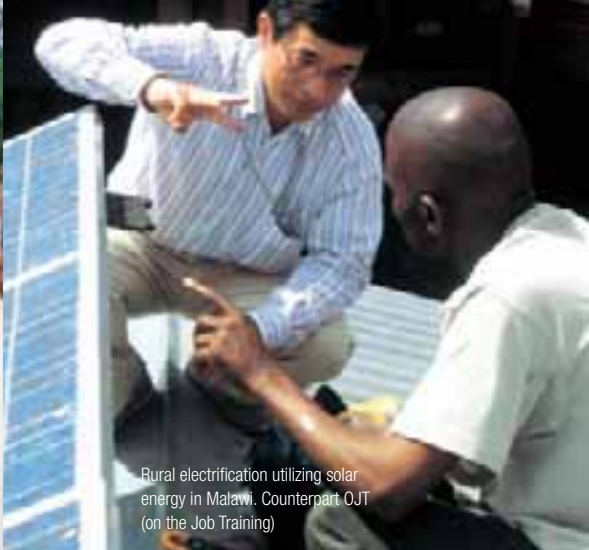


Training teachers for rural electrification using solar energy in Malawi



Rural electrification utilizing solar energy in Malawi. Counterpart OJT (on the Job Training)

Economic Development

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

Overview of the Economic Development Field

JICA's cooperation in the field of economic development comprises three areas: economic policy and finance, private sector development, and resources and energy. From the perspective of reducing poverty through economic growth, assistance for these issues has been enhanced. From the perspective of human security as well, in addition to accommodating basic human needs (such as health and education sectors), it is necessary to provide assistance that helps people gain sufficient and stable incomes and leads to their economic self-reliance through capacity development of governments, community, and people, as well as expansion of job opportunities in the economic development field.

In the economic development field, priority has thus far been placed mostly on Asia, especially East Asia and Southeast Asia. However, recently, in order to support poverty reduction in Africa, measures effective for facilitating sustainable economic growth and leading to improved households and lives among the poverty group have been called for. To this end, support that leads to the development of the private sector using markets, trading, and investment, as well as assistance for the enhancement of the public sector, are becoming more essential.

Economic Policy and Finance

Overview

The development of fiscal and monetary foundations and the appropriate management of economic policies are vital to sustainable economic growth. If economic policies are not implemented and managed properly, fiscal and monetary collapse will bring about inflation or deflation, which will cause a serious deterioration in people's assets and living standards. Strengthening and stabilizing fiscal and monetary systems and achieving macroeconomic stability and growth through the formulation and implementation of appropriate economic policies are therefore required for successfully overcoming a wide range of development challenges.

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

(1) Preventing a recurrence of the Asian financial and economic crisis

Although the high economic growth of ASEAN had been described as the "Asian miracle," this economy was hit by the Asian financial and economic crisis of 1997 and large numbers of people in ASEAN countries lost their assets and jobs. The fragility of financial systems in ASEAN countries has been identified as one of the causes of the crisis. Therefore, financial

systems need to be strengthened in order to prevent a recurrence of such a crisis in the future.

(2) Public financial management

In recent years, international organizations and donor countries have highlighted support for strengthening the fiscal management capacity of developing countries' governments. The fiscal management capacity of the government is extremely important for increasing revenues, strategically allocating resources to priority areas such as poverty reduction while maintaining fiscal discipline, and for spending fiscal funds effectively and efficiently.

JICA's Efforts

Technical cooperation in the area of economic policy and finance up to the 1980s tended to place more emphasis on the provision of know-how, such as the introduction of Japanese fiscal and monetary systems. However, two events in the 1990s changed the direction of JICA's cooperation in this area and gained momentum. The first of these was the transition of former socialist countries to market economies in the late 1980s and early 1990s. Support for this process became one of the key priorities for Japan's ODA. The second was the Asian financial

and economic crisis of 1997. Since the crisis, JICA has strengthened support for the reinforcement of financial systems through the improvement of institutions and the development of human resources.

JICA mainly provides the following cooperation in this area.

