inquire financial transactions with JBIC
7	Print address labels
8	Interface with FBPMS
9	Produce various reports

12.4 Systems Implementation Plan

It is necessary to develop a timetable for systems design and development of the Program in accordance with the schedule of the pilot phase. Assuming that the pilot phase will commence for the students who will enroll in April 2002, FAPS should be implemented by the time the processed begin for loan applications, screening and disbursement. However, collection from students will begin after a certain grace period, and therefore it is necessary to develop the other modules before the collection module.

It will be necessary for the UNU staff operate FAPS by themselves. There will be some administrative work relating to security and backup, and it is desirable that a System Administrator be appointed at the Financial Assistance Program Department or an information systems department to provide user education, primary trouble-shooting, and future enhancement or improvement plans of the system.

Chapter 13 Estimation of Operation Cost

13.1 Proposed Plan of Revolving Fund Management

Since there is a gap of repayment period between JBIC to UNU (40 years) and UNU to recipient students (approximately 2 to 4 years), once repayment is started to UNU by the recipient students, fund will be accumulated in the UNU account. As a general rule, this fund should be administered separately and clearly from other funds in order to recycle as a source of disbursed fund (so-called revolving fund) in the Program. The following management should be considered: -

(1) Division management by different accounts

A new bank account should be created to operate the fund disbursed by JBIC. The transactions of the bank account should be limited as follows: -

Table 13-1 Transactions of New Bank Account

	Item	From
Debit	Yen loan fund borrowing	Bank which JBIC uses
	Collected fund from recipient students	DFI
	Automatic transfer services commission	GOJ
	Compensation for bad debt	
	Income from revolving fund operation	BTM
	Item	To
Credit	Disbursement to recipient students	Bank account of recipient students or educational institutions
	Yen loan fund repayment (including interest)	Bank which JBIC uses

(2) Management report

UNU should prepare a financial report for management periodically and it should include statements on revolving fund management and its difference analysis. In formulating this

reporting system to JBIC and the Monitoring Committee, there should be a discussion among three parties, UNU, Monitoring Committee and JBIC.

13.2 Estimation of Operation Cost

The operation cost of the Program is estimated in Table 13-3 on the assumption of number of the recipient students used in Table 13-2. It is also assumed that the Program will be consequently implemented after the pilot phase. The operational cost for local offices is estimated on the assumption that local offices will be set up in Osaka, Nagoya and Fukuoka in the second year.

Table 13-2 Number of Recipient Students

	Period	Number of recipient students	Remarks
Pilot Phase	Year 2002, April	300	Only the resident students who will enter in a university or a graduate school.
	Year 2003	600	The resident students who will enter in a junior college or a vocational school will also be applicable
	Year 2004	600	The non-resident students will also be applicable
Main Phase	Year X	3000	
	Year X+1	3000	
	Year X+2	3000	

In the pilot phase, the recipient students should be recommended by fairly-selected educational institutions which would be good examples for operation of the main phase.

Table 13-3 Estimation of Operation Cost

	First year	Second year	Third year	x year	X+1 year	X+2 year	X+3 year	X+4 year
New recipient students								
Japanese language institution students	0	0	300	1,500	1,500	1,500	1,500	1,500
University and graduate school students	300	600	300	1,500	1,500	1,500	1,500	1,500
Total	300	600	600	3,000	3,000	3,000	3,000	3,000
Total recipient students								
Japanese language institution students	0	0	300	1,800	3,000	3,000	3,000	3,000
University and graduate school students	300	900	1,200	2,700	3,900	4,800	6,000	6,000
Total	300	900	1,500	4,500	6,900	7,800	9,000	9,000
Operation Cost								
Personnel	115,250,000	115,250,000	115,250,000	150,250,000	150,250,000	150,250,000	150,250,000	150,250,000
Outsourcing	40,440,398	119,169,253	153,000,838	308,490,107	354,173,614	370,328,043	394,138,010	392,949,409
Automatic transfer services	547,200	1,641,600	2,736,000	8,208,000	12,585,600	14,227,200	16,416,000	16,416,000
Systems development	56,050,000	550,000	550,000	2,750,000	750,000	750,000	750,000	750,000
Rent	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000
Public relations	6,753,900	2,558,800	2,558,800	6,894,700	6,894,700	6,894,700	6,894,700	6,894,700
Travel	3,700,000	3,700,000	3,700,000	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000
Communication	200,000	200,000	200,000	500,000	500,000	500,000	500,000	500,000
Printing (excluding public relations)	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Consultant and attorney fee	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Conference	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000
Non-performing loan	12,000,000	24,000,000	18,000,000	90,000,000	90,000,000	90,000,000	90,000,000	90,000,000
Total (yen)	264,841,498	296,969,653	325,895,638	601,492,807	649,553,914	667,349,943	693,348,710	692,160,109
Total (million yen)	265 million	297 million	326 million	601 million	650 million	667 million	693 million	692 million

