

South Asia

Aiming for Economic Growth and Realization of Peaceful and Fair Societies Serving as the Center of the Indian Ocean-Rim Economic Region



Sri Lanka: Children from banana-producing farms at a school in a target area of the irrigation upgrading and extension project (photo by Mika Tanimoto)

Regional Issues

- ➔ Although the South Asian economy has expanded remarkably in recent years, one in three of the world's impoverished people, living on less than \$1.90 a day, still lives in this region.
- ➔ Inclusive "quality growth" required for improving living standards, poverty alleviation, and minimizing the existing economic disparities are urgent issues.

Fiscal 2016 Initiatives

- ➔ JICA promoted "quality infrastructure investment" and "partnership for quality infrastructure," such as a high-speed railway in India, through consensus-building among government's stakeholders.
- ➔ JICA also promoted realizing peaceful and secure societies through polio eradication in Pakistan and Afghanistan, comprehensive assistance to earthquake disaster reconstruction in Nepal, and measures against climate change.

Future Cooperation

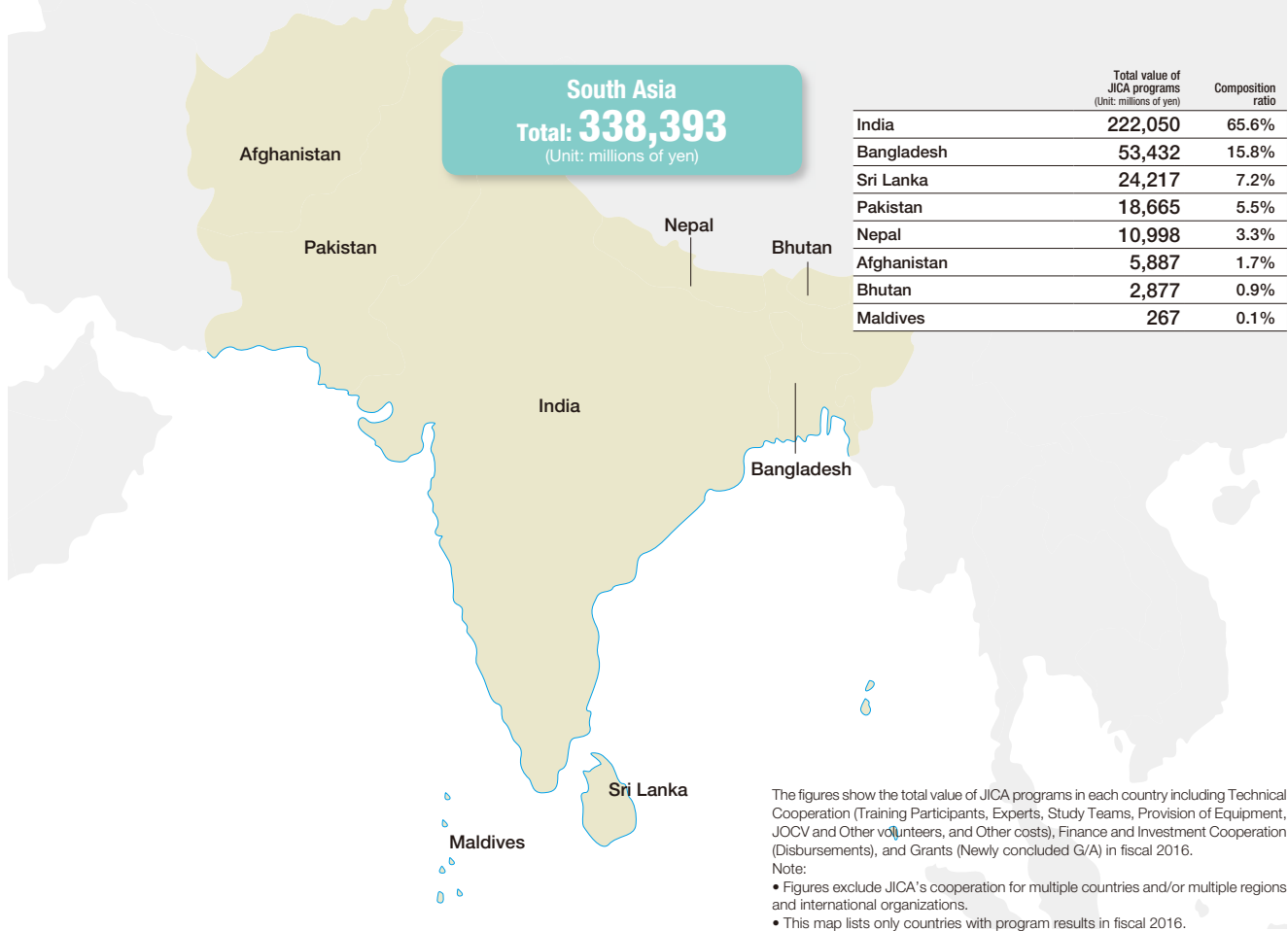
- ➔ JICA will promote "quality growth" and poverty reduction through enhancement of intra- and inter-regional connectivity, strengthening of industrial competitiveness, and improvement of the investment climate.
- ➔ For the realization of peaceful and fair societies, JICA will support strengthening governance, gender equality, human resources development, and helping vulnerable groups.
- ➔ JICA will promote cooperation to boost Universal Health Coverage (UHC)¹ and the Sendai Framework for Disaster Risk Reduction 2015–2030.

