

JICA Global Agenda for No. 4 Private Sector Development



SUSTAINABLE
DEVELOPMENT
GOALS



Japan International Cooperation Agency (JICA) works toward the achievement of the Sustainable Development Goals (SDGs).

1. Objective

(1) Objective of Global Agenda

The growth of private enterprises or private sector development¹ is the engine of self-sustained economic growth, job creation and expansion, and higher national income. It is the foundation that supports the public finances or national revenues. Developing countries are faced with a range of challenges that often delay their economic growth. External environments which are beyond the control of private enterprises (i.e. industrial and investment policies and the business environment) need to be improved and basic knowledge, technologies, expertise, and human resources, all of which are the basis for business growth, need to be learned and developed. By addressing and providing support to overcome these challenges that require the public sector's intervention and by dealing with funding gaps, JICA seeks to develop private enterprises in developing countries and improve their competitiveness, promote innovation, investment, and industries, and ensure sustainable and quality growth and development. JICA also aims to achieve economic resilience for both developing countries and Japan through enhanced collaboration and partnership between local and Japanese companies.

(2) Objective of Development Scenarios (“Clusters”)

In order to achieve the above objective, JICA strives to deliver the following results in the Global Agenda. ((I) to (III) below are the clusters that JICA places a particular focus on for that purpose.)

- Development of competitive entrepreneurs and businesses. ((I) Africa Kaizen Initiative and (II) Support for entrepreneurs to create business innovation (NINJA))
- Improvement of external environments (i.e. industrial and investment policies and the business environment) and access to finance and markets, both of which are needed for private enterprises to grow. ((III) Promotion of investment and industries in Asia)

¹ The term “private sector development” is used by United Nations agencies, the World Bank, development partners, and research institutes (e.g. CSIS) to refer to their efforts to create (and develop) private enterprises in developing countries and achieve their growth and development (enhance their competitiveness).

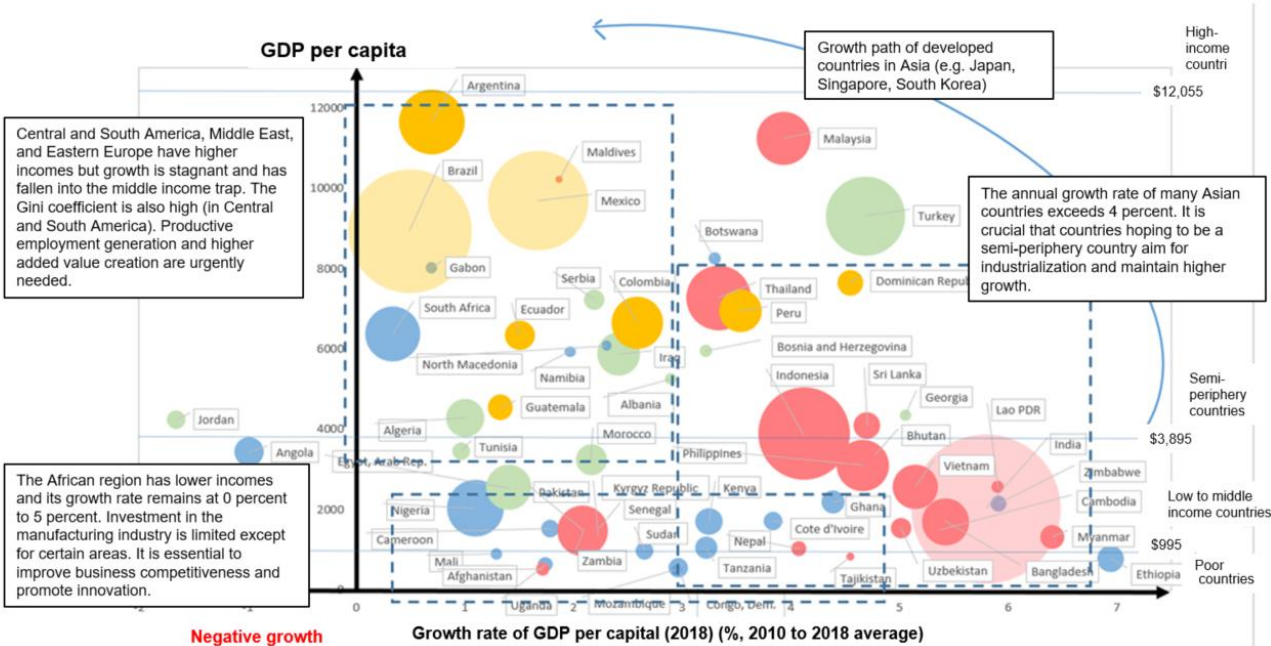
2. Current Status and Analysis of Issues and Reasons for Setting the Objective

(1) Current Status and Analysis of Issues

A large portion of the GDP of a country comes from the private sector and the growth of private enterprises is the engine of the country's sustainable economic growth.² Profits that private enterprises generate are linked to the country's tax revenues that finance its infrastructure development. Businesses and the economy grow as private enterprises increase profits and make investments. Business growth leads to more employment opportunities and higher income. Consumption growth serves as the driving force for economic growth. The sustainable growth of the private sector also results in the achievement of SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

However, global economic growth is as shown in the chart below. The private sector in developing countries generally faces difficulty with sustainable growth. The current situation in each region is described below.