- (1) **Reinforcement and stabilization of fiscal systems** (capacity development in the areas of fiscal management, debt management, and taxation and customs administration)
- (2) **Reinforcement and stabilization of financial systems** (capacity building in the area of financial administration and supervision, the reinforcement and improvement of financial intermediation functions, capital market development, and

financial systems for small and medium-sized enterprises [SMEs])

- (3) **Development of a foundation for macroeconomic management** (the development of economic laws, assistance in the creation of macroeconomic models, and improvements in economic statistics)

Among the above, the number of projects in the area of fiscal systems including taxation and customs is the largest, accounting for approximately 50% of total projects and approximately 80% of all projects are implemented in the East and Southeast Asian regions. JICA will also work to reinforce efforts in the African region, mainly in the area of public financial management.

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. Unless economic activities in the private sector advance, employment opportunities and incomes will remain limited, 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, health, medical care, and welfare, due to budget constraints.

When private businesses are established and grow, employment opportunities for local people will expand, resulting in growth in household incomes. The development of various industries and growth in exports, imports, and investment will lead to the expansion of national economic activity. In order to respond to the international competitive environment, which becomes more severe in today's economic globalization, the competitiveness of local industry in developing countries needs to also be improved.

JICA's private sector development provides support for economic capacity development of central and local governments in a developing country and assistance that brings about private

Front Line

Mongolia

Establishment of the Tax Education System Project

Promoting a self-assessed taxation system with the Mongolian Taxation Authority

Ten years ago, Mongolia had just become a market economy and suffered from a budget deficit due to a chronic lack of government revenue. From the perspective that developing financial infrastructure would be vital for transcending these circumstances and constructing a foundation for sound development, JICA took the initiative ahead of other donors to begin technical cooperation for the Mongolian Taxation Authority, which manages the taxes that account for most of the nation's revenue.

JICA assisted in the construction of frameworks for enhancing the government's taxation capacity from 1998, including an organizational reform and building a taxpayer information system. This assistance produced a certain degree of visible results, such as a threefold increase in taxes collected in 2004 compared to 1999. While this assistance developed systems to some degree, there were still many remaining issues including a lack of educated human resources to utilize the systems. Beginning in 2003, JICA assisted the creation of a training curriculum and educational materials during the Study for Establishment of Tax Education System. In addition, JICA has provided assistance from January 2006 in the form of a comprehensive effort called "Establishment of the Tax the Project" that includes developing training systems, strengthening taxation operations, and improving services for taxpayers.

Mongolia has boasted remarkable economic growth in recent years, and achieved a budget surplus as early as 2006. This was not merely due to favorable circumstances, but rather due to the success of efforts between related parties from Mongolia, that developed the system that linked economic growth with national revenue, and Japan. Mongolia currently utilizes the same self-assessed taxation system as Japan.

The promotion of taxpayer services and appropriate and fair taxation administration serves as the foundation for the self-assessed taxation system. The Mongolian Taxation Authority is expected to make independent development efforts utilizing their 10 years of success to become an organization trusted by taxpayers. (Mongolian Office)



Japanese experts and Mongolian Taxation Authority personnel discuss results from trial telephone requests made to delinquent taxpayers in Darhan, Mongolia's second largest city.



The Mongolian Taxation Authority established the Taxpayer Service Center (a one-stop assistance center) in consideration of the convenience of taxpayers in order to promote the self-assessed taxation system. In support of this, JICA established a model taxpayer service center and worked to improve the courteousness of center staff. Currently, 28 centers have been established nationwide via the initiative of the Mongolian Taxation Authority, which many taxpayers visit to receive advice on filing and paying taxes.

vitality, aiming for economic growth that benefits not only the poverty group but also the entire society of a developing country.

JICA's Efforts

JICA's cooperation in private sector development is centered on East Asia and Southeast Asia, which has achieved outstanding economic development. In these regions, shift from the conventional economic structure led by the public sector to one centered on economic activities of the private sector has progressed as well as a horizontal relationship of economic dependency, such as World Trade Organization (WTO) and Economic Partnership Agreement (EPA), calling for a response to economic globalization.

This movement has been expanding from East Asia and Southeast Asia to Latin America, Middle East, and Africa, and JICA's support has been extended accordingly. In relation to Africa, the importance of poverty reduction through economic growth was acknowledged in the fourth Tokyo International Conference on African Development (TICAD IV) in 2008, and there are calls for expanding assistance to the region.

In some developing countries there are riots and ethnic conflicts, and it has been pointed out that they stem primarily from social unrest such as loss of employment for young people. Many developing countries have problems in the sectors of health and basic education; however, social and economic infrastructure will not be stabilized unless employment opportunities are created through the promotion of SMEs and support for entrepreneurship, inter-regional income disparities are corrected, and gender balance in employment are secured. In order to solve these socioeconomic issues and employment issues, which are attributed to social unrest, efforts for private sector development are becoming more important.