The South Asian region, where 1.7 billion people live in an area about the size of Europe, embraces a variety of religions, races, cultures, and languages. Located roughly in the center of the Indian Ocean-Rim Economic Region, this region has a great potential for growth, but at the same time contains income disparities and religious conflicts arising alongside development, instability caused by natural disasters, etc. Stability and growth of the South Asian region are essential to the stability and growth of the whole of Asia. Hence, JICA focuses on human security and extends cooperation to suit needs that are specific to each of these countries, while promoting cooperation to strengthen the connectivity in the Indian Ocean-Rim Economic Region.

JICA has set the following three priority areas for its aid programs in South Asia in order to achieve the Sustainable Development Goals (SDGs):

(1) Promoting "quality growth" and poverty reduction

Poverty reduction continues to be a common issue across all the countries of South Asia. JICA has been supporting the economic development of the region by building infrastructure such as transportation systems, electricity, water supply, and sewerage services, and also by strengthening political systems and promoting cooperation with private companies. JICA has also been promoting minimizing existing regional disparities in consideration of socially vulnerable groups and impoverished people.

JICA Programs in South Asia (Fiscal 2016)**(2) Support for a peaceful and fair society**

JICA is working toward regional peace and stabilization in countries such as Afghanistan and Pakistan as well as in Sri Lanka, which has been shifting to the development stage from the early reconstruction stage. JICA is also active in Nepal, which is in the process of nation building. JICA also offers support for vulnerable groups, human resource development, and gender equality.

(3) Dealing with global issues and downside risks

JICA is promoting cooperation aiming at Universal Health Coverage (UHC)¹ in polio eradication efforts in Afghanistan and Pakistan. JICA also supports reconstruction after the major earthquake hit Nepal in 2015 under the Sendai Framework for Disaster Risk Reduction 2015–2030.

The Government of India implements policies such as “Make in India,” which aims to create jobs for 100 million people through development of the manufacturing industry, and also carries out initiatives addressed in the Japan and India Vision 2025: Special Strategic and Global Partnership, including empowering women. To support these initiatives, JICA is promoting partnership in policy and institution reform and improvement of the investment environment that encourage participation of the private sector, through development of industrial corridors² and provision of program loans for investment promotion. Furthermore, JICA is also involved in gender mainstreaming and social development, as seen in a decision in fiscal 2016 to implement the Rajasthan Water Sector Livelihood Improvement Project that promotes women’s participation in the management of irrigation facilities [→ see the Case Study on page 38].

Country Overviews and Priority Issues**● India**

India, whose population is predicted to become the largest in the world in 2022, is expected to maintain a real GDP growth rate of more than 7.5% in 2017; it has a great influence on stability and prosperity of the world in the future. As evidenced by the visit of Prime Minister Narendra Modi to Japan in November 2016, a strong relationship between Japan and India, where a top-level meeting is held every year, is being firmly maintained.

● Bhutan

Bhutan is a landlocked country located at the eastern tip of the Himalayas, with a population of about 780,000. Bhutan commits

1. UHC is defined as “ensuring that all people can use the promotive, preventive, curative, rehabilitative and palliative health services they need, of sufficient quality to be effective, while also ensuring that the use of these services does not expose the user to financial hardship.”

