

Strengthening fiscal and financial foundations, aiming for economic stability and growth

We support the proper
management of public
finance, monetary
and financial sector
policies, and
customs
administrations
to stabilize
economies in
developing countries
and promote growth.

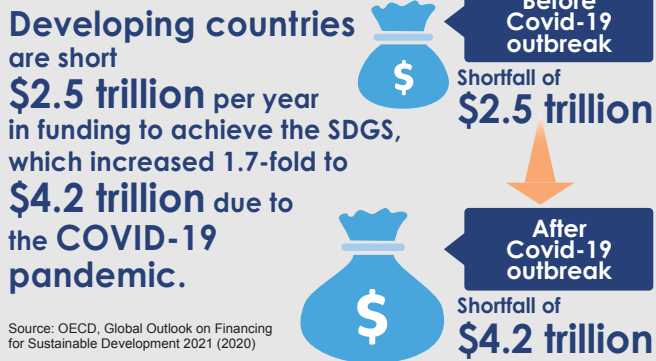


What are the challenges developing countries face in their public finance and financial system?

Funds developing countries can mobilize are overwhelmingly less than what they demand.

Before the global outbreak of the Coronavirus disease (COVID-19), developing countries faced a financing gap of \$2.5 trillion per year to achieve the SDGs.

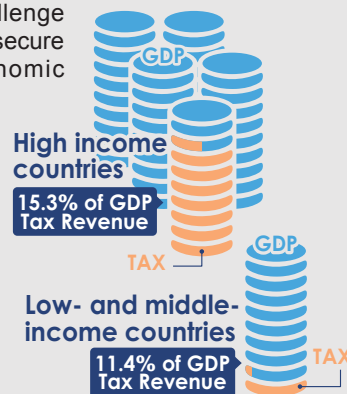
As a result of increased pressure on fiscal spending and reduced funding from other countries due to the COVID-19 pandemic, the demand for funds in developing countries is estimated to have ballooned 1.7 times to \$4.2 trillion.



Tax revenues are insufficient in developing countries compared to those in high-income countries.

Tax revenue is a significant financial resource for national and local governments to provide necessary public services to their people. According to the World Bank, tax revenues above 15% of GDP are desired for countries to generate sufficient resources for necessary investment. The average tax revenue to GDP ratio is 11.4% for low- and middle-income countries compared to 15.3% for high-income countries, indicating a challenge for developing countries to secure necessary funds for economic growth.

Average ratio of tax revenue to GDP is **15.3%** for high-income countries and **11.4%** for low- and middle-income countries



A fragile financial system could trigger an economic crisis.

Appropriate monetary policy and financial system stability are essential for macroeconomic stability. However, central banks in developing countries sometimes face challenges regarding monetary policy capacity, central bank autonomy, payment and settlement systems, and financial regulation and supervision. Malfunctioning banking systems and underdeveloped capital markets may impede financial intermediation and access to proper financial services for individuals and firms.

Typical Risks/Issues

- Rampant inflation, sharp depreciation of currency, and capital flight
- Financial instability due to bank failures and capital market turmoil
- Lack of access to safe and affordable financial services which traps people in poverty

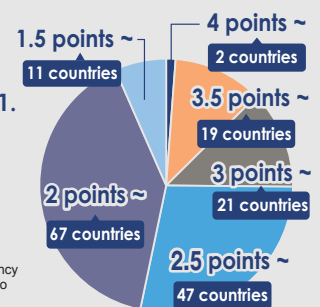
Modernization of customs administrations is necessary to promote trade facilitation and proper collection of customs duty and tax.

Customs duty is an important source of revenue for developing countries, and expansion of trade through trade facilitation is essential to economic growth. However, long and complicated customs procedures can be a hindrance to further growth. Some common challenges in modernizing customs administrations include expediting procedures by Other Government Agencies (OGA) and the transparent implementation of tariff classification and customs valuation. Improving compliance of traders and strengthening border surveillance and control are also crucial for modernization.

On a scale from 1 to 5, Japan ranks 5th out of 167 countries in its efficiency (*) of customs procedures with a score of 3.91.

125 countries score less than 2.5 and have some room to improve.

*Aggregated LPI score from 2012, '14, '16 and '18. Efficiency is quantified on a scale of 1 (minimum) to 5 (maximum). No country scored less than 1.5.
Source: World Bank, "Logistics Performance Index."



Why are Japan and JICA working on this?

Strengthening fiscal foundations and fostering financial systems are essential for economic stability and growth.

