South Asia is about the same size as Europe but has a population that is twice as large. The region is in a geopolitically key position because of its many land and sea links with the Middle East, Central Asia and East Asia. As a result, South Asia is very influential with regard to international politics and economic activity. Countries in this region have many religions, ethnic groups, cultures and languages, making South Asia a region with sources of instability that include income disparities, religious conflicts and other problems. Ensuring economic and social stability and progress in South Asia is vital to the stability and advancement of the entire Asian region, including Japan. JICA is providing a diverse array of cooperation in response to the needs of each country.

**South Asia includes the nations of India, Bhutan, Afghanistan, Pakistan, Sri Lanka, Maldives, Bangladesh and Nepal. One-third of the approximately 1.5 billion people who live in the region are considered to be impoverished. Poverty reduction is a challenge for the entire region. Numerous challenges exist with regard to health, education and other fields, too. Furthermore, gender disparity is still a serious problem. Consequently, many South Asian countries may be unable to achieve the Millennium Development Goals (MDGs).**

In emerging countries with rapidly growing economies, there is an urgent need for transportation, electric power, water and sewerage, and other infrastructure projects to attract the domestic and foreign investments needed to sustain growth. In countries affected by conflicts, peacebuilding and reconstruction assistance are needed. Countries vulnerable to cyclones, flooding, earthquakes and other natural disasters require disaster prevention measures.

JICA has established the following four priority areas in South Asia.

**1) Assistance for Sustainable Growth**
South Asia requires sustained economic growth as well as measures to deal with widening income disparities, which are a source of instability in this region. Achieving well-balanced economic progress in this region is the goal. One way is support for infrastructure projects that form the foundations of economic growth, including transport, electric power, water and sewerage systems, urban transportation and other sectors. JICA is also engaged in measures to address poverty such with as health and medical care, education, agriculture, rural development, and other programs.
(2) Peacebuilding and Reconstruction Assistance

JICA is formulating and implementing programs that contribute to the peace and stability of regions and countries. There are programs in Afghanistan and Pakistan as well as in Sri Lanka, which is shifting from the reconstruction to development stage following the May 2009 end of 25 years of internal conflict. JICA is also active in Nepal, which is in the process of establishing a government under a new constitution.

(3) Environmental and Climate Change Measures

South Asia is highly vulnerable to the effects of climate change and natural disasters as was shown by flooding in Pakistan, Sri Lanka and Bangladesh. Furthermore, this is a globally important region for the preservation of biodiversity, particularly in the northern mountainous areas of South Asia. This is why JICA creates and implements projects involving climate change and disaster prevention. Activities include energy efficiency, forest protection, urban transportation and mainline railway networks, disaster prevention, and other programs.

(4) Vitalizing of Private Sector Economy

Japanese companies are becoming increasingly interested in India and Bangladesh because of the rapid and strong economic growth, and other regions of South Asia. Based on the New Growth Strategies of the Japanese government, JICA is establishing PPP and BOP programs that include participation of the private sector. In addition, JICA is promoting human interaction and technical partnerships and conducting many projects that help improve the investment environment.

Country Overviews and Priority Issues

- **India**

India has a rapidly growing presence in the world. The country’s population topped 1.2 billion in 2011 and India ranks fourth after the United States, China and Japan in terms of gross national income based on purchasing power parity. In every sense, India has become one of the world’s major countries. However, construction of important infrastructure such as highway, railways, power, water supply and sewerage has not kept pace with economic growth. As a result, load-shedding, traffic jams and other infrastructure problems seriously affect Indian economic activities. Early development is expected for infrastructure such as roads, railways and other urban transportation networks, power, water supply and sewerage. JICA is extending cooperation to India by using Japanese experience with infrastructure development.

One major example is the Delhi Mass Rapid Transport System (Delhi Metro) Project to provide efficient transportation to most of the Delhi metropolitan area. As well as ODA Loans for construction, JICA provides technical transfers through training and sending experts from Japan for safety measures at construction sites, car maintenance and rail system operation management. JICA aims to transfer Japan’s advanced railway system to India through capacity development together with financial assistance.

More than 450 million people in India are forced to live on less than $1.25 each day. There is an urgent need for measures to reduce poverty. To achieve inclusive development, the

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**Case Study**

**India**

**Subway Construction**

**Bengaluru Metro Backed by ODA Loan Starts Operations**

India’s population is becoming more concentrated in large cities as the population grows. The result is chronic traffic congestion and air pollution from motor vehicle exhaust. The Government of India is building metro systems in large cities and JICA is extending support in the form of ODA Loans. In November 2011, part of the Bengaluru Metro system began operations.

