

# East Asia and Central Asia

## Toward Sustained Economic Development through Strengthening Regional Connectivity and Diversifying Industries



Mongolia: A JICA expert supervises a method to treat a horse as part of the effort to foster veterinarians to protect nomadism (Project for Strengthening the Capacity for Human Resource Development in the Field of Veterinary and Animal Husbandry)

### Regional Issues

- Countries poor in natural resources have to address the issue of insufficient basic social services, while those rich in natural resources face the challenge of widening economic disparity and the economic vulnerability with the fluctuation of resource prices.
- As the region has many landlocked countries, improvement of regional and inter-regional connectivity is important.
- As many countries are undergoing transition to a market economy, development of human resources with a global perspective is required.

### Fiscal 2016 Initiatives

- Upon the Mongolian parliament's resolution for a long-term development plan that covers up to the year 2030, with the aim to achieve the Sustainable Development Goals (SDGs), JICA invited Mongolian government officials to Japan and also conducted a study on development policies to assist promotion of the plan.
- In line with Prime Minister Shinzo Abe's visits to Mongolia and Central Asia in 2015, JICA progressed with initiatives to overcome cross-regional challenges such as development of industrial human resources and strengthening of connectivity, and provided assistance in accordance with the economic and social situations of each country.

### Future Cooperation

- JICA will provide assistance focusing on strengthening governance, diversifying industries, developing infrastructure, and developing human resources.
- In particular, JICA will promote assistance in initiatives that form a base for diversification of industrial activities, such as industrial human resources development. For strengthening governance, JICA supports development of human resources in the fields of finance, policy, and institution.
- JICA will support quality infrastructure development with consideration for regional and interregional connectivity and reduction of domestic disparities.

## East Asia

### ● China

To some extent ODA has already played a role in development aid for China; consequently, JICA's additional contribution through providing ODA Loans and Grants was ended.

Under these circumstances, in line with policies of the Japanese government, JICA's cooperation is currently extended to the common challenges faced by both countries. Examples include measures against cross-border pollution, infectious diseases, and food safety related issues. Furthermore, in terms of technical cooperation, a mechanism for both Japan and China to properly share costs is being implemented in a phased manner, as a new approach of Japan-China cooperation.

### ● Mongolia

JICA is focusing on cooperation in accordance with the three priority areas stated in the Country Assistance Policy for Mongolia, announced in April 2012.

- (1) Sustainable development of the mining sector and enhancement of governance: Establishing systems and training personnel to achieve sustainable development of mineral resources, the key element in Mongolia's economic advancement, as well as establishing systems including those for the proper management of revenues from natural resources.
- (2) Assisting inclusive growth: Creating employment primarily

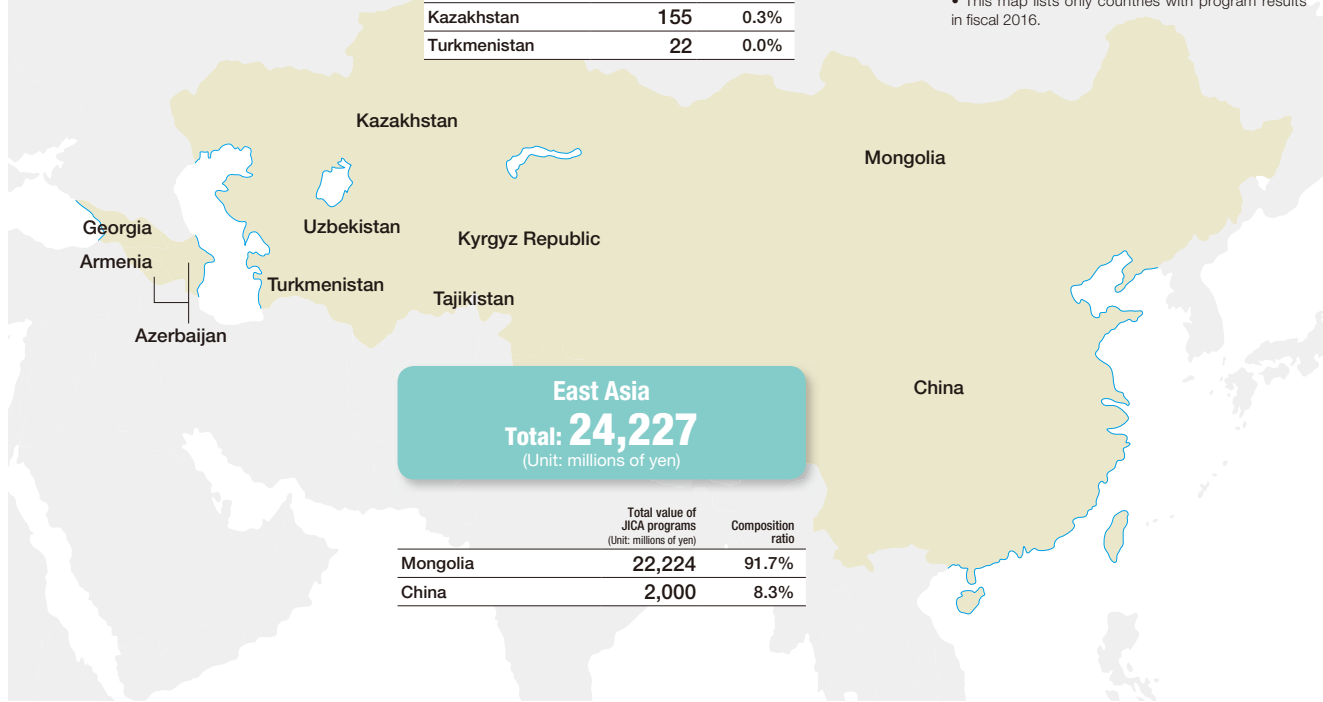
**JICA Programs in East Asia and Central Asia (Fiscal 2016)****Central Asia and the Caucasus****Total: 52,696**  
(Unit: millions of yen)