In addition, the global situation surrounding the private sector is changing. For example, the progressive industrial development model that is centered around the traditional manufacturing trap industry is undergoing major changes. Digital and green transformation in industries and economies are accelerating due partly to the COVID-19 pandemic.



² The private sector (excluding agriculture) accounts for approximately 80 percent of Japan's GDP. (Source: Data from the System of National Accounts, Cabinet Office)

- Africa: Both the growth rate of GDP per capita and income levels are low (negative growth between 2015 and 2018). Primary products are the main exports and the growth rate of value added per worker is negative in Sub-Saharan Africa as a whole except for some countries (e.g. Ethiopia). Agriculture accounts for more than half of employment, but only accounts for some 20 percent of GDP. Despite this situation, a number of startups have been founded by turning adversity into opportunity, including the impact of COVID-19. They have the added value that contributes to solving social issues. Venture capital investment is also increasing. Access to finance, however, is generally a major constraint on growing businesses in this region that needs to be improved (credit facilities are granted to 20 percent to 30 percent of businesses). Providing support for entrepreneurs and promoting innovation is the key to responding to the move to shift from the so-called manufacturing-centric development scenario. In order to achieve sustainable business growth, it is essential to provide support in the areas that are beyond the control of businesses or that they cannot deal with independently, such as improving the business environment, including policies and frameworks, and sharing expertise in business and technological growth (e.g. Kaizen methodologies, BDS). In this respect, Japan's experience continues to attract considerable interest.
- Asia: The growth rate of GDP per capita remains at a certain level (around 5 percent). While some countries are closer to becoming middle income countries, demographic dividend is about to come to an end in the ASEAN region. Further industrial advancement is needed in order to maintain high growth and avoid the middle income trap. Maintaining Japan's supply chain and the free and fair international economic order is another challenge faced by this region. To create a win-win situation for both Japan and Asian countries, it is crucial to increase linkages with businesses in developed countries and pursue industrial advancement under the Free and Open Indo-Pacific (FOIP) and ASEAN Outlook on the Indo-Pacific (AOIP) cooperation strategies.
- Central and South America, Middle East, and Eastern Europe: Incomes in these regions are higher but their economy growth is stagnant. Central and South America faces higher Gini coefficient (income disparity and inequality) and Middle East faces a higher unemployment rate. There are major Japanese manufacturers operating in Mexico, but the region, in general, has limited opportunities to participate in global value chains as a region. It is, therefore, necessary that these

regions create more jobs and improve quality and productivity. For this purpose, developing human resources based on the requirements of industries is critical.

- Promotion of tourism-related industries: The tourism industry, including its related industries, accounts for 10.4 percent of global GDP and 9.9 percent of employment and its share in global exports reached 7 percent in 2016. The tourism industry is a highly promising industry in many of developing countries as it earns foreign currency through the use of existing domestic resources, has a wide range of tourism-related industries, and offers employment opportunities. SDG Target 8.9 “By 2030, devise and implement policies to promote sustainable tourism which creates jobs, promotes local culture and products” has also been established. . However, the tourism industry has been hardest hit by the COVID-19 pandemic, which has manifested the need for a truly sustainable and resilient tourism industry. The significance of promoting the tourism industry lies not only in economic aspects, but the preservation and development of natural scenery, historical structures, and local people's lifestyles, culture, and tradition as tourism resources also contributes to the preservation of the common heritage of all mankind, keeps the local identity alive, and gives the local people a sense of pride and a purpose in life. The key to making our initiatives a success is to control negative impacts, such as environmental destruction, cultural and natural heritage destruction, and adverse effects on local residents' livelihoods, and maximize positive impacts.

(2) Reasons for Setting the Global Agenda Objective

In view of the current status of developing countries and their challenges as described in (1) above, JICA has set the Global Agenda objective for the following reasons: (a) It is necessary to improve the business environment, which is a prerequisite for business growth, and develop policies for promoting investment and industries in collaboration with other development partners. (b) Enhanced business competitiveness is indispensable to the private sector-led growth. It is important to develop institutional infrastructure for that purpose through Kaizen, which has attracted considerable interest from Africa, and by providing support for startups. (c) Improved access to finance is essential and innovative efforts are needed. (d) In the Asian region, in particular, it is important to strengthen linkages between Japan and its partner countries that achieve economic resilience for both.

To achieve the Global Agenda objective, JICA primarily addresses the development of entrepreneurs and businesses, the promotion of investment and industries, and the development of sustainable tourism. JICA provides assistance in the development of entrepreneurs and businesses and the promotion of investment and industries from five angles (i.e. policy aspect, finance aspect, market access aspect, business management

and technologies aspect, and innovation aspect), and in the development of sustainable tourism from four angles (i.e. policy and business environment aspect, tourism resources aspect, infrastructure aspect, and human resources aspect). Among JICA's initiatives, (I) to (III) below are the clusters that JICA places a particular focus on.