Table 13-4 Background of Estimation

Item	Unit price	Unit	First year Amount	Unit	Second year	Third year	x year	X+1 year	X+2 year	X+3 year	X+4 year
Personnel											
Director	10,000,000	Yen/year	1	Person	1	1	1	1	1	1	1
Permanent Staff	5,000,000	Yen/year	11	Person	11	11	15	15	15	15	15
Management Cost	75%										
Temporary staff	250,000	Yen/month	6	months	6	6	6	6	6	6	6
Outsourcing											
Asia SEED			40,440,398	Yen	119,169,253	113,000,838	188,490,107	234,173,614	250,328,043	274,138,010	272,949,409
Overseas offices	20,000,000	yen/office	0	Yen	0	40,000,000	120,000,000	120,000,000	120,000,000	120,000,000	120,000,000
Total			40,440,398	Yen	119,169,253	153,000,838	308,490,107	354,173,614	370,328,043	394,138,010	392,949,409
Automatic transfer commission	152	Yen/transaction									
System development cost	50,000,000	Yen									
System purchase cost	500,000	Yen/person									
System maintenance cost	10%										
Rent	9,000,000	Yen/year									
Public relations expense											
Public relations (briefing)	100,000	Yen/travel	10	Travels	20	20	20	20	20	20	20
Travel expenses (overseas)	300,000	Yen/travel	10	Travels	10	10	10	10	10	10	10
Travel expenses (domestic)	50,000	Yen/travel	10	Travels	10	10	10	10	10	10	10
Travel expenses (within Tokyo)											
Communication expense	200,000	Yen/year									
Printing (excluding PR)	500,000	Yen/year									
Consultant and attorney fee	20,000,000	Yen/year									
Conference	400,000	Yen/year									
Bad loan rate	10%										

Chapter 14 Effectiveness of the Program

14.1 Effectiveness of the Program

It is very important for any ODA project to survey the effectiveness for improvement of the existing projects and better planning of new projects in the future. JBIC also values the post-evaluation to compare the initial plan and actual results in the project cycle, and it is useful to set up appropriate indices of quantitative measures. It is however generally considered that the effectiveness of higher and tertiary education projects like the Program is difficult to measure because the effectiveness appears over a long period of time for individual recipients. Thus, it is here proposed to focus on the indices, which can be measured in one year after starting the Program. Table 14-1 shows some measures based on the fundamental objectives such as achievement of the Hosting 100,000 Foreign Students Plan and assistance of human resources development in developing countries.

Table 14-1-1 Proposed Measures of Program Effectiveness

	Goal	Target Measure	Whether it can be measured in one year	Information Source
Quantitative Measures	To increase the number of foreign students	Number of foreign students	Yes	MECSST/ Supporting Groups of Foreign Students
		Number of recipient students	Yes	UNU
		Number of cases in which the Program enabled foreign students to enter into educational institution	Yes	Students
	To alleviate the economical burden of foreign students	Decrease in loan from other sources	Yes	Students
		Changed working hours for part-time employment	Yes	Students
		Change of drop-out rate	Yes	Educational Institutions
	To contribute human resources development in developing countries	Change of drop-out rate	Yes	Educational Institutions
		Career options after leaving schools	No	Students
Qualitative Measure	To develop human resource network and internationalization of Japan	Students' impression about studying in Japan / Exchange program with Japanese people	Yes	Students

Most measures listed in Table 14-1 may be obtained from recipient students.

In the Program, a recipient students database should be set up and there is a certain repayment period, so it will be possible to follow up the situation of recipient students for a few years. The follow-up survey will be effective for quantitative analysis of recipient situation. Their life situation before the use of the Program will be obtained from the loan application, which will specify the financial status of the applicants. Afterwards, their life situation after the use of the Program will be obtained from postal or e-mail questionnaires to the recipient students after one year. In the questionnaire, the recipient students should also be asked about effectiveness of the Program. Table 14-2 depicts the data source to the corresponding measures of effectiveness of the Program.

Table 14-2 Data Source of Measurement of Program Effectiveness

	Target Measure	Before Disbursement	After Disbursement
Quantitative Measures	Number of cases in which the Program enabled foreign students to enter into the educational institution	-	Questionnaires
	Decrease in loan from other sources	Loan application	Questionnaires
	Changed working hours for part-time employment	Loan application	Questionnaires
	Career options after leaving schools	-	-
Qualitative Measure	Students' impression about studying in Japan / Exchange program with Japanese people	-	Questionnaires

Chapter 15 Audit of the Program

15.1 Necessity of Internal Audit

It is essential for JBIC, the fund provider, to monitor the operation whether the disbursed fund is appropriately used in accordance with the purpose of the Program. One option of monitoring is to the Monitoring Committee as proposed in Chapter 11, but monitoring the detail of fund utilization may be difficult by the Monitoring Committee. UNU has not been audited by an external body, as it is one of the organizations of the United Nations (UN). On the other hand, however, the Audit Committee conducts regular audit to UNU, in addition to internal audit, so those audits should be examined whether they will be effective for audit of the Program.

15.2 Current Audit of UNU

UNU is currently subject to regular external and internal audits.

(1) External Audit

The UN Board of Auditors carries out the external audit, and it consists of three Auditors General from the UNU member states, appointed by the General Assembly. They are elected for a three-year term. The Board dispatches an audit team to conduct UNU audit. The audit is carried out annually for a one-month between March and May. The Board then reports the findings to the UN Headquarters and submits a biannual report to the General Assembly. The resolutions and decisions adopted by the General Assembly are published periodically as the audit reports, which the member states have free access, and it is thought that JBIC will be able to obtain the information. However, the detailed matters may not be specified.

