

Partnerships with the Private Sector

Supporting Economic and Social Development through Private-Sector Business Activities

Making use of the networks and trusting relationships with the governments of developing countries, and the know-how in project implementation in the developing world gained through official development assistance (ODA) over many years, JICA provides wide-ranging support schemes, as shown in the chart on page 51, to produce better developmental results efficiently and effectively through further collaboration with the private sector.

Private-Sector Investment Finance

Economic and Social Development Support in Developing Countries by the Private Sector

Of the Finance and Investment Cooperation provided by JICA, Private-Sector Investment Finance (PSIF) is a scheme to support—through the provision of loans and equity—private enterprises around the world, including Japanese companies that conduct business with high development outcomes in such sectors as infrastructure development, poverty reduction, and measures against climate change [→ see page 70]. Through collaboration with private and international financial institutions and combined operations with JICA's other ODA programs and projects, JICA makes efforts to reduce various risks associated with projects and to further increase development outcomes. JICA is particularly strengthening cooperation with international organizations in order to promote co-financing. In fiscal 2019, JICA signed memoranda of cooperation (MOC) with the Agence Française de Développement, the African Development Bank, and the European Investment Bank. These came after JICA concluded an MOC with the Overseas Private Investment

Corporation (now the U.S. International Development Finance Corporation) in fiscal 2018.

In fiscal 2019, JICA approved 11 projects under PSIF. These included the Cocoa Value Chain Enhancement Project in Ghana, photovoltaic power generation projects in Mexico [→ see the case study below], and projects of improving access to finance and helping women's empowerment in developing countries through microfinance. JICA also approved four projects through the Leading Asia's Private Infrastructure Fund, a JICA-funded facility in the Asian Development Bank.

Preparatory Survey for Private-Sector Investment Finance

Supporting Private Sector-led Economic and Social Development in Developing Countries through the Formation of Promising PSIF Projects

This scheme is designed to identify and formulate projects that capitalize on the expertise of Japan's private sector. Under the scheme, JICA entrusts the necessary surveys to private Japanese companies that have submitted promising proposals so as to develop project plans to be implemented that utilize PSIF.

Until April 2020, this scheme was known as Preparatory Survey for PPP Infrastructure Projects. By renaming the scheme, JICA made it clear that the scheme covers a wide range of projects, including non-infrastructure projects as well as pure private-sector business activities with no involvement by a developing country government. It also improved the scheme so that it is more readily usable for applicant companies.

Photovoltaic Power Generation Project in Mexico, Distributed Solar Power Generation System Project in Brazil, and Sustainable Forest Industry Support Project in Brazil



Working with diverse actors for climate action



Mexico: Solar power generation facilities
(Photo: IEnova)

In March 2020, JICA signed loan agreements for three projects that will contribute to global climate action.

One of the agreements was with Infraestructura Energética Nova, S.A.B. de C.V. (IEnova), a Mexican energy company, for expanding its large-scale solar generation business. It was JICA's first loan under the Green Loan Principles.*

The second loan agreement was with Sistema de Crédito Cooperativo (Sicredi), the largest credit union alliance in Brazil. The aim was to support its program designed for rural farmers and SMEs to introduce a distributed, private solar power generation system.

The third agreement was with Klabin S.A., a Brazilian pulp and paper manufacturing company, for expanding its mill. The agreement will assist Brazil in reducing greenhouse gas emissions and reinforcing eco-responsible supply chains, thereby supporting the development of sustainable forestry in the country.

JICA will continue to actively cooperate with diverse actors to support climate action through various approaches.

*A set of international lending principles that limit the use of loans to environmentally conscious projects.

Applications are open throughout the year. In fiscal 2019, JICA adopted seven proposals under the former scheme.

There are many challenges related to this kind of project in developing countries. These challenges include an inadequate investment environment in both physical and non-physical aspects, difficulties in securing financial viability, and insufficient recognition of proper public-private role-sharing and risk allocation (insufficient support from developing country governments). Therefore, in addition to supporting individual projects by the private sector, JICA is promoting comprehensive efforts for the establishment of projects by assisting establishment of associated policies and institutions and strengthening implementation capacities.

SDGs Business Supporting Surveys

Supporting the Creation and Deployment of Businesses That Help Developing Countries Achieve the SDGs

SDGs Business Supporting Surveys is a program based on proposals from private companies. It is aimed at building win-win relationships between developing countries that want to use Japanese technologies, products, and know-how for addressing their challenges and Japanese companies that seek to venture into developing-country markets. This program is made up of two types: (1) the "SME support type," for which small and medium enterprises and leading medium companies are eligible, in principle; and (2) the "SDGs Business support type," for which large corporations are eligible, in principle. By the end of fiscal 2019, JICA adopted an aggregated total of 1,217 proposals under this program, including those under its two precursory schemes: (1) Support for Japanese SMEs Overseas Business Development and (2) Feasibility Survey for SDGs Business.

