Economic Development

Economic Policy and Finance/ Private Sector Development/Resources and Energy

Overview of the Economic Development Field

Cooperation in the field of economic development comprises three areas: economic policy and finance, private sector development, and resources and energy. Recent discussions on development in the international community underline the importance of enhancing assistance for these issues from the perspective of reducing poverty through economic growth. It is also required to continue to review the focal points in addressing those issues from the perspective of human security.

Target areas of cooperation in the economic development field have thus far been mostly in Asia, especially East Asia, with a view of promoting economic growth. However, recently, specific measures to create economic dynamism have been called for to reduce poverty in Africa. To this end, private sector efforts using markets and trading in combination with development assistance from the public sector are essential.

Overview

The development of a fiscal and monetary infrastructure and the appropriate management of economic policies are vital to sustainable economic growth. If economic policies are not implemented and managed properly, hyperinflation or deflation will bring about fiscal and monetary collapse, causing a serious deterioration in people’s assets and living standards. This type of situation emerges from time to time in developing countries. Strengthening and stabilizing fiscal and monetary systems and achieving macroeconomic stability and growth through the formulation and implementation of appropriate economic policies are prerequisites for successfully overcoming development challenges.

The following two areas have become especially important in recent years in this context.

1) Preventing a recurrence of the Asian financial crisis

Until the Asian financial and economic crisis of 1997, the performance of the economies of ASEAN had been described as the “Asian miracle.” The crisis robbed large numbers of people in these economies of both assets and jobs. The fragility of financial systems in ASEAN countries has been identified as one of the causes of Asia’s financial and economic crisis. Financial systems need to be strengthened in order to prevent future financial crises.

2) Fiscal management

In recent years, aid implementation agencies have recognized the importance of fiscal management in developing countries. The aim of improvements in this area is to increase revenues, efficiently allocate resources to strategic areas such as poverty reduction, and ensure that funds are spent effectively and efficiently, while maintaining fiscal order.

JICA’s Efforts

Technical cooperation in the area of economic policy and finance traditionally centered on the provision of know-how, such as the introduction of Japanese fiscal and monetary systems. However, two events in the 1990s prompted JICA to become more fully involved in the provision of support in this area. The first of these was the transition of former socialist countries to market economies in the late 1980s and early 1990s. The shift to market economies required radical changes in economic policies, systems, and organizations. Support for this process became a key priority for Japan’s ODA.

The second factor was the Asian financial and economic crisis of 1997. Since the crisis, JICA has upgraded support for the reinforcement of financial systems through the improvement of institutions and the development of human resources.

With this background, JICA provides the following cooperation in the area of economic policy and finance.

Expert explaining how to operate equipment that analyzes imported products such as food and medicines (Capacity Building of Master Training for Modernization of Customs Administration in Viet Nam)
Private Sector Development

Overview ..............................................

Private sector development is an approach to cooperation that contributes to the economic advancement of developing countries through the vitality of the private sector. Supporting the private sector of developing countries has the potential to stimulate economic growth, accelerate poverty reduction, and improve living standards in developing countries. Unleashing economic activities in the private sector advance, a lack of employment will cause incomes to decline and, as a result, poverty will persist. Private sector development is also extremely important in terms of tax revenue. Unless tax revenues are secured, the government will not be able to sufficiently provide administrative services such as education, welfare, public health, and medical care due to budget constraints.

Various benefits can be expected to emerge when private businesses are established and become active. For example, the creation of employment opportunities for people living in rural villages will drive growth in household incomes. In urban areas, the development of various industries will result in the expansion of national economic activity through growth in exports, imports, and investment. In today’s business environment of economic globalization, it is also necessary to improve the competitiveness of local industry in developing countries.

Accelerated development led by the private sector will expand national economic activity and create employment, raise incomes, and improve living standards.

JICA’s private sector development reviews the role of national governments and provides support to bring about private vitality, aiming for economic growth that benefits not only the private sector but also the entire society of a developing country.

JICA’s Efforts ..........................................

JICA’s cooperation in private sector development is centered on East Asia, which has achieved outstanding economic development, with a focus on vitalizing private corporations, main actors, and building an environment that facilitates private sector development. The following factors lie in the background of this policy: shift from the conventional economic structure led by the public sector to one centered on economic activities of the private sector; an increasing need for a response to economic globalization due to regional progress of a horizontal relationship of economic dependency, such as World Trade Organization (WTO) and Economic Partnership Agreement (EPA). This movement has been expanding from East Asia to Latin America, Middle East and Africa, where the importance of poverty reduction through economic growth was declared in the third Tokyo International Conference on African Development (TICAD III), and JICA’s support has been extended accordingly.