(2) Internal Audit

The Office of Internal Audit of UN Headquarter conducts internal audit every three or four years. However, the internal audit reports are not disclosed. According to the Financial Regulations and Rules of UN, an internal audit should be conducted with respect to the following: -

- 1) Compliance with regulations: Reviewing financial transactions in order to verify whether they comply with the rules and regulations set forth by UN.
- 2) Economy and Efficiency: Appraising whether financial and human resources are effectively utilized.
- 3) Effectiveness: Reviewing payment in order to evaluate the project effectiveness.

The Financial Regulations and Rules of UN also stipulate internal controls.

15.3 Auditing Additionally Required for the Program

The internal controls of UNU will assure the appropriateness of accounting procedures of the Program, while the audit reports submitted to the General Assembly should reasonably assure that there have not been material problems about the Program. However, they will not provide detailed information for JBIC to assess the use of fund for the Program timely. Therefore, JBIC, through GOJ, will have to request the Board of Auditors to conduct detailed auditing if it is needed.

Chapter 16 Implementation Schedule of the Program

16.1 Implementation Schedule of the Program

The schedule of public relations and advertisement, screening and disbursement is proposed as Figure 16-1 and Figure 16-2 for the first year of the pilot phase and the Xth year of the Program respectively. The seasons of entrance examination for Japanese language institutions, universities and graduate schools are taken into consideration for the proposed schedule.