Development of entrepreneurs and businesses

It is necessary to develop businesses with the assistance of business support organizations and to improve the competitiveness of private enterprises through governmental intervention. In the African region, in particular, where there are still many low income countries, JICA focuses on (I) Africa Kaizen Initiative to leverage Japanese-style management and Kaizen in which Japan excel and to help improve business competitiveness for business and production management.

JICA also focuses on (II) Support for entrepreneurs to create business innovation (NINJA: Next Innovation with Japan) to respond to the creation of startups, increases in venture capital investment, and the move to develop new industries, and to help develop business models and industries that contribute to solving social issues.

Promotion of investment and industries

Governments need to devise and implement investment and industrial promotion policies. The Asian region with many middle income countries, in particular, is where Japanese companies have supply chains. JICA focuses on (III) Promotion of investment and industries in Asia to provide holistic support in attracting FDI by Japanese companies as well as companies from developed countries through the improvement of the local business environment and in capacity building for local businesses through industrial development strategies.

Development of sustainable tourism

The tourism-related industry has been seriously affected by the COVID-19 pandemic and it is necessary to make it a sustainable industry as it is not only a major employer and contributor to GDP in developing countries, but also it offers cultural significance and helps preserve the identity and pride of local people.

(3) International Donors' Initiatives

- The Donor Committee for Enterprise Development (DCED)³ serves as a platform

³ The DCED has 24 members. They are DFAT, Australia; ADA, Austria; MOFA, Belgium; GAC and IDRC, Canada; MOFA, Denmark; MOFA, Finland; BMZ/GIZ, Germany; DFA, Ireland; JICA, Japan; MAE, Luxembourg; MOFA, Netherlands; MOFA, Norway; SIDA, Sweden; SDC/SECO Switzerland; FCDO, UK; USAID, USA; EU; FAO; ILO; ITC; OECD; UNIDO; World Bank Group (IFC), and MasterCard Foundation. JICA became a member in 2016.

among donors in private sector development. The DCED organizes and accumulates relevant information and guidance, verifies and disseminates effective approaches, and conducts research into the latest trends. The DCED holds annual meetings and has Working Groups that discuss specific topics, such as Results Measurement (RM) Working Group, Business Environment (BE) Working Group, Private Sector Engagement (PSE) Working Group, Green Growth (GG) Working Group, and Women's Economic Empowerment (WEE) Working Group.

- The World Bank Group, which consists of the World Bank and the International Finance Corporation (IFC),⁴ concentrates its efforts on the development of the business environment, which is an external environment for business activities. The Ease of Doing Business Index, which is published by the World Bank Group every year until 2019, is widely used as a good reference source. The rankings suggest that complex registration, authorization, and tax regulations and procedures are constraints on entrepreneurship and entry of startups (SMEs with fewer financial resources, in particular) before governments actively implement business support strategies, and it is acknowledged that the regulations and procedures need to be simplified and facilitated.
- Other development partners engaged in Private Sector Development (e.g. donor countries, international donors) generally took a cautious stance on interventions by governments or public agencies (e.g. the use of low interest loans and subsidies, the provision of business development services (BDS)) as they believed the interventions could distort markets, but has reviewed the way they perceive industrial (development) policies after The Growth Report 2008, for which the World Bank served as the Secretariat, was published. The rationale behind this is that renowned academics⁵ made a positive assessment of the effect of industrial policies depending on the situation of the country, and governmental intervention that promotes industries began to be perceived more favorably to a certain extent.

(4) Key Points of the Japanese Government's Policies

- Development Cooperation Charter

⁴ The IFC is an organization that offers investment, financial, and advisory services to encourage private sector development in developing countries. The IFC conducts business environment surveys in various countries. The Doing Business Report, which was published by the World Bank and the IFC every year from 2003 until 2019, mainly compares how easy it is for SMEs to do business in their countries, using the same indices for all countries, and creates rankings for every country.

⁵ Dialog between Joseph Stiglitz and Initiative for Policy Dialogue (“It can be effective if appropriate policies are adopted without making the wrong choice of technology and industry.”); Ha-Joon Chang (“The governments of all major developed countries have intervened in industrial policies, but they prevent developing countries to do so.”); Justin Lin, New Structural Approach (“Governments should not be doers but may be involved as facilitators because, although market approach is a basic approach, what they are expected to do varies depending on the industrial structure of each country.”)

The Development Cooperation Charter sets out a priority issue, “Quality growth” and poverty eradication through such growth, and clearly states that economic growth achieved through the growth of the private sector is essential.

- Free and Open Indo-Pacific (FOIP):

Japan's three pillars to achieve free and open Indo-Pacific include “promotion and establishment of the rule of law, freedom of navigation, free trade, etc.” and “pursuit of economic prosperity (i.e. connectivity, strengthening economic partnership).” In the Indo-Pacific region, JICA helps to promote and establish free trade through human resources development and provides support for physical connectivity (e.g. development of special economic zones (SEZ)) and institutional connectivity (e.g. international standards, intellectual property rights).