Zambian government officials and JICA Mission members observing a candidate area in the suburbs of Lusaka, a target of the Zambia multi facility economic zone M/P study

Trade and Investment

In order for a developing country to respond to economic globalization, it is necessary to activate trade and investment and consolidate economic partnerships with the world. JICA's cooperation in this area focuses on the following activities: (1) building institutional frameworks such as the development of related laws and regulations that function as the basis for promoting trade and investment; (2) strengthening organizations including the trade and investment promotional agencies of various countries that develop and reinforce abovementioned activities; and (3) capacity development of policy makers and staff members of the agencies.

In fiscal 2006, JICA implemented technical cooperation projects and studies targeting trade training centers and trade promotion agencies in Indonesia and Egypt. JICA also cooperated in the capacity enhancement of investment promotion agencies

Project of Strengthening of Paraguayan Quality and Productivity Center: *Case Study* independently promoting SME reform

A project was established by the cooperation of the Ministry of Industry and Commerce, Paraguay Industry Union, and JICA to educate consultants via three years of OJT (On the Job Training) in the fields of: (1) improving quality and productivity; and (2) sales and marketing, so that the people of Paraguay can strengthen their industries through independent efforts. These efforts included commencing OJT after forming a six-month program for the candidate from a small-scale detergent manufacturer. I still remember the response I received upon asking the sales director what his job specifically comprised of. "I take newly-hired drivers and give them directions to clients' offices." His response was different from the fundamental content of a sales position: making new clients, analyzing sales, and employing sales plans. Thereupon we combined the tasks of basic sales analyses and drafting monthly reports into the sales and marketing field. After tasking the same sales director with completing an analysis on the previous month's sales, he exceeded our expectation by bringing together a magnificent sales analysis for the previous month along with future tasks. He then provided us with a lively and confident presentation on his findings. That is the moment that I realized that anyone can exercise their skills in addressing matters with confidence as long as they have a strong will to change and a little support. I look forward to seeing many successful examples in Paraguay, and for the nation to confidently and independently reform its SMEs.



Consultant candidate OJT

such as the Ministry of Investment Promotion in Central and Eastern Europe and ASEAN countries, by dispatching technical 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 properties, JICA supports enhancing systems and the capacity of agencies and personnel in charge of intellectual properties 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 standards and conformity assessment, which is a prerequisite for trade promotion (such as harmonization of standards and enhancement of inspection capability).

Thus, the cooperation in the trade and investment sector has been implemented mainly in Asian countries. However, JICA has currently started to create a concept for promoting trade by supporting South-South cooperation between Asia and Africa by utilizing experience in Asia for Africa.

Tourism

Tourism is an industry that a number of developing countries turn to as a means of acquiring foreign currency, increasing employment opportunities and incomes, and promoting regional development. Lately, it has been emphasized especially as a means to achieve the international development goal of poverty reduction.

Since it plays an important role in terms of not only economic impacts, but also the promotion of country-to-country and person-to-person mutual understanding, world-scale cultural development and peace, harmony between development and environmental conservation, sustainable use of natural resources, movements toward working for more sustainable tourism development are accelerating.

Under such circumstances, needs for tourism cooperation are increasing in developing countries, and JICA is implementing assistance to strengthen various institutional frameworks to support tourism. First, it aims to bring about economic effects by developing tourism as an industry, including assistance related to the formulation and implementation of tourism policies. Second, it utilizes efforts for tourism development and its outcomes as a means to achieve the goal of other development issues, represented by ecotourism in an environmental conservation project. Third, it implements a project to utilize tourism as a means of regional and community development and regional promotion.

SME Development and Promotion of Industrial Technology

The governments of many developing countries have not developed policies and systems to foster the private sector, especially SMEs. The lack of technical skills in the production field

and management know-how on a business-level has impeded the birth and growth of businesses. To overcome these obstacles, it is necessary to enhance the government's capacity to formulate and implement SME policies, and develop the capacity related to technology and expertise that would allow production sites to create visible results. JICA has provided assistance for government human resources that handle the development of SMEs, and has contributed to improving productivity by introducing a Japanese production management model called 5S.