Figure 16-1 Proposed Schedule of the Program : 1st Year of Pilot Phase

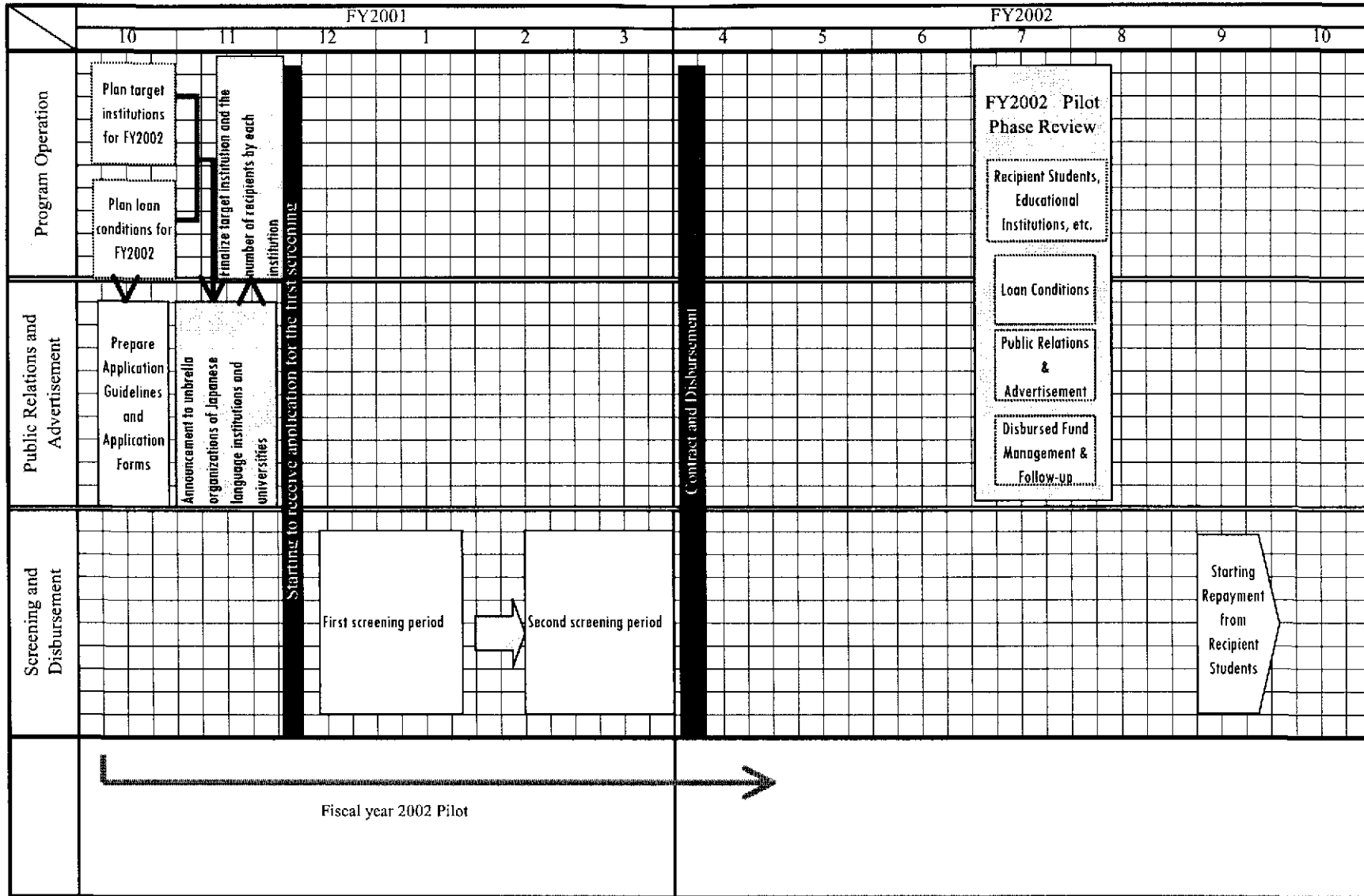
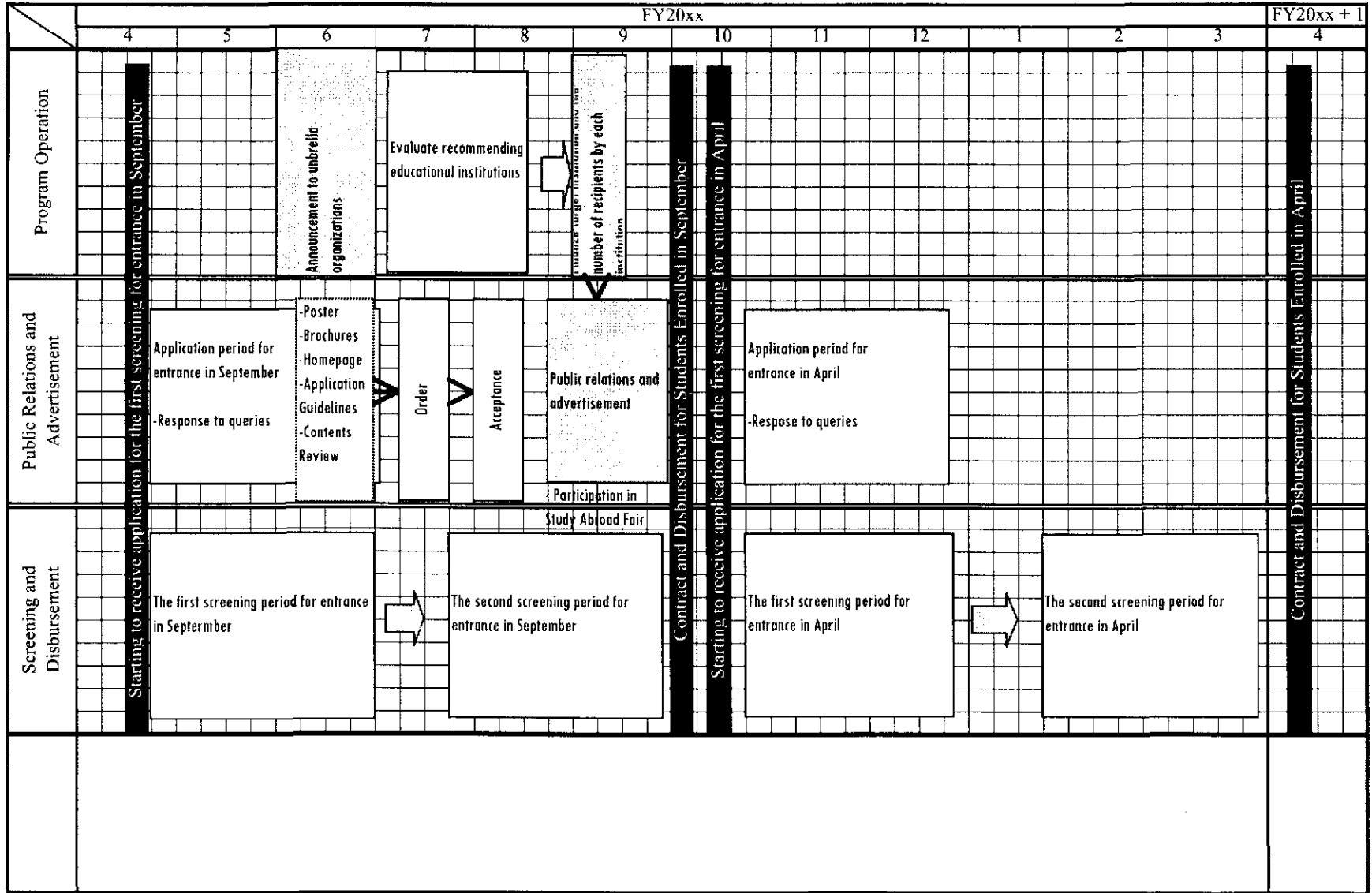


Figure 16-2 Proposed Schedule of the Program : Xth Year of Main Phase



Chapter 17 Summary of Questionnaires and Interviews Survey

17.1 Method of Questionnaires and Interviews Survey

The number of questionnaires distributed and effectively responded is shown in Table 17-1.

Table 17-1 Target of Questionnaires and Interviews Survey

Questionnaires Survey		Target Number	Distributed	Collected	Effective Response Rate
1	Japanese Language Institutions Students	2,000	2,990	2,006	67%
2	Universities and Graduate Schools Students	1,000	4,239	1,359	32%
	Total	3,000	7,229	3,365	46%
Interviews Survey		Target Number	Number Interviewed		
1	Japanese Language Institutions Students	200	212		
2	Universities and Graduate Schools Students	100	126		
	Total	300	338		

Table 17-2 Areas of Questionnaires and Interviews Survey

	Region	Prefectures	Number of Foreign Students	Ratio
1	Kanto Area	Tokyo, Saitama, Chiba, Kanagawa	29,498	46.08%
2	Kansai Area	Osaka, Kyoto, Hyogo	10,549	16.49%
3	Chukyo Area	Aichi	3,367	5.26%
4	Kyushu Area	Fukuoka	3,103	4.85%
Total of Above 4 areas			46,517	72.67%
Total of All prefectures			64,011	100.00%