- Cooperation on ASEAN Outlook on the Indo-Pacific (AOIP):

The advancement of ongoing initiatives, including the ASEAN-Japan Economic Resilience Action Plan, was declared in the joint statement of the 23rd ASEAN-Japan Summit issued in November 2020. Digital economy, the 4th Industrial Revolution, and economic resilience are set out in the area of economic cooperation, which is one of the four areas of cooperation in AOIP. It has been agreed that ASEAN-Japan strategic partnership will be further strengthened through effective cooperation and enhanced synergy.

- Tokyo International Conference on African Development (TICAD):

Then Prime Minister Abe declared at the TICAD VI in 2016 that a “quality Africa” will be built through three elements: infrastructure, human resources, and Kaizen. Japan set a goal of rolling out Kaizen in Africa and increasing factory productivity by 30 percent in partnership with NEPAD and this is how the Africa Kaizen Initiative was started.

Recognizing the role of the private sector in Africa's development, the Japanese government expressed its intention to encourage and facilitate business interaction between Japan and African Union Member States at TICAD 7 held in 2019.

3. Significance of Japan's and JICA's Initiatives

- In line with the key points of the Japanese government's policies, cooperation in private sector development has been promoted in order to (I) ensure “quality growth” and independence and stability in developing countries, (II) maintain and strengthen the

free and fair international economic system accessible to all, including developing countries, and (III) improve the trade and investment environment, including supply chains, and build a win-win situation where the growth of developing countries is beneficial to the Japanese economy.

- Japan's growth and development is based on its experience of Meiji era modernization and post-war industrial development. Its development history and experience that lead to the birth of the so-called middle class, which the majority of its population believe they belong to, attracts significant interest from many developing countries. Developing countries are particularly in need of expertise, such as Kaizen, the development of human resources, including middle management candidates, and SME promotion policies. In order to share Japan's knowledge and experience with developing countries through development cooperation, Japan and JICA have provided industrial development cooperation mainly in East Asia and primarily in the fields of industrial policy and institutional development, the promotion of SMEs and supporting industries, the development of human resources, including Kaizen, and public-private partnerships. Japan supported SMEs, in particular, in its post-war SME promotion policy to correct low wages, low productivity, disparities with large companies, and in recent years, the country supports them to create new industries, win market competition, and spearhead the revitalization of regional economies. Japan's experience in supporting SMEs can be utilized, depending on the situation of developing countries.
- Today, the model of industrial development that gradually shifts from traditional manufacturing industry-centric labor-intensive industries to more advanced industries is undergoing a major transformation. Despite the transformation, the strength of Japanese-style management that has supported the growth of Japan's private sector and values the “triple win” (good management for three parties, i.e. company, its business partners, and society at large) and people is again highly recognized in ESG investment in terms of decent work, legal compliance, and responsible investing. Similarly, Kaizen, which is derived from the move to boost productivity promoted under three principles: the maintenance and creation of employment, cooperation and consultation between management and workforce, and the fair distribution of profits, should be pursued when promoting new industries. JICA has not only the specific knowledge about Kaizen and Japanese-style management that has been built up over the years, but also the facilities, such as Japan Centers, that can be used to nurture human resources for businesses.
- The fact that Japan lags behind in digital transformation has become manifest during the COVID-19 pandemic. As we have witnessed the higher adaptability of developing

countries, including Africa, to digital transformation, we are now in a situation where we should learn from those developing countries. It is highly significant that Japan supports the new growth of developing countries that enjoy demographic dividend, builds a win-win situation for both Japan's and developing countries' economies, and aims to actively introduce reverse innovation for co-creation, while utilizing its stance on relatively maintaining economic liberalism.

- Japan boasts a vast array of tourism resources that has been amassed in its long history, including cultural heritage, cultural landscapes, traditional performing arts, regional specialties, Japanese food, manga, and anime. Japan's tourism development efforts, which make good use of the distinctive characteristics and features of tourism resources, has helped to rapidly increase foreign tourists and has contributed to regional revitalization. Japan dramatically jumped to reach the fourth place globally on the World Economic Forum's the Travel & Tourism Competitiveness Index⁶ enjoying recognition and interest from around the world.