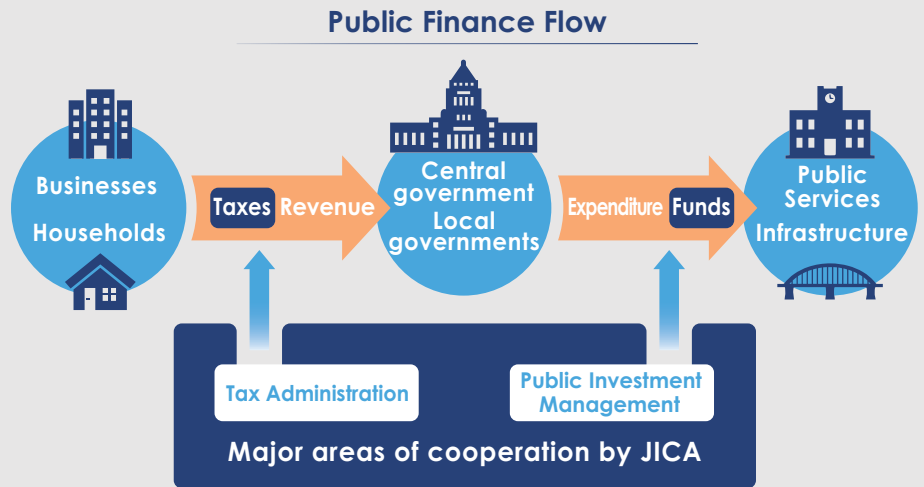
Sound management of public finance and financial systems is the foundation for economic stability and growth, and a prerequisite for developing countries to implement sustainable solutions to address various development challenges. Strengthening public finance, monetary and

financial sector policies, and customs administrations aligns with Japan's development cooperation policies, including the Development Cooperation Charter, which emphasizes enhancing economic partnerships, improving business environments, and supporting resilient and inclusive growth.

Approach 1 Strengthening the National Fiscal Foundation

To realize a society in which people can live comfortably, the provision of public facilities and services by national and local governments is essential. National finances are extremely important as the foundation of such a society.

JICA cooperates with tax administrations to develop their organizational and institutional capacity to strengthen revenue bases. We assist in proper debt management as well as support the proper planning and management of public investment, ensuring its sustainability and consistency with national development plans. In doing so, we contribute to the efficient allocation of limited financial resources and maximizing their impact.



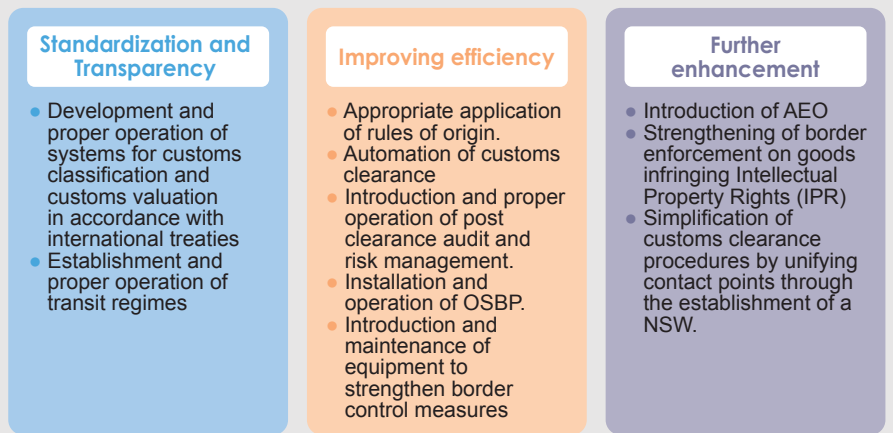
Approach 2 Strengthening connectivity through support for customs modernization

JICA aims to facilitate trade and the movement of goods and people through the modernization of customs administrations, in order to stabilize and improve people's lives through sustainable economic growth.

First, we support the standardization of customs procedures in line with international standards. Also, we cooperate with customs administrations to improve their efficiency of customs clearance by introducing One-Stop Border Posts (OSBP), which unifies procedures at borders, and introducing automated systems of import/export procedures. For further enhancement, we assist in the introduction of the Authorized Economic Operator (AEO) program and the establishment of the National Single Window (NSW).

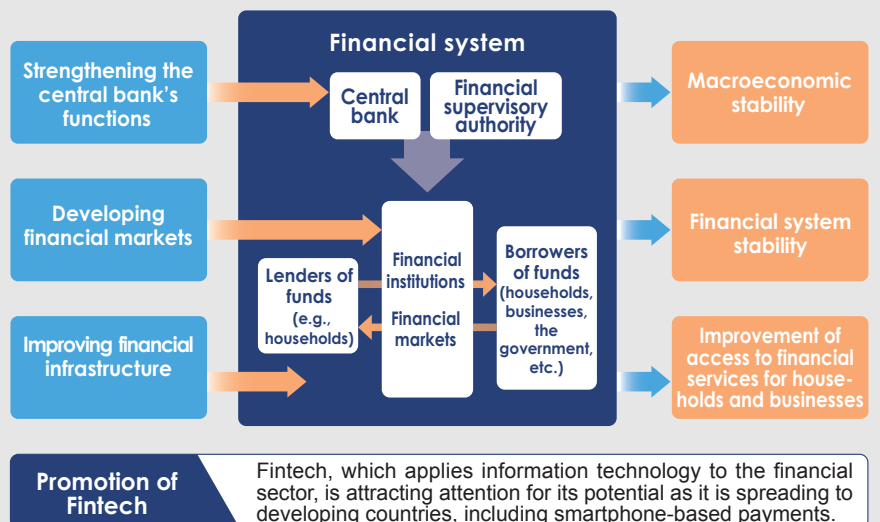
Key Steps in Supporting Customs Administrations

Building on the development of laws, regulations, systems, and procedures aligned with international agreements, there are three key points in customs administration improvement.