17.2 Result of Questionnaires Survey

The result of the questionnaire survey is analyzed as follows: -

17.2.1 Demands for Financial Support

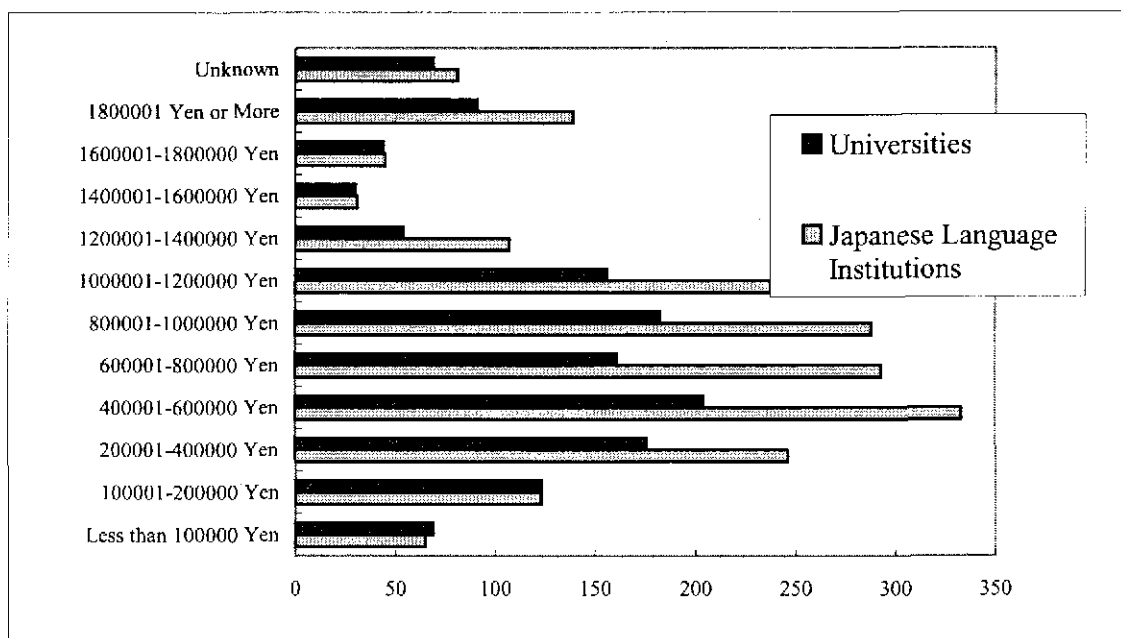
- (1) Demands for the Program

78% of respondents at Japanese language institutions wanted to apply for the Program while demands of university students are 66%. The demand of Chinese students is the highest at Japanese language institutions and universities, 83% and 71% respectively.

(2) Loan Amount

Both Japanese language institution and university respondents consider that the most appropriate loan amount ranges from 400,000 yen to 600,000 yen. Assuming this amount is allocated proportionately to the duration of enrollment at universities, the monthly repayment will be estimated to range from 10,000 to 15,000 yen.