4. Scenarios Contributing to Objectives of the Global Agenda and Clusters

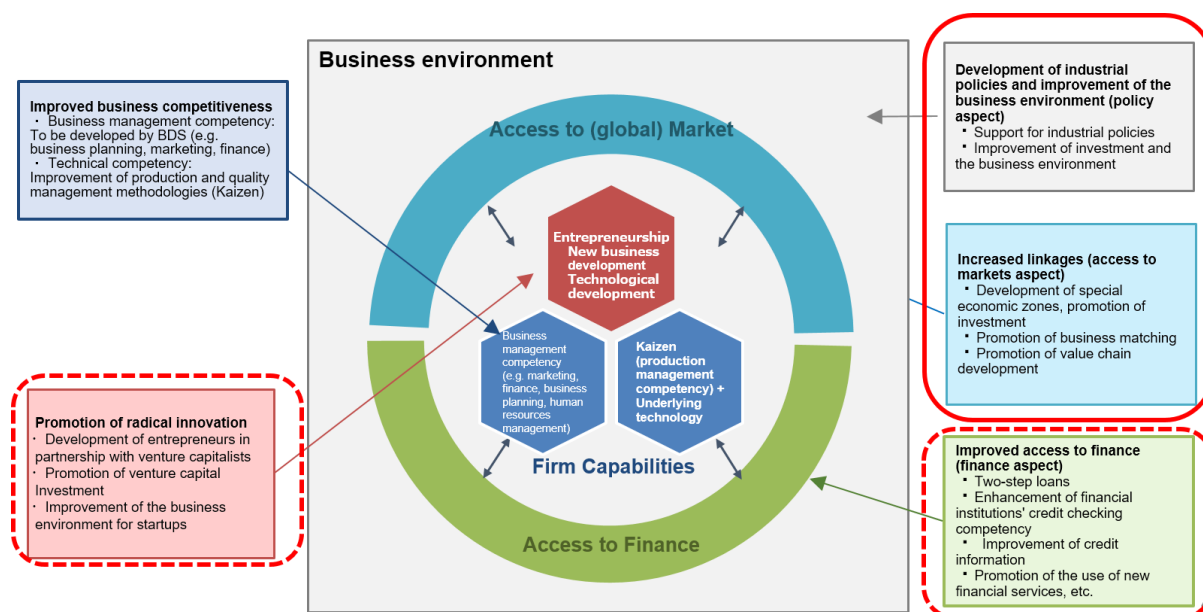
(1) General Stance on and Approach to the Global Agenda

(i) As described in 2. (2) above, the objective of the Global Agenda is to develop private enterprises in developing countries and improve their competitiveness, promote innovation, investment, and industries, and ensure sustainable and quality growth and development. To achieve the objective, JICA primarily addresses the development of entrepreneurs and businesses, the promotion of investment and industries, and the development of sustainable tourism in cooperation with a range of collaborative partners.

(ii) Depending on the circumstances of each developing country, JICA provides holistic assistance in the development of entrepreneurs and businesses and the promotion of investment and industries from five angles (i.e. policy aspect, finance aspect, market access aspect, business management and technologies aspect, and innovation aspect).

⁶ The Travel & Tourism Competitiveness Index is a report published by the World Economic Forum (WEF) biennially. It is an index that benchmarks the **tourism growth potential** of a country and measures its **sustainable development of the travel and tourism sector** and potential to contribute to the country's economy and society in terms of tourism resources, infrastructure, policy and enabling conditions.

Five angles of, and approaches to, the development of entrepreneurs and businesses and the promotion of investment and industries



(a) Development of industrial policies and the business environment (policy aspect) JICA will support partner governments to select and implement appropriate industry and investment promotion policies. As the government sector's appropriate intervention requires adjustments made across governmental ministries and agencies, JICA emphasizes the partner governments' commitments and prompts them to select policies that are suitable to the characteristics of their respective countries.

(b) Improved access to finance (finance aspect)

In addition to two-step loans (TSL) that have been provided, JICA will focus on the enhancement of financial institutions' credit checking competency, which is complementary to the World Bank's initiative to improve credit information, and provide support which is integrated with (d) non-financial business development services (BDS) (business management and technologies aspect). JICA will also consider the use of new financial services such as FinTech.

(c) Increased linkages (market access aspect)

JICA will develop industrial parks and special economic zones through financial assistance as well as provide support in promoting foreign direct investment and in building working relationships between local companies and foreign and Japanese companies who wish to expand to developing countries. JICA will also promote global business matching (including e-commerce) and the branding of developing countries' products to improve the competitiveness of local companies. At Japan Centers and the Confederation of Indian

Industry's offices, a focus will be placed on initiatives to strengthen linkages between Japanese companies and local companies

(d) Improved business competitiveness (business management and technologies aspect)

JICA will support the development and implementation of a model provided by BDS that helps nurture entrepreneurs and improve business competitiveness (business management and production management competencies) with Japanese-style management and Kaizen, in which Japan excel, as the main content of its efforts. In providing the public sector's support, JICA places an emphasis on the provision of basic services and the development of a market mechanism that enables appropriate matching between service recipients (e.g. private enterprises) and service providers (e.g. private sector consultancy firms).⁷

(e) Promotion of innovation

In order to enhance the business environment surrounding startups, JICA will improve the quality of entrepreneur support services and promote venture capital investment by working with relevant organizations, such as venture capitalists and accelerators, in countries where startups of a certain size have been created.