Correcting regional disparities is also a developmental issue in those developing countries. JICA has proposed a cluster development policy with the goals of efficiently activating community economies, and, in regions where there is no industry or only small enterprises, development of local industries through regional community development has been implemented represented by the "Isson Ippin Undo" (the One Village One Product Movement) or the "Michino Eki" (Road Station). This development assistance helps to create local jobs, promote support for female entrepreneurs, and contributes to the correction of regional income disparities.

At the same time, promotion of industrial technology through expanding business opportunities and improving competition through technological innovation is an important task for developing countries. Many developing countries work on the promotion of various industrial technologies and have established official test facilities and laboratories for basic technologies. JICA supports development of human resources who work at those institutions.

Fostering Supporting Industries

In the areas where comprehensive industries such as automobile and electric appliance manufacturing have started operations with a certain basic industry foundation and the introduction of foreign capital, it is vital to foster SMEs, or supporting industries, which supply components and parts to these businesses. Support for the increased technical power of SMEs is very important as cooperation for more developed countries.

JICA actively supports development of such supporting industries. Such support expands overseas direct investment to developing countries and stimulates their business activities. At the same time, procurement in developing countries will increase, indirectly promoting overseas business opportunities. If this positive cycle continues, it is expected that supporting industries will further expand and employment opportunities will increase in developing countries.

Resources and Energy

Overview

The world's energy demand keeps increasing. Energy demand in developing countries, primarily in Asia, is also on the rise due to population growth and progress in industrialization. Lately, against the backdrop of skyrocketing energy prices centered on crude oil and global-scale environmental issues such as climate change accompanied by global warming, energy problems have become important in the international community, and thus need to be examined from a more comprehensive perspective such as energy security.

Electric power, in particular, which is a modern form of

energy, is vital for improving people's livelihoods, including economic growth and medical and educational services in developing countries, and plays a role in supporting sustainable socioeconomic development and promoting poverty reduction.

In recent years, as electric power deregulation has been progressing on a worldwide scale, many developing countries have pushed forward power sector reforms such as (1) the breakup and privatization of government-owned electric power companies, (2) the opening of electrical power pool markets, and (3) the promotion of private investment to make up for a shortage of public funds such as independent power producers (IPP). Now that the role of the government in the electric power sector has changed,

Study on Constructing a Thermal Power Plant in Bheramara, Bangladesh *Study*

Bangladesh has maintained favorable economic growth for the past few years and is anticipated to become a medium-developed nation in the near future. The electrical demand in the industrial sector, which promotes Bangladesh's economic growth, along with electricity consumption by the general public spawned by increased income levels, are rapidly increasing and there is an urgent need for the development of new power sources.

The power plant for this project is planned to be of maximum scale, providing for approximately 10% of Bangladesh's overall electrical demand. The Bangladeshi Government requested Japan's cooperation in conducting a feasibility study on the construction of the power plant as well as funding for its construction based on that study.

In response to this request, JICA has begun a feasibility study for the plant's prompt construction in order to resolve Bangladesh's lack of electricity. Cooperation is underway and information is being shared so that JICA can work together with JBIC, which is planning supporting actual construction funding, at the survey stage on the headquarters level and project-site level to allow for construction that is realistic, efficient, and on schedule.

In addition, social and environmental consideration has been widely made including for the project's impact on the environment. JICA is considering measures for minimizing environmental and social impact.

Moreover, for this study JICA is providing support for developing organizational structures and for plant operations as financial cooperation in recent years has required large-scale electrical plants, such as the one planned in this project, to be operated as a profitable utility. In this way JICA is working to enhance the organizational capacity of the plant's operations.



Local survey of the planned plant construction site

in order to realize a reliable supply of low-cost power service, introduction of public-private partnership (PPP) has become an important issue.

Under these circumstances, priority issues in the power field can be summarized into four areas: (1) development of laws, regulations, and systems for steady implementation of power sector reform, (2) formulation of appropriate power development plans, (3) development of technical standards and improvement in facility operation, and (4) cultivation of human resources who will lead the power sector.

Regarding rural electrification, the development of isolated mini-grids utilizing renewable energy, such as small hydro-power and solar power, is often more economical in areas of developing countries that lack electric power services than is the extension of power transmission lines and distribution networks. Furthermore, renewable energy that is operated at certain levels can reduce CO2 emissions, and has received notable attention in recent years from the perspective of global environment issues and diversification and retention of energy resources. There are currently calls for the spread and expansion of these renewable energies.

Mineral resources 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 thus gaining importance.