Approach 3 Implementing appropriate monetary policies and developing financial systems

For macroeconomic and financial system stabilities, it is important to strengthen the central bank's capacity to formulate and implement monetary policy, develop financial markets, and improve financial infrastructure such as payment and settlement systems. Those efforts will also contribute the improvement of access to financial services.

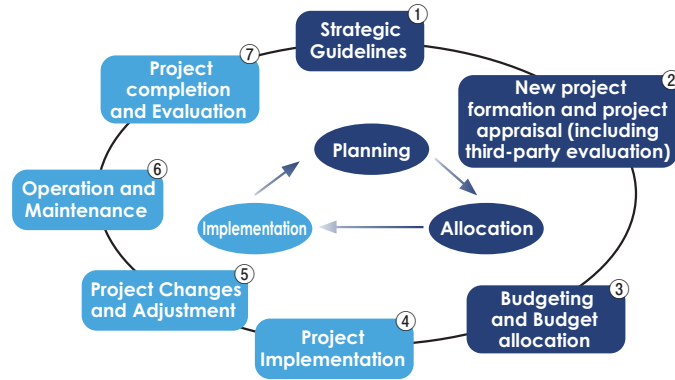


Fintech, which applies information technology to the financial sector, is attracting attention for its potential as it is spreading to developing countries, including smartphone-based payments.

1 | Public Investment Management Bangladesh

Strengthening the national fiscal foundation-Improving Public Investment Management

JICA aims to improve the efficiency of planning and budget management of public investment projects and contribute to the achievement of the medium- and long-term development plan.



Contribute to the efficient and effective implementation of public investment projects through the assistance in improving the public investment management cycle, particularly the “Planning” and “Allocation” phases.

2 | Customs Administration

Trade Facilitation and Enhanced Regional Connectivity through Customs Modernization

Customs administrations play a crucial role in three key areas: **Securing government revenue** through customs duties, **Facilitating trade** and strengthening regional economic connectivity, and **Serving as a frontline for border control** to prevent the inflow and outflow of illicit goods.

In partnership with the World Customs Organization (WCO), JICA has been providing essential knowledge and practical expertise to enable customs administrations in developing countries to fulfill these roles across Africa, the Pacific, and Central Asia & the Caucasus. To date, JICA and WCO have trained 210 master trainers, who have subsequently delivered training to more than 58,000 customs officers in their respective regions.

In Africa, JICA and WCO have completed the development of trainers on Rules of Origin in 21 countries. These trainers are now actively promoting proper customs operations and trade facilitation, thereby contributing to the realization of the African Continental Free Trade Area (AfCFTA).

What is the Master Trainer Program (MTP)?

The MTP aims to develop “Master Trainers” who can lead the education and training of customs officials in beneficiary countries and regions through the following three approaches.



3 | Finance Philippines

Development of the financial system and improvement of financial access-Promoting development of financial infrastructure

Contributing to the promotion of financial inclusion through improved corporate credit information in the Philippines, along with improved financing and access to finance for SMEs

Support for the Philippines' Financial Infrastructure	
Initiatives	<ul style="list-style-type: none"> ▶ Establishment of the Credit Risk Database (CRD), consisting of a database and statistical scoring models ▶ Acquiring the knowledge and skills necessary to operate and verify CRD ▶ Development of institutional frameworks for sustainable operation of CRD



CRD Scoring Tool Launch Ceremony (October 2023)

- ▶ 33 participating financial institutions introduced CRD. 71.6% of the participating financial institutions evaluated the installation of CRD positively
- ▶ Based on highly accurate credit risk information, CRD will be used to promote loans to small and medium-sized enterprises (SMEs) and contribute to financial inclusion.

Working with Partners

Engaging with experienced institutions and individuals with expertise in public finance and financial systems

We will collaborate with experienced international organizations, central and local governments, private companies, highly specialized researchers, and universities with international student programs.

What is JICA Global Agenda

JICA's 20 cooperation strategies for global issues to contribute to the achievement of the SDGs by 2030 and to the realization of Human Security as the guiding principle of Japan's development cooperation. We set global goals based on an analysis of the issues and promote our development cooperation projects to achieve them. Furthermore, we aim to expand the results of development cooperation by promoting dialogue and collaboration with our partner countries as well as various actors at home and abroad.



Nibancho Center Building, 5-25 Nibancho, Chiyoda-ku, Tokyo 102-8012, Japan
Email: gpggg@jica.go.jp



Japan International Cooperation Agency (JICA) is an international cooperation organization that is centrally responsible for the implementation of bilateral assistance among Japan's Official Development Assistance. JICA cooperates with about 150 countries and regions around the world.