Among the above five angles, JICA focuses on (d), (e), and (b) for the development of entrepreneurs and businesses and (a), (b), and (c) for the promotion of investment and industries

Development of entrepreneurs and businesses

JICA will support the growth of local companies in developing countries through the improvement of their production management and business management competencies and new business and product development competencies and through the development of a technical framework that supports entrepreneurship. In addition, JICA will accelerate business growth by improving companies' access to finance through the use of Japanese yen loans and foreign investment and lending, by working with companies in developed countries (e.g. manufacturers, financial institutions), and by actively utilizing new technologies and ICT.

In Africa, Central and South America, Middle East, and Eastern Europe where companies have lower competencies, JICA's support will be centered on its existing projects for Kaizen and SMEs. JICA will accelerate the growth of a wide range of sectors, including the ICT sector, by placing the improvement of firm capabilities through BDS support, which includes support in overall business management and financial aspects, at the core of the support.

⁷ Some SMEs may find it difficult to pay for the services they receive. JICA will review a market mechanism, including measures to deal with funding gaps, e.g. vouchers (to be redeemed to use services) will be issued through governmental support, depending on the enterprises' financial situations.

With a view to helping create new business models and new industries and encourage the private sector to solve social issues, JICA will provide comprehensive support in technical, managerial and financial aspects and ecosystem development in order to support entrepreneurs to create business innovation.

Among those initiatives, JICA focuses on two clusters: (I) Africa Kaizen Initiative and (II) Support for entrepreneurs to create business innovation (NINJA).

Promotion of investment and industries

JICA will provide active support for the government of developing countries to devise and implement investment and industrial promotion policies while assisting in improving their business environment. Furthermore, JICA will promote the growth and innovation of local companies to achieve industrial diversification and advancement. In doing so, JICA will focus on strengthening linkages between local and Japanese companies while utilizing Japanese companies' technical expertise and experience as well as JICA's cooperation assets that include facilities used to promote investment and industries, such as Japan Centers for Human Resources Development and special economic zones.

Moreover, JICA will promote private sector investment and private sector financing through the active use of Japanese yen loans and foreign investment and lending.

(iii) JICA will provide holistic support for the development of sustainable tourism to maximize positive impacts and control negative impacts by combining the following four approaches in multiple ways:

Four approaches for the development of sustainable tourism

(a) Support for devising tourism development policies and improving the business environment

JICA will support partner governments to develop appropriate tourism development policies. JICA emphasizes the partner governments' commitments and devises sustainable tourism development strategies that incorporate the characteristics of the country or region. Examples include the relaxation of tourist visas, restrictions on excessive resort development, and the establishment of tourist zones.

(b) Tourism resource development and protection

Natural resources, tangible and intangible cultural resources, and local specialties have the potential to become tourism resources, but are too risky for private enterprises to invest in. JICA will provide support to turn these resources into tourism products. JICA will pursue the development of highly profitable products by maximizing tourism's positive impacts and controlling its negative impacts. At the same time, JICA will promote strategic marketing that does not go beyond the scope that the resources can accommodate.

(c) Tourism infrastructure improvement

JICA will provide support to enhance tourism infrastructure, such as museums and tourist information centers, in order to make regions more attractive. Existing rail, road, and port infrastructure will be improved to increase tourist satisfaction as well as revenues for local industries by using public-private partnerships to add tourism functions to the transportation functions of the existing infrastructure (e.g. building roadside commercial/tourist establishments, introducing tourist trains, turning ports into tourist attractions). In addition, JICA will support the enhancement of the functions of CIQ facilities using Japanese companies' technologies in order to ease congestion at airports, which are the main gateway for tourists, and to prevent them from being less satisfied. JICA will make active use of Japanese companies' innovative technologies as part of its efforts to enhance tourism infrastructure that gives tourists a sense of safety and security.

(d) Tourism human resources development

To attract tourists and revitalize regional economies at the same time, it is important to build tourist regions that appeal to both domestic and foreign tourists and generate appropriate income from them. In this respect, it is essential to nurture people who have the management skills to devise and implement marketing strategies from a cadre of perspective of tourist destination management and can play a key role in building tourist regions. It is also necessary that stakeholders collaborate with each other. The Japan Tourism Agency and other relevant agencies work together to provide a range of services for building tourist regions and their framework is highly regarded by the rest of the world. Based on Japan's tourism-based regional development framework and the development methodologies of human resources who play a key role, JICA will provide support that is suitable for the current situations of its partner countries and regions.

Development of sustainable tourism

JICA will increase linkages between each region (consisting of multiple countries) and international organizations, academic institutions, private enterprises, with the MoC concluded with UNWTO at the core. Individual and collaborative efforts will be promoted among various stakeholders to identify the current tourism development situation in the region and their needs for support. Specifically, a platform tentatively known as "Sustainable Tourism Development Platform" will be built at the regional level to promote collaboration among many actors. Examples of possible collaboration include the following:

- (I) Information sharing with Japanese companies will be encouraged. Problem solutions using Japanese companies' technologies through collaborative projects with the private sector will be promoted.
- (II) Active collaboration with local governments and NGOs that have the knowledge and

experience of tourism development beneficial to Japan's region revitalization will be pursued. Grassroots technical cooperation will be provided to help solve issues facing the country or region. Infrastructure for inbound tourism that supports Japan's regional revitalization will be improved through people-to-people exchanges and mutual understanding

(III) People who have been trained in human resources development schemes, such as the JICA Development Studies Program, will be encouraged to actively take part in the above platform in order to serve as a link between Japan's tourism development policies and the development needs of the region.