Many developing countries have problems in the sectors of health and basic education; however, social and economic infrastructure won’t be stabilized unless employment opportunities are secured through the promotion of SMEs and support for entrepreneurship. It is assumed that in many countries riots and ethnic conflicts stem from serious social unrest due to loss of employment opportunities. Unless such social unrest is solved, stability in regional communities cannot be attained, and therefore, efforts for private sector development to solve employment issues are increasingly important. From this viewpoint, JICA has...
provided assistance that leads to the stability of social and economic infrastructure, such as securing employment opportunities, correcting inter-regional income disparities, and considering gender balance in employment, through promotion of SMEs and support for entrepreneurship.

Trade and Investment

In order to respond to economic globalization and stabilize and consolidate economic partnerships, activation of trade and investment plays a critical role. That is because trade and investment support economic activities that form the foundation. Cooperation in the area of trade and investment focuses on building an institutional framework (such as development of a relevant legal framework and establishment of institutional foundation as the basis of trade and investment), organizational and institutional enhancement of implementing bodies (such as trade and investment promotion agencies in developing countries), and human resources development (such as capacity development of working-level personnel).

In fiscal 2005, JICA implemented technical cooperation projects targeting trade promotion agencies (such as a trade training center) in Indonesia and Egypt. JICA also cooperated in the capacity enhancement of investment promotion agencies such as the Ministry of Investment Promotion in Central and Eastern Europe and ASEAN countries, by dispatching individual experts. Furthermore, in order to carry out trade and investment activities smoothly, building an environment for trade and investment is critical. As part of such environment-building, in terms of protecting intellectual assets, JICA supports enhancing systems and the capacity of agencies and personnel in charge of intellectual assets in China and ASEAN countries. JICA also cooperates in the capacity enhancement of agencies and personnel as well as institution building in the course of creating a standardized approval system, which is a prerequisite for trade promotion (such as harmonization of specification standards and enhancement of inspection capability). As cooperation related to legal systems for building a healthy business environment, development assistance in the execution capacity of competition and accountancy laws takes place in ASEAN countries.

In addition, though cooperation concerning trade and investment has thus far been implemented primarily in Asia, JICA has set about formulating concepts to implement trade promotion cooperation in Africa based on South-South cooperation, so as to make use of the experience gained in Asia.

Tourism

JICA dispatches experts to tourism promotion agencies in many countries to develop and promote tourism policies and systems. A technical cooperation project has commenced in Jordan to develop community-based tourism based on the improvement of museum management.

SME Development and Promotion of Industrial Technology

Human resources who can lead the industry are still in short supply in many developing countries, and policies and systems to foster SMEs are underdeveloped. These situations hinder the accumulation of technical know-how in the production field as well as management know-how. The lack of know-how has impeded the growth of SMEs and the expansion of new businesses. To overcome these obstacles, in line with the progress of measures for promoting SMEs of the governments of developing countries, formulation of SME development policies and human resources development to implement the policies are essential.

In a region like sub-Saharan Africa, where there is no industry, support for entrepreneurship through regional community development represented by the “Isson Ippin Undo” (the Campaign of One Village One Product) or the “Michino Eki” (Road Station), which are more like micro enterprises rather than SMEs, creates local jobs, promotes support for women entrepreneurs, and contributes to the correction of regional income disparities.

At the same time, promotion of industrial technology is an attempt to involve citizens’ voluntary and active participation in economic activities to achieve citizen-led economic development.

Through this technical cooperation project, JICA in tandem with the OVOP Secretariat is working on establishing an institution to promote this movement, carrying out campaigns to spread the concept, and providing technical support to individual community projects. A JOCV has also joined the communities to ensure the progress of this movement in cooperation with local people.

Japanese Technical Cooperation for Institutional and Human Resource Development Project for One Village One Product Programme in Malawi

In order to launch a One Village One Product campaign in Malawi, which originated in Oita Prefecture, Japan, JICA started a project to support OVOP Secretariat (established within the Malawi government in 2003) in 2005. The secretariat is led by the Malawi President himself and conduct promotional activities to improve the quality of local specialties in individual rural communities using their originality and ingenuity, including improvements in processing techniques, and to expand sales channels as attractive products, leading to an increase in citizens’ incomes. It is an attempt to involve citizens’ voluntary and active participation in economic activities to achieve citizen-led economic development.

Through this technical cooperation project, JICA in tandem with the OVOP Secretariat is working on establishing an institution to promote this movement, carrying out campaigns to spread the concept, and providing technical support to individual community projects. A JOCV has also joined the communities to ensure the progress of this movement in cooperation with local people.
Front Line  Syria
Support for Revitalization of Textile Industry

Challenge for Senior Volunteers with Extensive Field Knowledge

Decline of textile Kingdom, Syria
How many people know that Syria, the key to peace in the Middle East, used to reign as an advanced country in textiles a century ago and that its products were once called damask, a byword for high quality clothes?

