

Public-Private Partnerships

New Partnerships that Support Economic Growth

It is difficult to meet the capital demands for social and infrastructure development in developing countries with their government budgets and ODA support from other countries alone. Private sector funding now accounts for a large proportion of the funds entering developing countries from developed countries. The activities of the private sector have been expanding in developing countries and are focused on new fields, including public-private partnership (PPP) infrastructure projects, base of the pyramid (BOP) businesses, and CSR activities. These efforts have contributed to creating employment opportunities, human resources development, and improving technologies. In addition, the outstanding technologies and business ideas of Japanese companies, especially small and medium-sized enterprises (SMEs), are making a big contribution to solving socio-economic problems in developing countries. There are hopes for even more efficient and effective development support through further collaboration between the activities of JICA and the private sector. The use of wide-ranging support schemes has already produced results that led to concrete projects.

Private Sector Investment Finance: Economic and Social Development Support in Developing Countries through Partnerships with the Private Sector

Of the Loan Aid provided by JICA, Private Sector Investment Finance (PSIF) is a scheme supporting development projects by Japanese private enterprises. Through the provision of loans and equity, PSIF supports businesses with positive impacts on socio-economic development in developing countries, such as PPP infrastructure projects, BOP businesses, and business expansions of SMEs abroad.

Furthermore, by introducing technologies and knowhow of

private companies and coordinating with local governments, JICA makes efforts to reduce various risks associated with projects and further increase development outcomes through coordination with other schemes, such as Technical Cooperation.

In fiscal 2012, a Loan Agreement was signed for the Utility Management for Industrial Parks and Water Supply Project and this marked the first loan agreement signed since the start of the full operation of PSIF [\[see the Case Study\]](#).

Preparatory Survey for PPP Infrastructure Projects: Public-Private Partnerships to Address Infrastructure Projects in Developing Countries

There is a growing trend in developing countries toward incorporating the expertise of the private sector into infrastructure projects that have traditionally been carried out as public projects. Based on a proper demarcation of roles and risks between the public and private sectors, public-private partnerships are implemented in order to engender greater benefits and efficiency in these projects. JICA supports the formulation of PPP infrastructure projects by providing assistance to perform preparatory surveys.

In PPP infrastructure projects, it is important to perform surveys as a collaborative effort between the public and private sectors from the initial planning stage while complying with the requests of the various related parties, including relevant public authorities and sponsors. Taking this into consideration, JICA is conducting the Preparatory Survey for PPP Infrastructure projects, a scheme for formulating project plans based on proposals from the private sector. Proposals for PPP infrastructure projects are widely solicited from Japanese private corporations. JICA supports the formulation of these

Case Study Private Sector Investment Finance

Signing of First Infrastructure Project Contract Since the Resumption of the Scheme

On January 30, 2013, JICA signed a loan agreement with the Vietnam Joint Stock Commercial Bank for Industry and Trade (VietinBank), one of the largest commercial banks in Vietnam, for the Utility Management for Industrial Parks and Water Supply Project. This is the first infrastructure project to use PSIF since it was resumed in October 2012.

The project site is located in Long An Province and it is a Japanese-Vietnamese joint venture of three companies to provide wastewater treatment and water supply facilities for two environmentally friendly industrial parks. JICA is providing support for this project in the form of funds required to cover the costs of setting up the facilities, and is channelling the funds through VietinBank. It is common in Vietnam for wastewater from industrial plants to cause pollution. Furthermore, the rise in demand for water for industrial use has resulted in a serious problem with underground water sources drying up. This project addresses these issues at industrial plants by providing water supply facilities and dealing with wastewater.

The project continues to receive support by PSIF and accommodates Japanese technology and experience from Kobelco Eco-Solutions Co., Ltd., in cooperation with local companies. JICA strongly expects that this project will be a successful business model for contributing to sustainable development in Vietnam which is undergoing industrialization, and will serve as a model case for PPP projects going forward. It is also expected to lead to the development of PPP projects in the field of infrastructure. There are high expectations for these two industrial parks in Long An Province concerning investments by Japanese companies, including SMEs, and JICA is planning to provide Technical Assistance to support these initiatives.

Kobe City is also considering participation in the operation and management of the project in the future. The city hopes that this first initiative in Japan in which a local Japanese government participating in a water infrastructure project with ties to private companies will create a path for infrastructure exports in the form of Japanese PPP packages.

Seminars on investment in Long An Province have been held in Tokyo and Kobe along with the signing of a project-financing contract. JICA has also made presentations on the challenges of PPPs and introduced the province's development plans and candidate industrial parks in zones that are attractive for investments to Japanese investors.

projects by entrusting the private sector that submitted excellent proposals with conducting the necessary surveys.