(2) Clusters

(I) Africa Kaizen Initiative

(a) Overview

Based on a MOU with AUDA-NEPAD (April 2017), (I) partner countries will be enlightened on a policy level, (II) A Center of Excellence (CoE) will be established, (III) Kaizen activities will be standardized, and (IV) networking will be promoted. JICA had provided technical cooperation in over 25 countries to promote and implement Kaizen activities. In 2020, it expanded its Kaizen services to holistic business support that includes support in overall business management and access to finance. JICA has made it clear that its policy contributes to the Africa industrialization strategy of AUDA-NEPAD.

(b) Goal

To improve the productivity of local companies.

(1,200 companies will receive support services in support target areas in five years.)

(c) Description of project (support)

- JICA will prioritize support for increasing business competitiveness with a focus on Kaizen in African countries (currently Kenya, Ethiopia, Tanzania, Ghana, Cameroon, Zambia, Tunisia, and South Africa). It will expand its Kaizen services to holistic business support that includes support in overall business management (BDS), access to finance, and digital transformation.
- JICA will provide support for wider areas in other neighboring countries using e-learning and third country training programs. JICA will also work with the Fund for African Private Sector Assistance (FAPA) of the African Development Bank to expand Kaizen activities.
- JICA will encourage financial assistance (e.g. development policy loans for improving business environments, two-step loans (TSL) for SMEs) and work closely with the World Bank in order to achieve synergy with technical cooperation provided in supporting the enhancement of business

competitiveness including Kaizen activities.

- To cope with the fragmentation of supply chains, JICA will help promote a new production system based on a survey of the Home Grown Solutions Accelerator in Africa in partnership with AUDA-NEPAD

(II) Support for entrepreneurs to create business innovation (NINJA)

(a) Overview

JICA will promote the development of entrepreneurs, who attempt to solve social issues as a business, and work with foreign companies including Japanese companies. JICA will carry out initiatives to contribute to SDGs through the acceleration of innovation and digital transformation under the Project NINJA (Next Innovation with Japan).

In implementing this Cluster, JICA will work with various stakeholders to encourage entrepreneurship, to identify challenges faced by entrepreneurs and make recommendations for policy making, to enhance business management competency, to foster entrepreneur collaboration in each industry, to match entrepreneurs in developing countries with Japanese and foreign companies, and to boost venture capital investment using foreign investment and lending.

JICA aims to build a framework under which the governments of developing countries will foster business innovation that solves social issues in partnership with venture and impact investment funds in the private sector, financial institutions, consultancy firms, universities, and industrial human resource development institutions.

(b) Goal

To increase investments in startups.

(50 investments in startups involving JICA will be made in support target areas in five years.)

(c) Description of project (support)

- Encouraging entrepreneurship and developing entrepreneurs.
- Promoting business collaboration by organizing events both in Japan and abroad.
- Promoting venture investment and impact investment.
- Providing information about local startups.
- Making recommendations for ecosystem development policy making.
- Identifying impacts made by startups.
- Contributing to the creation of business innovation in partnership with the international student program such as the JICAABE Initiative and the entrepreneur support program on the JICA Development Studies Program.
- Promoting startup programs in partnership with other donors and DFI and other initiatives using SIBs.

(III) Promotion of investment and industries in Asia

(a) Overview

In the Asia region where many companies, including Japanese manufacturers, have supply chains, JICA will provide holistic support in attracting FDI by Japanese companies as well as companies from other developed countries by improving the business environment and in capacity building for local businesses through industrial development strategies. It will contribute to increased business linkages, the enhanced competitiveness of local companies, further business expansion of companies from developed countries, including Japanese companies, and the economic development of developing countries.

This cluster promotes collaboration with relevant countries and organizations, formulates and implements projects in line with the AOIP concept, and encourages the achievement of synergy with ASEAN-Japan and AOIP cooperation initiatives (e.g. ASEAN-Japan joint initiative for economic resilience). Improved trade and investment environments for Japanese companies will also contribute to the Japanese economy's resilience.

Furthermore, JICA will seek to apply its experience in Asia to other parts of the world.

(b) Goal

To strengthen business linkages between companies from developed countries, including Japanese companies operating in the Asian region, and local companies.

(500 linkages will be created between foreign companies and local companies in support target areas in Asia in five years.)

To increase foreign companies venturing into the Asian region.

(100 new foreign companies will venture into support target areas in Asia in five years.)