When a socialist administration was established in Syria approximately 40 years ago, all major textile companies were nationalized and a mass production system for cheap products was introduced. This system is now obsolete and the Syrian textile industry, which lost competitiveness, is in decline. Nonetheless, Syria produces good quality natural materials such as cotton and wool and has the advantages of close proximity to the European market and its historical reputation as an advanced country in textiles. With an appropriate strategy and executive ability, it is not impossible to recapture its past glory.

In such a situation, JICA has dispatched three senior volunteers to a textile technical school (coordination, sawing, and spinning), one to the local Chamber of Commerce and Industry (textile marketing to private companies) and one to the Department of Industry (textile policy adviser to governmental organizations) to support the vitalization of the industry.

Utilizing the experiences of professionals with extensive field knowledge
These senior volunteers were instrumental in holding the first Textile Industry Seminar in Damascus in March 2006. At the seminar, senior volunteers dispatched to the public, private, and education sectors analyzed the current status of and problems in the Syrian textile industry and presented a strategy and action plan riding on the strengths of Syria from the standpoint of professionals. The seminar was meaningful in that textile professionals referred to a specific action plan.

Other donors including EU refer to the importance of economic reform at various forums and present strategies, which are lacking in specifics and don’t show actual direction for action. It is not surprising, however, because many experts from other donors are policy-level planners and not professionals who have extensive field knowledge. JICA’s strength lies in having professionals with extensive field knowledge at various levels from grassroots to policy recommendation. In Syria, instead of formulating a fine policy, ability and know-how to put it into action are more required.

“Utilizing the experience of Japan, where the textile industry once supported the nation”—senior volunteers’ challenge to revitalize the Syrian key industry has begun.

(JICA Syria Office)

Fostering Supporting Industries
The presence of SMES, which supply components and parts, called supporting industries, is vital to foster comprehensive industries such as automobile and electric appliances manufacturing. Since the increased technical power of SMES is very important for developing countries, JICA provides active support in this area.

Such support is expected to develop supporting industries in developing countries, promote further overseas investment, and consolidate leading corporations, thus leading to sustainable economic growth. As a result, it is expected that overseas procurement of leading corporations will increase, indirectly promoting overseas business opportunities, and at the same time, helping supporting industries expand and employment opportunities in developing countries increase.

Resources and Energy

Overview
Energy supply is an indispensable infrastructure component for developing industries and economies and improving living standards. Every country makes substantial efforts to attain a stable supply of low-cost quality electricity. In addition, mineral resources and energy resources such as petroleum and coal are important sources of foreign currency acquisition and a resource for economic development in developing countries, and the sustainable development and management of those resources is gaining importance.

Power Supply and Renewable Energy
In the past, cooperation in this area focused mainly on feasibility studies for the construction of power stations and other elec-
Energy Conservation and Mining

Energy demand has expanded in recent years, especially in developing countries. This trend has triggered various problems on a global level, including the depletion of economically vital energy resources, such as oil, coal, and natural gas, as well as global warming resulting from emissions of greenhouse gases after the use of these resources. Dependence on imported energy has also created problems for individual nations. These include the impact of crude oil prices on national economies and failure to maintain a stable supply in time of emergency.

In response to these, energy conservation has emerged as one of the most effective approaches. For developing countries, Japan’s experience is extremely valuable since it has achieved the highest standards of energy conservation in the world through two oil crises.

Furthermore, mineral resources are vital to industrial and economic activities and will play an increasingly important role in the future economic growth of developing countries. Moreover, the promotion of mining has extremely great social and economic effects in the target country and region, including not only the creation of new industries but also the development of socioeconomic infrastructure and regional and economic development in marginal regions. Balanced mining development that contributes to the sustainable development of developing countries requires a comprehensive approach in cooperation between the public and private sectors, including measures to facilitate resource exploration, the training of technical personnel, the establishment of mining information resources, infrastructure development, the development of laws concerning foreign investment, and promotion of countermeasures against mining pollution.

JICA’s Efforts

Power and Energy

Since power consumption increases in proportion to economic growth, a stable supply of power is indispensable to achieve sustainable economic development. Power is essential in terms of improving the living quality of the people. For example, when providing cooperation for rural electrification, it is important to develop the capacity of government organizations of developing countries and keep in mind the perspectives of human security of local residents, the beneficiaries. Power supply to rural areas will improve the quality of living through better medical and educational services, promote poverty reduction, and correct regional disparities between rural and urban areas. In that sense, power supply plays an extremely significant role and the aid need for this area is paramount.