Figure 17-1 Expected Loan Amount

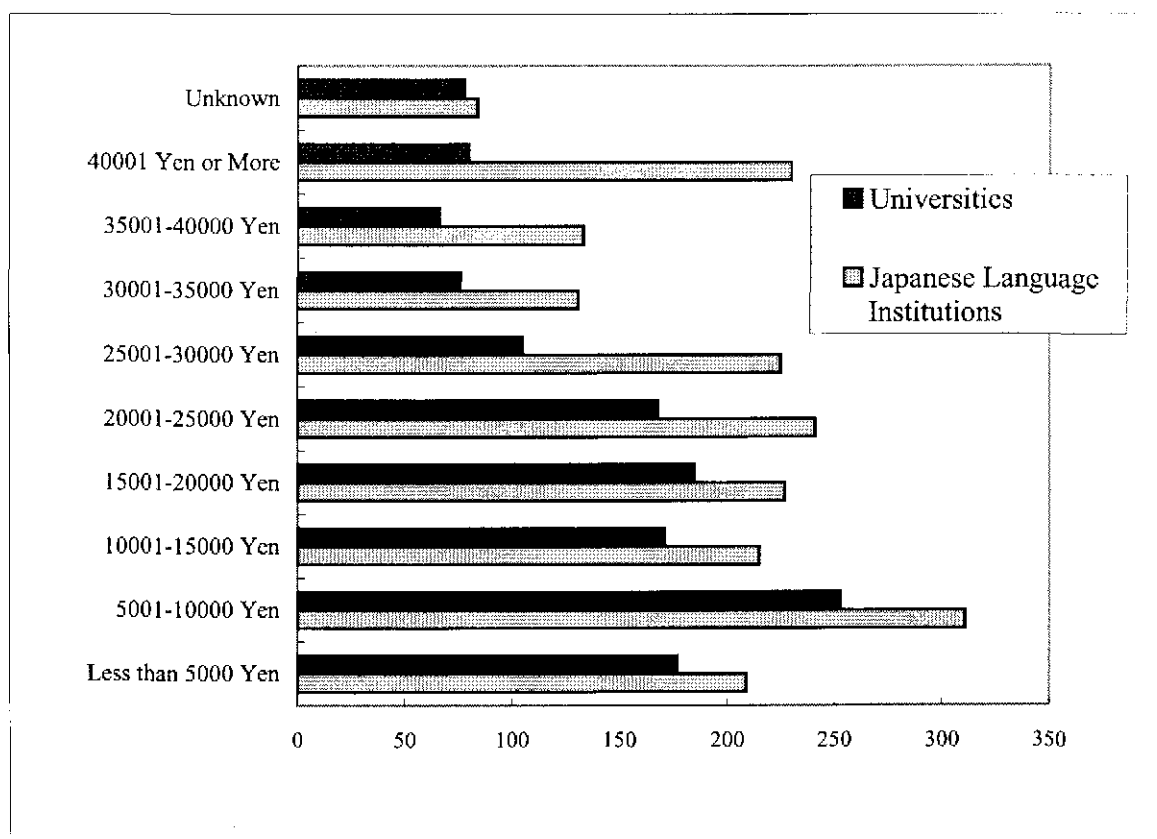


(3) Monthly Affordable Amount for Repayment

The majority of respondents considered 5,000 to 10,000 yen per a month as an affordable amount for repayment. The ratio of respondents who expected to be able to repay 10,000 yen or more per a month turned out to be 73% at Japanese language institutions and 66% at

universities.

Figure 17-2 Affordable Amount of Monthly Repayment



(3) Source for Repayment

More than 70% of respondents answered that the source for repayment would be income from part-time employment.

Table 17-3 Sources for Repayment (Japanese Language Institution)

	China		South Korea		Others	
	Count	Percentage	Count	Percentage	Count	Percentage
Income from Part-time Job	781	71%	527	78%	164	70%
Remittance from Relatives	82	7%	52	8%	24	10%
Other Scholarships	84	8%	16	2%	13	6%
Unknown	62	6%	35	5%	16	7%
Others	48	4%	25	4%	11	5%
Financial Assistance from Guarantor	29	3%	7	1%	3	1%
Income from Spouse	14	1%	11	2%	2	1%
Total	1,100	100%	673	100%	233	100%

Table 17-4 Sources for Repayment (University)

	China		South Korea		Others	
Income from Part-time Job	599	73%	189	70%	175	64%
Remittance from Relative	68	8%	22	8%	25	9%
Other Scholarships	55	7%	16	6%	24	9%
Unknown	46	6%	21	8%	13	5%
Others	25	3%	20	7%	25	9%
Financial Assistance from Guarantor	12	1%	2	1%	9	3%
Income from Spouse	10	1%	1	0%	2	1%
Total	815	100%	271	100%	273	100%

(4) Appropriate period to start repayment

In regard to starting repayment, respondents at universities preferred a longer grace period. In this regard, there is no strong relevance between starting repayment and starting part-time employment. The interviews survey revealed that many interviewees pointed out difficulty in finding part-time employment soon after coming to Japan.

Table 17-5 Period to Start Repayment

	Japanese Language Institutions		Universities		Total	
Immediately after disbursement	158	8%	69	5%	227	7%
> 2 months	288	14%	78	6%	366	11%
> 6 months	735	37%	339	25%	1,074	32%
< 6 months	734	37%	800	59%	1534	46%
Unknown	91	5%	73	5%	164	5%
Total	2,006	100%	1,359	100%	3365	100%

17.2.2 Current Financial Situation

(1) Monthly Cash Flow

The average monthly income of respondents at Japanese language institutions was 122,704 yen, while the average monthly expenditure was 105,049 yen. In all groups at Japanese language institutions, the average monthly cash surplus amounted to approximately

20,000 yen. On the other hand, there was very little surplus in the monthly cash flow of respondents at universities, as the average income was 110,156 yen while the average expenditure was 110,083 yen.

(2) Initial expense for studying abroad

The actual amount incurred upon coming to Japan was obtained from the questionnaires survey. These expenses include the entrance fees and other expenses paid to their educational institution. It should be noted that the following adjustments were made taking other reliable data source into consideration.

- 1) As for the entrance fees and other expenses paid to Japanese language institutions, there was a discrepancy between the amount obtained from the questionnaires survey and the average amount the institutions officially stated. Therefore, the latter amount was used for calculation.
- 2) The tuition for the first academic year is collected together with the entrance fee when the students enter. Therefore, monthly tuition is based on annual tuition and was declared as an expense item to aggregate initial costs.

The average initial costs accordingly totaled 978,762 yen to enter Japanese language institutions and 1,311,579 yen to enter universities and graduate schools. It is also estimated that a Japanese language institution student will have to pay 1,048,778 yen for entrance to a university on average.