2. “The Delhi-Mumbai Industrial Corridor” and “the Chennai-Bengaluru Industrial Corridor.” The former is a Japan-India joint project of regional development to construct a Dedicated Freight Corridor between Delhi and Mumbai through a Japanese ODA Loan, and to develop infrastructure such as industrial parks, logistics bases, power stations, roads, ports, residences, and commercial facilities along the railroad, mainly through private investments. The latter is a Japan-India joint project of a comprehensive regional development plan in the rapidly growing Chennai-Bengaluru area, succeeding the Delhi-Mumbai Industrial Corridor.

to the fundamental concept of Gross National Happiness (GNH), and aims to realize a society where people can live in happiness. Bhutan's real GDP growth rate was 6.5% in fiscal 2015, and this high economic growth was achieved based on supplies of hydroelectric power utilizing the country's abundant water resources. On the other hand, there are many issues, such as a large disparity between living standards in rural and urban areas. In Bhutan, JICA is focusing its aid programs on the following sectors: (1) agricultural and rural development; (2) development of basic infrastructure in rural areas; (3) industrial development that leads to job creation; and (4) environmental issues and climate change.

Case Study

India:
Odisha Forestry Sector Development Project
(Phase 2)



Supporting a Challenge toward the New Phase of the Indian Forestry Project through an ODA Loan

To conserve forest ecosystems while enhancing the livelihoods of poor people, JICA applies a joint forest management (JFM) model, in which the government and local people jointly manage forests, and also supports sustainable and comprehensive socioeconomic development, through an ODA Loan project.

In India, due to population increase, traditional lifestyles that rely on forest resources are becoming a burden on the forests, causing forest degradation. JICA has worked on forest conservation at many sites through ODA Loans for 25 years.

In 2006, JICA started Phase 1 of this project in Odisha State, where the poverty rate was particularly high. With the JFM model, JICA contributed to significant improvement of forest quality and reduction of poverty. Based on this success, the state government started a similar program under its own budget. JICA implements Phase 2 through an ODA Loan to disseminate this initiative across the region.

In Phase 2, to expand livelihood improvement activities by women's groups, JICA plans adding components to enhance financial support and outlets for products. As a good model for conservation of biodiversity and human well-being, a Japanese landscape model (SATOYAMA concept) will be adopted in the project. Through these initiatives, JICA will implement JFM in 1,200 villages, and aim at planting 5,700 hectares of land and improving household income by 15%. The outcome of the challenge in Odisha State is expected to spread over the state boundaries and spread nationwide.



Livelihood improvement activity in Phase 1 (basket-making). This support will be expanded in Phase 2.

● Afghanistan

JICA is implementing projects that contribute to both economic growth and social stabilization with serious consideration of the security situation in Afghanistan. In the agricultural and rural development sector, JICA is supporting capacity development on rice cultivation and maintenance and management of irrigation facilities. In the health and education sector, focus is on literacy education, special education, infectious disease control, and maternal and child health. In addition, JICA runs the Project for the Promotion and Enhancement of the Afghan Capacity for Effective Development (PEACE), which sends up to 750 government officials and university faculty members to Japanese graduate schools. This project is a long-term capacity development project to train these bearers of this country's future. JICA has also been cooperating closely with international organizations in order to extend its assistance to hard-to-reach areas in the country.

● Pakistan

Pakistan has the world's sixth-largest population, approximately 190 million people. After the September 11 attacks in 2001, the role of Pakistan in maintaining peace in the region has been highlighted. As a result, the international community has given further priority to the stable and sustainable development of Pakistan. It has much potential as an emerging economic market with a large workforce; however, Pakistan still faces various development issues, with nearly 50% of its population living on less than \$1.90 a day. Sluggish economic growth due to the unstable political and security situation as well as a lack of direct investment are also a challenge.

JICA has set "economic development with job creation" as its long term goal. In particular, JICA concentrates on cooperation aiming at resolving power shortages that hinder economic growth, and adding value to agricultural products that account for 60% of the country's exports. Furthermore, JICA is extending cooperation in the health and education sector, such as infectious disease control, including polio and improvement in educational inequality, to promote social stability as a prerequisite to sound development.

● Sri Lanka

Sri Lanka is an island in the Indian Ocean with a population of 20.99 million. Ever since the end of the 26-year conflict in 2009, the country has achieved stable economic growth, maintaining a real GDP growth rate of 5.3 % on average, and is very close to becoming an upper-middle income country. Despite the robust economic growth, the country's fiscal balance and balance of international payments chronically show losses. For further economic development, stabilization of the macroeconomic environment, including fiscal soundness and improvement of governance, is imperative, as well as enhancement of industrial competitiveness, including integration of international value chains and domestic industries, and improvement of the climate for foreign direct investment. Furthermore, measures on challenges such as rapid urbanization, disparity between urban and rural areas, and disaster risk reduction are also necessary.

Based on these needs, JICA is extending cooperation in

building basic infrastructure such as transportation, electricity, and water supply and sewerage treatment; support in political measures for private-sector development; and cooperation that contributes to the sustained economic growth of Sri Lanka, including improvement of livelihoods in the least developed areas [[→ See the Case Study at the bottom right](#)].