	Total value of JICA programs (Unit: millions of yen)	Composition ratio
Uzbekistan	38,898	73.8%
Azerbaijan	5,055	9.6%
Tajikistan	3,349	6.4%
Kyrgyz Republic	2,948	5.6%
Georgia	1,803	3.4%
Armenia	466	0.9%
Kazakhstan	155	0.3%
Turkmenistan	22	0.0%

The figures show the total value of JICA programs in each country including Technical Cooperation (Training Participants, Experts, Study Teams, Provision of Equipment, JOCV and Other volunteers, and Other costs), Finance and Investment Cooperation (Disbursements), and Grants (Newly concluded G/A) in fiscal 2016.

Note:

- Figures exclude JICA's cooperation for multiple countries and/or multiple regions and international organizations.
- The regional total of East Asia includes JICA's costs for dispatching Study Teams to developed countries.
- This map lists only countries with program results in fiscal 2016.

**East Asia**  
**Total: 24,227**  
(Unit: millions of yen)

	Total value of JICA programs (Unit: millions of yen)	Composition ratio
Mongolia	22,224	91.7%
China	2,000	8.3%

at micro, small and medium enterprises to diversify industrial activities, and improving basic social services, such as education, health care, and social security.

- (3) **Enhancement of the capacity and function of Ulaanbaatar as an urban center:** Improving the city's infrastructure facilities, upgrading urban planning and management capabilities, and advancing environmental measures.

Furthermore, the Law on Development Policy Planning was established in Mongolia, while the Mongolia Sustainable Development Vision 2030, a long-term development plan up to the year 2030 in line with the Sustainable Development Goals (SDGs), was approved by the parliament in February 2016. The plan sets forth directions for development in each field from four viewpoints of (1) sustainable economic development, including development of industries such as agriculture and livestock breeding; (2) sustainable social development aiming at inclusive growth that benefits all people; (3) environmental sustainability; and (4) governance for sustainable development. The new government established in July 2016 has been formulating various policies to put the plan into practice.

In March 2017, Mongolia and Japan signed the Japan-Mongolia Mid-term Action Plan for a Strategic Partnership (2017–2021), and economic cooperation in various fields was agreed to further promote the reciprocal relationship. JICA, while working on steady enhancement of the outcomes of past

cooperation activities, is preparing for future strategies of medium and long-term cooperation based on the mid-term action plan between the two countries and the Mongolian government's direction of national development, while keeping an eye on initiatives to overcome evident challenges, including sound macroeconomic management, promotion of diversification of industries, environmental measures, and strengthening of regional development strategies [→ see the Case Study on page 34].