In February 2019, JICA's Private Sector Partnership and Finance Department, which is responsible for this program, was transferred to the JICA Takebashi Building, which serves

as a hub for collaboration with various domestic partners with easy access from the neighboring business districts. In April that year, the department reorganized itself to manage the program in a more integrated manner regardless of the scale of applicant companies.

In its public announcements it made to call for proposals under this program during fiscal 2019, JICA made a "call for issue-based proposals in Africa" for the first time. Looking ahead to the Seventh Tokyo International Conference on African Development (TICAD7), held in Yokohama, Japan, in August 2019, JICA put forward this issue with an eye to promoting business in Africa. Under this new category, JICA adopted a total of 35 business proposals that will help solve some of the listed issues.

Three Support Schemes for Different Purposes

The SDGs Business Supporting Survey program offers three support schemes for different purposes for different business phases [→ see the chart below].

1. SME Partnership Promotion Survey

Eligible only for SMEs, the scheme is aimed at assisting in gathering basic information needed to explore a business model that can help address challenges facing partner countries. In fiscal 2019, there were 27 proposals adopted under this scheme.

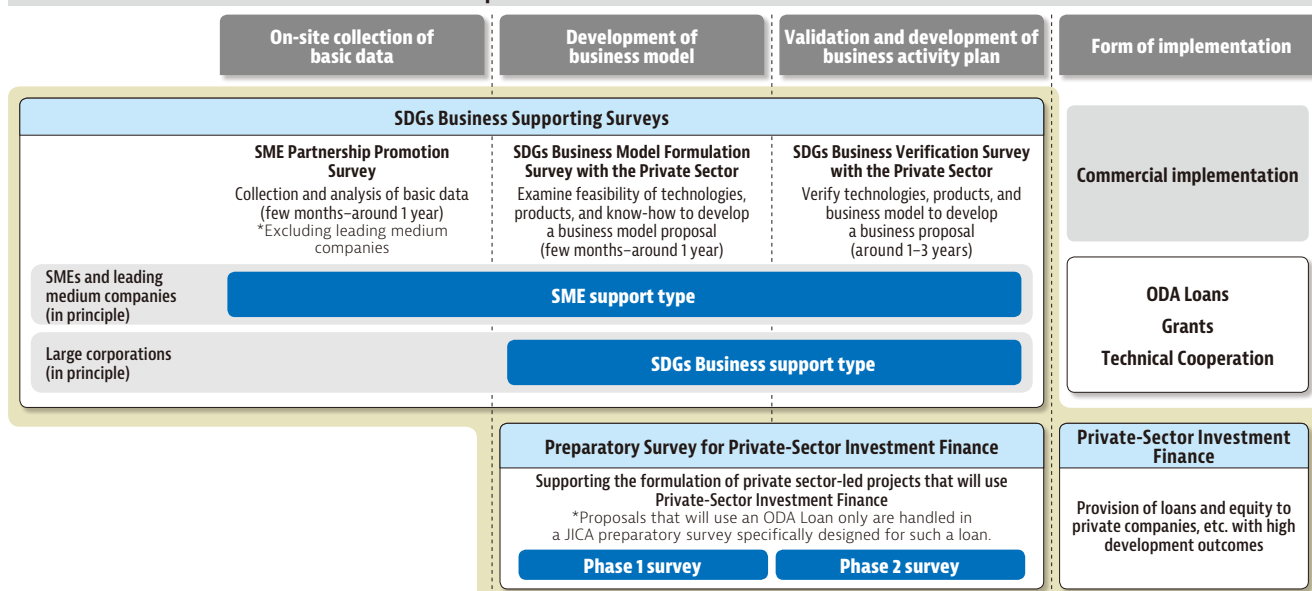
2. SDGs Business Model Formulation Survey with the Private Sector