Table 17-6 Initial Expenses for Studying Abroad

		Traveling Expense	Key money and Deposit	Furniture	Entrance Fees	Other Fees	Tuition for 1 st Year	Total
Japanese Language Institutions	Total	83,032	116,751	68,582	57,683	72,351	580,363	978,762
	China	78,574	121,348	69,309	57,683	72,351	583,276	982,542
	S Korea	91,816	113,063	67,871	57,683	72,351	570,803	973,586
Universities	Total	83,354	110,445	69,002	225,204	188,520	635,054	1,311,579
	China	80,255	101,702	65,849	225,819	191,146	624,308	1,289,078
	S Korca	92,270	130,804	76,615	232,038	193,966	673,691	1,399,384

(3) Amount of cash and deposit

As for Japanese language institution students, all school-related payments including the entrance fee, tuition for first semester and other costs are usually paid. It is therefore assumed that the cash brought to Japan would be used for other necessary cost to facilitate their life in Japan. The initial cost excluding school-related fees was 268,365 yen for respondents at Japanese language institutions and 262,801 yen for university respondents. It is also assumed that foreign students come to Japan with enough cash to cover tuitions for the subsequent semester.

Table 17-7 Amount of Cash and Deposit

	Japanese Language Institutions		Universities	
	Amount They Had When Entering Japan	Amount They Currently Have	Amount They Had When Entering Japan	Amount They Currently Have
Total	632,817	164,493	654,139	146,080
China	669,059	179,689	643,445	157,052
S Korea	564,811	137,012	732,722	119,014

(4) Source for Initial Expense for Studying Abroad

There are multiple sources for initial costs incurred by coming to Japan, as was determined in the questionnaires survey. 71% of respondents at Japanese language institutions were granted financial support from relatives, with an average amount was 205,959 yen. 64% of respondents at universities were likewise, and the average amount was 204,816 yen. Particularly respondents at universities use their own savings as a major financial source; 63% had some savings to cover these initial costs, and the average amount was 179,028 yen. A unique pattern was found among South Korean respondents. The ratio of respondents who have their own savings to cover the initial costs is as high (69%) as those respondents at Japanese language institutions who receive financial support from their relatives. Among university respondents from South Korea, contrary to Chinese, the ratio of those who have at least some savings was slightly higher (70%) than those who receive financial support from relatives (69%).

17.2.3 Part-time Employment

85% of respondents at Japanese language institutions and 75% of respondents at universities were engaged in part-time employment. Chinese respondents were engaged in part-time employment more than South Korean respondents; 93% compared to 79% at Japanese language institutions and 84% compared to 63% at universities. Many respondents worked at restaurants. The respondents who worked as an instructor marked 6% higher at universities than those of Japanese language institutions, where the ratio remained only 2%. Weekly work hours also showed a significant difference between respondents at Japanese language institutions and universities. The average hours spent at a part-time job was 18.5 for respondents at Japanese language institutions and 15.6 hours for university respondents. Work hours during holidays also displayed a substantial contrast between the two clusters. Average hours worked during vacation increase sharply among university respondents. This may be attributable to the fact that Japanese language institution students, who are entitled to pre-college student visa, are allowed to engage in part-time job as an "Activity other than that of the designated visa status" only 4 hours per day, whereas university students who hold student visa are allowed to work up to 8 hours a day during long-term holiday as long as working hours do not exceed 28 hours in a week. As another factor, work hours are assumed to be shorter for university students due to their busy academic work during the semester. Furthermore, most students begin part-time employment within 6 months after coming to Japan.

Table 17-8 Type of Part-time Work Engaged

	Japanese Language Institutions		Universities	
None	301	15%	329	24%
Instructor	35	2%	110	8%
General Clerical Work	73	4%	84	6%
Restaurant	950	47%	473	35%
Cleaning	94	5%	55	4%
Delivery	122	6%	29	2%
Sales Staff	133	7%	67	5%
Factory	92	5%	53	4%
Computer Programmer	23	1%	26	2%
Other	129	6%	116	9%
Unknown	54	3%	17	1%
Total	2,006	100%	1,359	100%

17.3 Result of Interviews Survey to Foreign Students

There are less enthusiastic opinions for the Program from interviews survey compared with the questionnaires survey. Japanese language institution students were more optimistic than university students for repayment as shown in questionnaires survey. Their comments about their life and necessary assistance are as follows: -

(1) Have you ever utilized any life assistance services?

1) Universities and Japanese language institution students

More than half of respondents cited that they have never used life assistance services.

- The host Japanese language institution arranged accommodations.
- There are few services for pre-college foreign students.
- It is possible to obtain information from their seniors and friends and build interpersonal relationships with Japanese after acquiring skills of Japanese language.

Many students also pointed out that such assistance would be needed when they arrived in Japan because they could not communicate in Japan well. However, the services provided by private organizations or local public institutions, if any, are mostly advertised in Japanese on their bulletin boards. Another opinion was that it would be more effective if there were any consultation services in their mother tongues. Nearly 30% of interviewees have utilized the services of CDFS. Both university and Japanese language institution students felt that the services should be extended to Japanese language institution students.

It was observed that most university students had access to relatively integrated information sources such as foreign students information offices and guidebooks for foreign students while Japanese language institution students had little access to useful information.

(2) What kind of problems have you experienced since you came to Japan?

1) University and Japanese language institution students

The answers are categorized into the following seven groups.

(a) Guarantor

- The guarantee from a Japanese was mandatory when renting an apartment.
- Since the guarantor is staff of company where an interviewee works, it is not easy to change part-time job.
- It is not easy to find a person whom an interviewee can continuously ask to be a guarantor while his stay in Japan.