● **Maldives**

The Maldives is a small island country comprising of 1,190 islands, with a population of 410,000. Per capita GNI was \$6,950 in 2015, the highest in South Asia. However, the economy of the Maldives relies largely on tourism and fisheries, and it is vulnerable to external influences such as natural disasters and the shift in market trends of the world economy. JICA provides cooperation in fostering local industry as well as support for the environment, climate change, and disaster management.

● **Bangladesh³**

Bangladesh has the eighth-largest population in the world, approximately 160 million people. Having maintained stable economic growth at an annual average rate of 6% in the past 10 years, the country's per capita GNI exceeded \$1,000 in 2014. The Government of Bangladesh is now targeting becoming a middle-income country by 2021. Recently, Bangladesh is emerging as a fascinating market and a destination for investment due to its advantages, such as rich reserves of low-cost labor and its potential market size. However, inadequate infrastructure development in areas such as electricity and transportation is becoming a major issue.

Based on these needs, and to accelerate the country's economic development, JICA is extending its assistance for building and improving power plants, an urban railroad system, a road network and bridges, infrastructure such as water supply, sewage systems and waste management, and special economic zones for the improvement of the investment environment. On the other hand, to overcome the vulnerabilities of the country including vulnerability to natural disasters such as cyclones, floods, and earthquakes, and people living in poverty that account for approximately 25% of the population is also an important challenge. Therefore, JICA also provides cooperation in disaster prevention, education, health, rural development, and improvement of governments' administrative capabilities.

● **Nepal**

Nepal is one of the poorest countries in South Asia. After the civil war, which lasted for 10 years, a comprehensive peace agreement was signed in November 2006, and the country started to move forward toward development, progressing in the peace process. At that time, a major earthquake of magnitude 7.8 hit Nepal in April 2015, followed by multiple aftershocks, causing tremendous damage. Meanwhile, in the wake of this incident, a new constitution

came into effect in September 2015, which had been pending for seven years, and local elections were held in May 2017 for the first time in 20 years, demonstrating that the country has taken a new step toward becoming a democratic nation.

With the concept of Build Back Better, JICA continues to support the reconstruction of Nepal from the earthquake through Japan's experience, and at the same time, with "sustained and balanced economic development" as a basic policy, JICA also assists in building a disaster-resistant nation, democratization, and infrastructure for further development of high-potential industries such as agriculture, hydraulic power generation, and tourism, as well as poverty reduction in rural areas.

Case Study

Sri Lanka: Water Supply and Sewerage Development Programs in Urban Areas



Supporting a Task to Keep Up with the Increase in Water Supply and Demand Caused by Rapid Urbanization

Responding to the increased demand for water supply caused by rapid urbanization is a pressing task to accomplish in the Greater Colombo area. JICA is supporting achievement of the safe and stable supply of water, both in tangible and intangible aspects.

The water supply coverage in Sri Lanka continues to be at a low level, at approximately 46% (2015), and especially in the Greater Colombo area, supply of water cannot keep up with the increasing water demand caused by rapid urbanization. In order to solve this problem, JICA supported expansion and improvement of the Kandana Water Treatment Plant in Kalutara District by the Water Sector Development Project II through an ODA Loan. The expansion work was completed in January 2017, and safe water began being supplied to approximately 300,000 additional local people. This water treatment plant is scheduled to be expanded further in the Kalu Ganga Water Supply Project for Greater Colombo (Phase 1), an ODA Loan project expected to be approved in fiscal 2017.

JICA supports not only infrastructure improvement but also human resources development in collaboration with local governments through initiatives such as the technical cooperation project, Capacity Development Project for Non Revenue Water Reduction in Colombo City (from 2009 to 2012), and the Capacity Development Project for Construction Management of Water Supply Pipe Laying, a JICA partnership program in collaboration with Nagoya City (from 2014 to February 2017).

By incorporating various schemes in comprehensive and effective ways, JICA will continue to contribute to the improvement of the surrounding environment for the sustainable growth of Sri Lanka.



Kandana Water Treatment Plant in Kalutara District, expanded through ODA Loans

3. In the Dhaka terrorist attack that occurred in July 2016, over 20 people were killed, including seven consultants who were engaged in survey work for JICA. While the security authorities have been taking actions, including arresting extremists, the threat of terrorism still exists today. JICA is working on fundamental enhancement of its security measures in response to the terrorist attack, and at the same time, conducting projects with the utmost attention to the security of the people concerned in accordance with the Japanese government's policy to continue assistance to Bangladesh.