**Central Asia and the Caucasus**

JICA is concentrating on regional cooperation and the promotion of democracy and market economies in Central Asia and the Caucasus. JICA's cooperation gives priority to improvement of economic infrastructure, such as electric power and transportation, and human resources development for the promotion of market economies.

● **Uzbekistan**

Uzbekistan, after its independence from the former Soviet Union, promoted an incremental policy shift toward a market economy, allowing the country to enjoy stable and continuous economic growth. To make a transition from a mono economy and build an economic structure without heavily relying on exports of natural resources, such as natural gas, gold, and cotton, and

to achieve sustained economic growth, the country concentrates on vitalization of the private sector and diversification and advancement of domestic industries.

JICA's basic policy is to provide support for promoting economic growth and to narrow disparity. Under this policy, JICA is providing cooperation in the following priority fields: (1) improving and building economic infrastructure for the electricity and transportation sector, such as modernizing thermal-electric power stations [ → see the Case Study on page 35]; (2) supporting human resources development and system-building that contributes to the development of the private sector by nurturing human resources for businesses and other measures through

Case Study

### Mongolia: Data Collection Survey on the Investment Environment and Promotion



## JICA Published the 2017 Guidebook on the Business Climate in Mongolia

The first economic partnership agreement (EPA) for Mongolia came into force with Japan in June 2016, and expectations for inbound investment from Japan is increasing. In a country that has depended on exporting its mineral resources, the importance of private-sector development for changing its industrial structure is rising.

JICA, believing that expansion and investment by Japanese private corporations in Mongolia will be a driving force for the country's private-sector development, conducted a survey, and as a part of the study that verified industrial trends and the directions of private-sector development, JICA has published a guidebook on the business climate. The guidebook puts together the results of interviews of more than one hundred Mongolian companies and organizations in the fields of agricultural and livestock product processing, tourism and related services, renewable energy, and others, and identifies the industries that Japanese companies have possibilities to participate in.

Nearly 150 participants from various business sectors attended the seminars held in Tokyo and Osaka that presented the achievement of the study, indicating strong interest in Mongolia. In future, using this guidebook as one of the tools, JICA will promote business exchanges between the two countries through the Mongolia-Japan Center for Human Resources Development.

\*You can find the guidebook on JICA's website.



At the seminar held in Tokyo, many participants from various business sectors listened attentively to a report on the study.

the Uzbekistan-Japan Center for Human Development; and (3) improving agricultural infrastructure, which raises income levels in rural areas, and expanding and improving health care.

### ● Kazakhstan

Kazakhstan, endowed with abundant natural resources, including the world's second-largest uranium reserves is seeking to change its resource-dependent economic structure, and pursuing industrial diversification to achieve balanced and sustained economic growth.

JICA's basic aid policy is to support the balanced socioeconomic development of the country. JICA selects and implements projects in the sectors where Japan's knowledge and technology can be utilized, including the promotion of small and medium enterprises (SMEs) and disaster risk management. Further, rapidly developing Kazakhstan is building a system to provide support to other countries and play the role of a donor country. JICA is supporting the capacity building of the personnel concerned in order to support the establishment of a national institute of ODA in Kazakhstan.

### ● Tajikistan

Tajikistan neighbors Afghanistan with a lengthy border and is positioned at the geopolitically important juncture of Central Asia and Southwest Asia. However, it has fallen behind in economic development due to various background issues, including the civil war after independence and its lack of resources. The Tajikistani government is working on achieving economic and social stability, enacting structural reforms, and improving the living standard of its people, based on the National Development Strategy (NDS) that was revised in 2016.

JICA's basic policy is to contribute to Tajikistan's state building, which will lead to the sustainable socioeconomic development of the country. Priority areas for assistance include (1) improving rural development, including essential social services in Khatlon Province, bordering on Afghanistan; and (2) establishing transportation infrastructure at the crossroads of Central Asia and Southwest Asia.

### ● Kyrgyz Republic

After its independence from the former Soviet Union, the Kyrgyz Republic was one of the first countries in the region to actively pursue a market economy. However, as a mountainous country with few significant natural resources other than gold, the Kyrgyz Republic has been unable to attain stable economic growth.

The basic policy of JICA's assistance is to contribute to sustainable and balanced economic growth that will support the establishment of democracy in the country. JICA is focusing on the priority fields of (1) building transportation infrastructure and (2) developing agriculture and business. Therefore, JICA is providing aid such as road and bridge improvements, aid to strengthen road administrative and maintenance capacity, support for promoting small businesses by the One Village One Product approach, support for promoting agriculture, and human resources development for the business sector through the Japan Center for Human Resources Development.