(c) Description of key project (support)

- JICA will specify focus countries based on the size of economy, the number of Japanese companies operating in the country, income levels, and the existence of JICA assets such as a Japan Center and actively encourage high-level government officials of the focus countries to make policy adjustments in implementing industrial and investment promotion policies. JICA will also support the focus countries to select policies that are necessary for the characteristics of their industrial and investment environments and provide support for the implementation of the policies, as appropriate.
- In countries to which Japanese companies are more likely to expand, JICA will use financial assistance and foreign investment and lending and aims to achieve synergy between Japanese investment and the development of the private sector in the countries. JICA will pursue dialog and collaboration of the public and private sectors, the development of investment environments based

on the interest that Japanese companies may have, human resources development in collaboration with Japanese companies, the promotion of innovation, and the creation of linkages between local companies and Japanese companies.

- In countries that have Japan Centers, which have been established to develop business human resources in countries in transition to a market economy as well as for business networking with Japan, JICA will utilize the Japan Centers as its asset and regards their role as a platform that boosts interaction between Japan and host countries (Japan Center 2.0). JICA will enhance the use of the Japan Centers in the host countries as a base for people-to-people and information networking between local and Japanese companies.

5. Strategic Approaches for the Global Agenda and Clusters

(1) Establishment of a Framework for Impact Investment

Japan mobilizes less money from the private sector on the development of developing countries than other developed countries. It is important to review specific means of using private sector funds through ODA, including exploring the possibility of setting up impact investment funds. In order for impact investment funds to help attract private sector investment in developing countries and provide solutions, it is necessary not only to set up funds, but also to (I) identify development challenges, (II) select problem-solving techniques and match the funds with startups, (III) verify the product/market fit (PMF) of startup's products and services, and (IV) build a framework for assessing social impacts. For this reason, JICA is currently conducting a “Technical cooperation facility and ecosystem development survey for impact investment.”

Through this survey, JICA intends to review a strategy to support social entrepreneurship and promote impact investment in developing countries through ODA and make recommendations for how an impact investment environment in developing countries (e.g. institutional development, policy making) should be improved for startups that utilizes Japan's (innovative) technologies and expertise and how support should be provided to the development of a financing framework.

(2) Support for Startups by Organizing a Business Competition

In July 2020, an Africa NINJA business competition entitled the “NINJA Business Plan Competition in Response to COVID-19” was organized to solve social issues associated with

the COVID-19 pandemic and 19 African countries were invited to enter the competition. A total of 2,713 companies entered and 69 companies were selected as an excellent company.

By matching those local companies with Japanese companies and supporting their pilot projects, JICA will create innovative business models and technologies that can be adapted to a changing social structure and economic activities during the pandemic and foster startups who play a leading role in creating them.

(3) Effective Use of JICA Projects including the JICA Development Studies Program

The purpose of cooperation in private sector development is consistent with that of the JICA Development Studies Program in that they both share Japan's experience and knowledge of industrial development and economic growth with developing countries. JICA will, therefore, pursue an effective combination of local projects and the JICA Development Studies Program. Further, JICA will correctly identify the needs of developing countries, explore the possibility of offering financial assistance, including foreign investment and lending, and seek synergy with technical cooperation.

(4) Enhanced Collaboration with Diverse Partners

JICA will further enhance collaboration with its existing partner companies and organizations (e.g. JICA has established a comprehensive collaboration agreement with Rakuten.) and build better partnerships with private enterprises and organizations in Japan (e.g. JETRO, a project support committee member of Japan Centers; Organization for Small & Medium Enterprises and Regional Innovation, JAPAN (SMRJ); Japan Chamber of Commerce and Industry; KEIDANREN (Japan Business Federation)) in order to carry out innovative initiatives.

6. Other Considerations

(1) Creation of New Value during and after the COVID-19 Pandemic

During and after the COVID-19 pandemic, Kaizen does or will not only serve as a quality and productivity improvement methodology as it has before, but it is also expected to offer new value in terms of incremental innovation, digital affinity (data-oriented, visualization), measures to prevent the spread of COVID-19 (hygiene practices, waste removal), green transformation, and ESG investing with the principles that value workers and people.

The German government has introduced an "Industry 4.0" as a high-tech strategy for a

digital society. Kaizen is incremental innovation and has a closer affinity with radical innovation such as digital technology. It can serve as a nexus between hardware and digital technology, such as automation, robotics, and factory automation.

JICA emphasizes that the Kaizen approach will help provide a basis for promoting digital transformation and seeks to further roll it out.

What is the JICA Global Agenda?

JICA's cooperation strategies for global issues. JICA, with its partners, aims to show global impacts realizing the goals set under JICA Global Agenda. JICA Global Agenda and its goals will be shared among partner countries and various actors, enhancing dialogue and collaboration, therefore, maximizing the development impacts. Through these efforts, JICA will comprehensively contribute to the achievement of the SDGs by 2030 as well as realize Japan's Development Cooperation Charter which focus on "human security," "quality growth," and "addressing global challenges".

Cover photo: Kenshiro Imamura/JICA



Nibancho Center Building, 5-25 Nibancho,
Chiyoda-ku, Tokyo 102-8012, Japan
Email: edgps@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.

<https://www.jica.go.jp/english/activities/>