JICA's Efforts

Electric Power and Energy

There are two priority issues to be addressed in the electric power and energy sector: (1) securing a stable power supply to achieve sustainable economic development and (2) promotion of rural electrification from the perspective of human security.

Technical cooperation in the sector of electric power and energy until the 1990s was primarily

feasibility studies for the construction of electricity infrastructure in developing countries and support for training of personnel to maintain and manage electric power facilities. Keeping in mind partnerships with development financial institutions such as the World Bank, the Asian Development Bank (ADB), and the African Development Bank (ADB), JICA will implement assistance related to the development of electricity infrastructure.

Amidst the global trend of power sector deregulation, 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, since the 1990s, JICA has actively addressed capacity development in the electric power and energy sector. Specifically, such efforts include: (1) support for policy making such as power development planning that enables long-term stable power supply (Philippines, Indonesia, Viet Nam, etc.); (2) support for institutional arrangement on establishing power technical standards (Cambodia, Laos, Viet Nam, etc.); (3)



Local geological study with counterparts (Laos)

support for improving business management of power suppliers (Bangladesh, etc.); and (4) support for training power engineers in the field (Cambodia, Viet Nam, Jordan, etc.).

When providing cooperation for rural electrification, it is important to introduce the perspective of human security and keep in mind local residents in the unelectrified area, who are the beneficiaries. The perspective of capacity development that enhances the capacity of government organizations of developing countries is also important. In countries such as Malawi, Zambia, and Ghana, through electrification of rural growth centers, health and education services are being improved and the revitalization of local industries is being promoted, thus contributing to poverty reduction. Rural electrification plays an extremely important role in terms of promoting reduction of disparities between urban and rural areas, and the need for cooperation is tremendously high.

Corresponding to various energy problems such as energy security and global environmental problems, which have attracted attention recently, JICA has begun assistance to formulate a comprehensive energy plan as a foundation of policy, in Viet Nam and the Philippines.

According to the JICA Guidelines for Environmental and Social Considerations, JICA will continue to appropriately formulate and implement projects, and at the same time strengthen region- and country-specific approaches as well as program approaches in implementing cooperation in collaboration with other donors.

Resources and Energy Conservation

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

(1) Mining

In order to support sustainable development of mineral and other resources in developing countries, support for institution building, human resources development, and technical improvement is being provided. For example, studies are underway in Laos, Zambia, and Serbia for developing information and assistance to improvement of legal systems aimed at promoting investments in the mining sector. These studies include holding seminars in Japan and participating in international mining seminars in other countries, as well as efforts for increasing results by reinforcing and promoting collaborations with activities in the private sector.

(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 Peru, 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 technical cooperation to disseminate and promote energy conservation in Poland and Sri Lanka. Also, JICA is carrying out studies for creating systems and plans for promoting energy conservation in Indonesia, Viet Nam, and Saudi Arabia.

Front Line

Thailand

Facilitating trade and enhancing risk management with the aim of ASEAN integration

Regional cooperation project on risk management for customs in Mekong region

Development of the Mekong region is an important issue for relieving the regional economic disparity with the aim of ASEAN economic integration, which has been pushed ahead of schedule to 2015. The people and goods that pass through the several countries in the Mekong region are the key to vitalizing the economy of the region. It is necessary for each country's customs authorities to standardize, harmonize, streamline, and make transparent their customs and tariff systems in order to facilitate the cross-border movement of people and goods, particularly for imports and exports. While there is demand for accelerating customs procedures for facilitating trade, it is also important to employ meticulous monitoring at borders to control illegal transactions and prevent terrorism.

In order for customs authorities to fulfill their role in response to these two conflicting needs, it is necessary to develop the capacity of both human resources and organizations so that they can control high-risks while streamlining low-risk procedures.

Amidst this situation, in response to the requests of the governments of Thailand, Cambodia, and Viet Nam, JICA commenced cooperation planned for three years for the Regional cooperation project on risk management for customs in Mekong region beginning in January 2008 in Viet Nam and Cambodia, and March 2008 in Thailand.

Three long-term experts were dispatched to a base in Thailand where they simultaneously conduct projects in the three countries. In addition to

systems development and human resource development, there are also plans for holding joint seminars between the three countries, and there is anticipation surrounding intra-regional network building, maintenance, and expansion. (Thailand Office)



The Second Lao-Thai Friendship Bridge opened in December 2006 linking Mukdahan, Thailand and Savannakhet, Laos.