During fiscal 2012, eight proposals were selected. Moreover, of the 21 surveys completed, the Utility Management for Industrial Parks and Water Supply Project in Vietnam's Long An Province became the first project under PSIF scheme to result from this survey system.

Preparatory Surveys for BOP Business Promotion: A New Approach for Supporting Developing Countries that Uses Corporate Business Principles

BOP business is attracting attention as a new approach to resolve issues in developing countries through business initiatives.

JICA has started a scheme called Preparatory Survey for BOP Business Promotion, in which JICA adopts proposals for BOP business from private companies and entrusts the organization that submitted the best proposal to conduct surveys for creating business plans, including market research and coordination with JICA.

In fiscal 2012, two public announcements for proposals were made and 31 projects were selected in total. The first cases to be realized for commercialization by using this survey system are: a project in Rwanda that involves sales of organic fertilizers and deodorant and excrement decomposition agents for toilets that use yeast fungus and other materials collected on site; and a project in Bangladesh that provides instruction and knowhow in the cultivation of high-quality beans for use in growing beansprouts that are subsequently sold in Japan.

Small and Medium-Sized Enterprise Partnership Promotion Survey (F/S Assistance)

To strengthen its partnership with Japanese small and medium-sized companies (SMEs) whose business activities have the potential to contribute to solving development problems in developing countries, JICA has introduced the Small and Medium-Sized Enterprise Partnership Promotion Survey (F/S Assistance) on a trial basis. The aim is to assist companies that wish to formulate new projects overseas and directly expand their business in developing countries. JICA

entrusts surveys to these companies for conducting research on issues such as a local market study and project planning. A public announcement was made to solicit proposals and 11 proposals were selected.

Assisting Japanese SMEs' Business Development Overseas Using ODA: Needs Survey, Project Formulation Survey and Feasibility Study and Pilot Project for Disseminating SME's Technologies to Developing Countries

In order to implement the Japanese government's policies for promoting Japanese SMEs' business expansion overseas, JICA started to assist the SMEs in conducting their surveys in developing countries under a contract with the Ministry of Foreign Affairs. JICA's three new assistance schemes are called Needs Survey, Project Formulation Survey, and Feasibility Study and Pilot Project for Disseminating SME's Technologies to Developing Countries.

Through these schemes, Japanese SMEs gather business information, expand human networks, and introduce their products and technologies to the central governments in the developing countries so that new ODA projects using their products can be conducted. The aim is to enhance the services of local governments by utilizing Japanese SMEs' high-quality products and technologies. As a result, these activities are expected to contribute to an increase in the Japanese SMEs' local market share or even create new markets in developing countries. In fiscal 2012, eight needs surveys, 32 project formulation surveys, and 20 feasibility studies and pilot projects were carried out.

In addition to these schemes, JICA plans to implement a new assistance scheme, Pilot Survey for Disseminating SME's Technologies, in fiscal 2013. The plan is to support the implementation of 20 demonstration projects proposed by SMEs.

Other Partnerships

JICA has started a Private-sector Coordination Volunteer system that sends employees of private companies to address the needs of companies that are seeking to secure human resources with a global vision and accomplishments.

Case Study Supporting SMEs' Overseas Business Development

Use SME's Unique Products and Technologies for Better Development

Even though many Japanese SMEs have high-quality products and technologies, it is not necessarily easy for them to succeed in international market due to capital and/or human resource constraints. JICA is providing full-support for Japanese SMEs to use their products and technologies for social and economic development in developing countries.

Aiming at using SMEs' technologies for development, JICA is assisting Japanese SMEs' overseas business development by collaborating with MOFA, METI, the Small and Medium Enterprise Agency, the Japan External Trade Organization, the Organization for Small and Medium Enterprises and Regional Innovation, and other related organizations.

In fiscal 2012, more than 50 surveys were carried out in Asia, Africa and Oceania by Japanese SMEs under MOFA's scheme with JICA's assistance. In Malaysia, an innovative concrete crack measurement system,

KUMONOS, developed by a Japanese SME was introduced to plan a new ODA project to realize efficient safety inspections and maintenances of bridges and other building infrastructure. In Cambodia, an SME's rice polishing technique for local long grain rice was introduced to reduce polishing loss and to produce refined white rice. This SME is now carrying out a Pilot Survey for disseminating SME's Technologies. JICA will continue to assist Japanese SMEs'

business expansion and contribute to better development in developing countries.



KUMONOS is being used to remotely measure cracks and fissures in a bridge. (Kansai Construction Survey Co., Ltd.)



A small rice polishing machine (Taiwa Seiki Corporation)