JICA cooperation in the area of power and energy thus far are feasibility studies for the construction of power stations and other electric power facilities to facilitate the electric power resources development in developing countries and the training of personnel to maintain and manage electric power facilities.

As previously mentioned, amid the global trend of power sector reform in recent years, the role of governments of developing countries is being shifted from direct implementation of electric power projects to policy formulation to secure stable power supply led by the private sector. Accordingly, JICA’s cooperation extends to support for policy formulation such as electric power development plans and institutional development such as electric power technology standards.

In addition, corresponding to growing interests in energy issues due to soaring crude oil prices and expanded energy demand in the world including developing countries, JICA has started support for the formulation of comprehensive energy policies.

There are two priority issues to be addressed in the future in the areas of energy and power: stable power supply to secure sustainable economic development and promotion of rural electrification from the perspective of human security. Based on these, JICA intends to implement efficient and effective assistance, while continuing cooperation in the development of electricity infrastructure.

In addition, JICA will enhance the concept of country- and issue-specific approaches and program approaches, and formulate and implement environment-friendly projects according to the
JICA Guidelines for Environmental and Social Considerations (see p. 84) while coordinating with related organizations.

Resources and Energy Conservation

Cooperation in the areas of resources and energy conservation, which comprises mining development, renewable energy (including new energies such as solar and geothermal energies), and energy conservation, is centered on the following activities.

1) Mining and Resources Recycling

In order to support sustainable development of mineral and energy resources in developing countries, support for institution building, human resources development, and technical improvement is being provided. For example, a study for the development of information and improvement in legal systems for the promotion of investment in the mining sector has been conducted in Laos, and a remote sensing project to improve resource exploration techniques using satellite images have been implemented in Turkey. In the area of energy resources, JICA has implemented a development study to control river contamination due to coal development in Indonesia. In Asian countries that continue economic development, the amount of resource consumption is rapidly increasing. In response, JICA has started cooperation to promote the establishment of a resource-saving recycling-oriented society by promoting 3R (reduce, reuse and recycle).

2) Renewable Energy

In this area, various types of cooperation have been implemented in view of promoting the use of renewable energy for the conservation of the global environment, as an independent electricity source for the electrification of isolated rural areas. Recently implemented projects include development studies to formulate local electrification master plans using solar energy and small hydropower generation systems in Nigeria and Cambodia, as well as a development study for geothermal development in Indonesia.

3) Energy Conservation

In the area of energy conservation, JICA has so far implemented cooperation making full use of Japan’s knowledge and experience in a great number of countries through development studies, technical cooperation projects, and training programs. JICA is currently providing projects to disseminate and promote energy conservation in Iran and Poland. Other ongoing cases include a project for improving the combustion efficiency of furnaces for the steel industry and disseminating environmental protection and energy conservation techniques in China.

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Front Line Poland

The Project on Poland-Japan Energy Conservation Technology Centre

Industrial Energy Conservation Technology Gains Attention in Europe

**Contributing to the promotion of industries through energy conservation technology**

Polish industries strive to achieve modernization by departing from dependency on domestically produced coal. The Project on Poland-Japan Energy Conservation Technology Centre (ECTC) scheduled to last four years, from July 2004 to June 2008, is based at the Poland-Japan Energy Conservation Technology Centre (ECTC) and aims to implement environmental measures through energy efficiency improvement and energy savings in the industries in cooperation with Warsaw University of Technology. Four long-term experts dispatched to ECTC work actively under the cooperation pillar of contributing to the promotion of energy conservation technology utilizing the world’s leading energy conservation technology and experience of Japan.

ECTC is outfitted with equipment for training such as fans, compressors, pumps, steam traps, burners and boilers, which are all used commonly at various factories, and training participants can gain hands-on experience with the effective usage of such equipment leading to energy conservation. In addition to providing such training, releasing information on energy conservation to Polish industries is one of ECTC’s main activities.

**EU Minister of Energy visits the center**

Full-scale training for industries started at the middle point of the project, leading to an increase in the number of visitors who come to observe the center. In Japan, there is a qualification system for energy managers to promote energy conservation of factories and training plants similar to ECTC. Poland and other countries in eastern Europe, not to mention the rest of Europe, don’t have such training plants, and the EU Minister of Energy paid a visit to observe the center in December 2005. The Minister reportedly decided to take time to visit ECTC despite his busy schedule during a one-day trip from Brussels for the purpose of discussion on energy policies with the Polish government. Other visitors include a professor who was an energy advisor to Russian President Putin.

Japanese industrial energy conservation technology has steadily consolidated in Europe through this project.

(JICA/JOCV Poland Office)