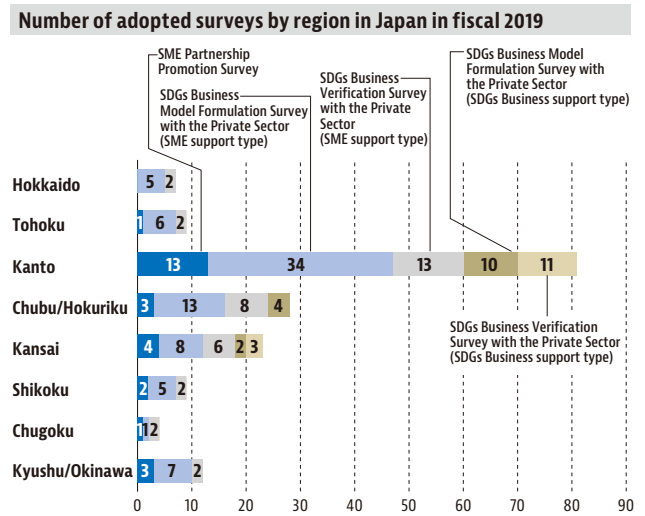
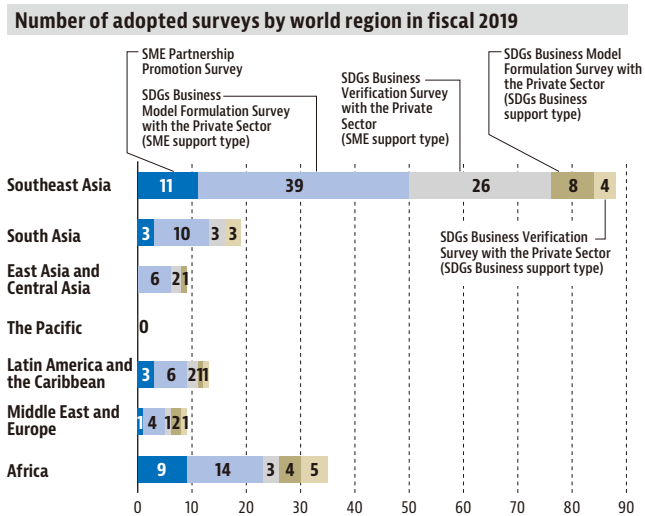
This scheme is aimed at assisting in (1) exploring business ideas that leverage Japanese companies' technologies, products, and processes to address challenges facing partner countries, (2) examining the feasibility of these ideas in ODA projects, and even (3) developing these ideas into business models. In fiscal 2019, a total of 95 proposals were adopted under this scheme, of which 79 were of the SME support type, and the remaining 16 were of the SDGs Business support type.

3. SDGs Business Verification Survey with the Private Sector

This scheme is aimed at assisting in developing business plans to address challenges facing partner countries through

Available schemes and the flow of commercial implementation





such activities as (1) examining business models, which involves validating their technologies, products, and processes; (2) promoting understanding of the proposed business models; and (3) assessing their adoptability for ODA projects [→ see the case study below]. In fiscal 2019, a total of 51 proposals were adopted under this scheme, of which 37 were of the SME support type and the remaining 14 were of the SDGs Business support type.

Strengthening Linkages between Developing Countries and Local Communities in Japan

Support for SMEs across Japan in doing business overseas through SDGs Business Supporting Surveys has further implications as well; it helps to strengthen the connection between developing countries and Japanese local economies and communities, which contributes to vitalizing both developing countries and local communities in Japan. For example, local

traditional technologies and technologies jointly developed with local universities are appropriately applied to developing countries and are giving a much-needed boost to some local economies in Japan.

In fiscal 2019, JICA organized more than 190 seminars on SDGs business across Japan for SMEs, among other enterprises, attended by over 10,000 people in total. In September 2019, it held a seminar for sharing some of the issues facing developing countries in an attempt to better match the issues and needs of developing areas with private companies' products, technologies, or business activities. The seminar was evaluated as useful by many participants. JICA also gave business realization support seminars to provide companies whose proposals it had adopted with professional expertise on topics essential for their operations overseas. More than 500 people attended in total.

Uzbekistan: SDGs Business Verification Survey with the Private Sector for Learning Management System (LMS) Application to Improve Regional School Teachers' Qualification and Eliminate Educational Disparity (SME support type)

A new shape of education based on e-learning



Children learning how to do mental arithmetic in an after-school supplementary lesson (Photo: Digital Knowledge Co., Ltd.)

Some 70,000 teachers are estimated to be in short supply across Uzbekistan, where regional disparities in education level and a lack of teaching material pose two of the major educational challenges for the country.

These circumstances prompted Digital Knowledge Co., Ltd., a Japanese firm based in Taito City, Tokyo, to take advantage of JICA's support program to launch business verification activities in August 2019 using a learning management system. Now Digital Knowledge is giving online training for teachers, as well as online tests for students to assess their scholastic ability, in all 14 provinces of Uzbekistan. It is also providing private education services using online digital teaching material in the

capital city, Tashkent.

These activities are highly appreciated by the Ministry of Public Education of Uzbekistan as well as its people. There was a flood of applications for such online courses from students and their parents.

In March 2020, all schools across the country were closed due to the spread of COVID-19. In response to a formal request from the Ministry of Public Education, the Japanese company began to offer e-learning courses that were originally used for supplementary lessons for tele-classes so that children can learn from home. In this way, the firm is supporting the country's school education under this emergency situation.