### ● Turkmenistan

Turkmenistan's economy is supported by large reserves of natural gas, and the country has been strengthening ties with the United States, Europe, and its neighboring countries through export of gas in recent years. JICA's cooperation concentrates mainly on supporting the development of the economy and society through providing training in such fields as transportation, health care, agricultural development, and promotion of SMEs. The Technical Cooperation Agreement was signed between the governments of Japan and Turkmenistan in September 2013. Based on this agreement, the first technical cooperation project in Turkmenistan, which is to support earthquake monitoring, is scheduled to start in 2017.

### ● Azerbaijan

With large reserves of oil and natural gas, Azerbaijan has built up its international standing as a natural resource exporter to neighboring countries and to Europe. However, the country needs to diversify its industries to achieve sustainable economic growth. Measures on the recent decline in global oil prices is also need to be taken.

From a viewpoint that renewing economic and social infrastructure and developing human resources supporting industrial development are indispensable to sustaining the country's economic growth, JICA is providing assistance for construction of a power plant near the capital, Baku; construction of water and sewer systems in provincial cities; and training in fields such as health care, promotion of SMEs, and disaster risk management.

### ● Armenia

From an early stage after its independence from the former Soviet Union, Armenia has pursued a market economy. In 1991 Armenia was the first of the CIS countries (the former Soviet Union countries besides the Baltic countries) to allow privatization of land. Furthermore, the country carried out reforms such as privatization of state enterprises, succeeded in joining the World Trade Organization in 2003, and is firmly progressing in implementation of its open trade system. Meanwhile, approximately 60% of GDP is concentrated in the capital city, Yerevan, resulting in a wide disparity between urban areas and provincial areas, and the poverty rates in rural areas is increasing. In addition, given the dilapidated infrastructure built during the Soviet era and Armenia being an earthquake-prone country where many active faults exist, the issues facing Armenia are infrastructure improvement and the strengthening of disaster prevention and reduction measures.

Therefore, JICA is focusing on assistance for economic infrastructure, rural development and strengthening of disaster prevention measures, guided by a basic policy of achieving balanced, sustainable economic growth in Armenia.

### ● Georgia

Situated at the crossroads of Asia and Europe, Georgia puts priority on increasing its competitiveness as a logistics hub for the Caucasus by leveraging its geopolitical predominance. While

the country is actively involved in attracting inward investment by promoting democratization and the market-oriented economic reforms of recent years, domestic development of its export industry is regarded as a challenge.

JICA puts focus on (1) building economic infrastructure that is a base to boost economic growth and (2) stabilization of people's livelihoods that contributes to stabilization of the society and provides assistance for improvement of the East-West Highway, a lifeline for the country's economy, as well as for training programs for local industry development through tourism and value added agriculture, and the creation of a more attractive business environment.

Case Study

#### Uzbekistan: Comprehensive Cooperation in the Electric Power Sector



### For a Life without Power Outages: Support in both Tangible and Intangible Aspects

To support stable electric power supply in Uzbekistan, JICA is providing comprehensive assistance by combining multiple cooperation schemes.

In Uzbekistan, due to deterioration of old power plants built in the former Soviet Union era, instability of electric power supply and its impact on the environment are becoming serious issues. In response, JICA supports renewal of deteriorated gas thermal power plants and construction of new power plants in various parts of Uzbekistan through ODA Loan projects. Among them, the Talimarjan Thermal Power Station in the southern part of the country, which started its operation in fiscal 2016, is providing electricity not only domestically but also to neighboring countries, including Afghanistan.

In these power stations, new combined cycle power plants (CCPPs), which are capable of generating electricity at higher efficiency and lower cost, have been implemented. However, since human resources capable of operating and maintaining the latest power-generating facilities are lacking, through technical cooperation JICA supports creation of a training system at training centers for power-plant engineers. As a part of this effort, about 10 people from Uzbekistan, including engineers, participated in training in Japan in February 2017 to develop their understanding of the power generation industry and equipment in Japan, through their visits to power plants and equipment manufacturers in various areas over the course of about a month.



Talimarjan Thermal Power Station, a core thermal power station in Uzbekistan