(b) Financial Difficulty

- Tuition payment was delayed when an interviewee failed to receive

remittance from his family.

- There is always fear of financial problem, as the income is mostly generated from part-time job.
- Even an interviewee had some part-time jobs together, he could not earn sufficient money for tuition fees by the due date.

(c) Accommodations

- Accommodations available to foreigners are generally in bad condition.
- Deposits and key money are too expensive.

(d) Part-time employment

- Applications for part-time employment were rejected though there is no problem to communicate in Japanese language.
- School activities cannot be often participated due to busy schedule of part-time employment
- A suitable part-time employment was not found due to poor Japanese language skills during the first six months.

(e) School information

- The difference among Japanese language institutions is not clear to student. There is too much difference in quality between the schools.
- There is scarce information about university entrance examinations. Since there is not an objective standard, such as deviation value, it is difficult to identify the most suitable university.

- (f) Limitation on pre-college student visa
 - Pre-college students are ineligible for student discounts for commuter pass.
 - There are few scholarships available for pre-college students.
- (g) Discrimination, prejudice, and cross-cultural problems
 - Some people have deep-rooted prejudice that pre-college students are illegal workers.
 - It is difficult to communicate with Japanese people.

Many interviewees pointed out the guarantor problems, and it was observed that they usually asked co-workers, teachers or professors to be their guarantor. Some interviewees utilize the “Foreign Student Housing Total Guarantee System” of Center for Domestic and Overseas Students.

- (3) What kind of life assistance services do you think will be necessary?
 - 1) University and Japanese language institution students

The countermeasures to the problems listed above were raised from interviewees as follows: -

- Introduction of affordable and suitable accommodations
- Provision of guarantee
- Introduction of part-time job for foreign students
- Consultation about selection of educational institution to promote
- Provision of life assistance services for pre-college student visa holders, such as

- Provision of exchange program with Japanese people

17.4 Interviews Survey to Educational Institutions

The interview surveys are summarized as follows: -

(1) Participation to the Program

1) University

Eight universities expressed that they would like to participate the Program as they saw some foreign students having given up their study due to their financial problems and they would like to utilize the Program to help them.

- It is preferable if the Program can assist foreign students not only when they enter an educational institution, but only when they need financial assistance urgently thereafter.
- For emergency cases, a university has its own educational loan program which has experienced very few cases of bad loan because it elaborates repayment plans carefully with the recipient students.
- The foreign students are referred to the loan program of CDFS for the temporary financial assistance.

However, nine universities were reluctant to participate the Program because there would be a risk of accepting malicious recipient students. Their opinions are represented as follows: -

- There will be additional burden regarding repayment.
- It is not recommendable to secure sources for entrance fees from loan.

- It is not recommendable to secure sources for entrance fees from loan.
- There will be a fear of delay of repayment.
- A malicious student may participate the Program.
- University needs additional work.

Two other universities did not agree or disagree because they said they would need discussion within the universities.

2) Japanese language institution

Nine Japanese language institutions expressed their wishes to participate the Program while one did not. Many institutions said that the Program would be welcomed by Japanese language institution students who had smaller chances to receive scholarships.

(2) Recommendation to the Program

1) University

Eight universities, which agreed to participate the Program, also agreed to recommend their students to the Program.

- The recipient students would be recommended in the same manner as those for other scholarship programs.
- The professors should evaluate the responsibility of applicants.
- It will be feasible to recommend about 10 to 20 students.

Six universities were reluctant to recommend their students to the Program because most of them feared the responsibility of universities in the event of bad loan loss.

- It is difficult to identify the students who will surely complete repayment, because good study result of a student does not mean that he will be able to repay.
- It is impossible to accept responsibility for bad loan.
- There will be additional expenses to monitor recipient students.

Five universities felt that they would need further discussion.

- There is a need to have thorough discussion with university.
- It depends on the tasks and degree of responsibility.

2) Japanese language institution

Nine institutions said that they would be able to recommend their students in view of responsibility because they have closer relationships with their students.

- It will be possible to evaluate the responsibility of students, although their behaviors after graduation are uncertain.
- It will be feasible to recommend about 10 to 20 students.

The only one institution was reluctant to recommend students because the targeted students may not be so good as the excellent students who can receive grant in view of study result.

(3) Provision of guarantee

1) University and Japanese language institution

No university or Japanese language institution answered that they would be able to provide guarantee to the recipient students. Some universities have provided

accommodation guarantee to some students as aforementioned, but no university provided a guarantee for loan.

(4) Current loan program for foreign students

1) University

Three universities had their own educational loan program while two universities had educational loan program sponsored by graduates or supporters of the universities. Some universities had a loan program but no foreign students are in principle accepted because of operational reasons.

- To reduce dropouts due to nonpayment of tuitions, emergency loan is temporarily provided to the students who cannot receive the remittance from their parents or guardians. The loan amount is between 200,000 and 300,000 yen and repayment period is in principle one year. No bad loan was observed.
- A 50,000 yen emergency loan is provided with a repayment period of three months.
- About 400,000 yen loan was provided to the students who failed to pay tuitions because of Asian Currency Crisis, but there were some bad loans.

2) Japanese language institution

No institution had loan program. However, there are some exceptional cases in which payment in tuition can be postponed, or some teachers lend money to their students personally.