Located in southern India, Bengaluru has seen its population surge over the past decade from 5.7 million to 8.1 million. One result is chronic congestion on major highways.

To deal with this problem, a plan was created to construct a 43.2 kilometer Bengaluru Metro with an east-west and north-south line. JICA provided an ODA Loan of ¥64.5 billion, which is 20% of the total cost of ¥306.8 billion. Japanese companies participated as consultants for construction of the Bengaluru Metro. The project uses Japan’s advanced tunnel boring machines for the soil on the site, which varies from soft to hard. A Japanese company is also supplying energy-efficient, high-performance metro vehicles and other equipment and technologies. Furthermore, safety systems and environmental measures developed in Japan have been adopted for construction sites and these technologies have been transferred. Seven kilometers of the east-west line opened in November 2011. The entire system is scheduled to be operational in 2013.

India is moving forward with plans to build mass transportation (metro) systems in all cities with a population of more than 4 million. JICA extended ODA Loans for construction of the Kolkata Metro north-south line in the 1980s and the Delhi Metro in the 1990s and 2000s (Phase 1 and 2). Furthermore, JICA has provided ODA Loans for the ongoing construction of the Chennai Metro and east-west line of the Kolkata Metro and the Delhi Metro (Phase 3). These projects will further contribute to establishing urban transport systems in India as well as to reducing traffic jams and air pollution.
Government of India has been working even harder on the issues of poverty, urbanization, and rural development under the 12th Five Year Plan that started in 2012.

More than 800 Japanese companies are currently operating in India. The number of companies has approximately doubled over the past four years. As a result, the relationship between Japan and India is becoming stronger and deeper rapidly. In August 2011, a Comprehensive Economic Partnership Agreement between Japan and India went into effect, and 2012 is a significant year as the 60th anniversary of Japan-India diplomatic relations.

JICA is extending assistance for Japan-India cooperation such as the Delhi-Mumbai Industrial Corridor (DMIC) Project and the Chennai-Bengaluru Industrial Corridor (CBIC) in South India, as well as assistance to strengthen Japan-India academic-industry networks, and human resources development for industries such as manufacturing. JICA is extending its assistance to contribute to stronger relations between Japan and India.

**Bhutan**

In Bhutan, which has a population of 700,000, agriculture, forestry and livestock used to be the main industries for its economy. However in recent years, the country has been promoting sales of electricity to India, generated by water power utilizing its mountainous terrain and abundant water resources, and now it leads steady economic growth in this country. The GDP has increased at an annual rate of more than 8% over the past five years. Moreover, GNI per capita has increased from $800 to $1,880 between 2000 and 2010, showing that Bhutan will soon graduate from the ranks of Lower-Middle-Income Countries.

The Government of Bhutan has proclaimed the fundamental concept of developing Gross National Happiness (GNH), which defines creating a society where everyone can live in happiness as the ultimate goal; economic growth is not the overarching mission.

Based on the priority areas of the Government of Bhutan, JICA is focusing aid programs on four sectors: (1) agricultural and rural development, (2) establishment of an economic foundation, (3) social development, and (4) strengthening governance. In all areas, JICA is conducting balanced activities that incorporate Technical Cooperation, Grant Aid, Japanese ODA Loan and Japan Overseas Cooperation Volunteers.

**Afghanistan**

With an area about 70% larger than Japan, Afghanistan borders six countries and has a multi-ethnic population of about 26 million. The largest ethnic group is the Pashtuns, which account for about 40% of the population. There are also Tajik, Hazara, Uzbek and other groups. The population is 90% Islam with most belonging to the Sunni branch, but there are also Shiite followers. Approximately 40% of the country is mountainous and only about 12% is arable.

Continuous warfare since the 1970s has largely destroyed the country’s economic and social infrastructure, forcing many people to flee the fighting and become refugees. Following the creation of a new government when Taliban rule ended in 2001, JICA resumed aid programs for the new Afghanistan that was starting to lay the groundwork for democracy. Cooperation has been extended while recognizing the leading role played by Afghanistan in the fields of social infrastructure projects, the development of agriculture and rural areas, and education and health care. Using this cooperation as the base, JICA started the Project for the Promotion and Enhancement of the Afghan Capacity for Effective Development (PEACE) that aims to enable Afghanistan to perform nation-building on its own. PEACE gives government officials and lecturers the opportunities to earn master’s degrees or conduct research in Japan in fields associated with the project’s main areas of emphasis: urban development and infrastructure and agricultural and rural village development.

In October 2011, the first group of almost 50 government officials and lecturers arrived in Japan to begin their studies. Up to 500 individuals from Afghanistan are expected to participate in this program until 2015. Unlike with conventional support for international students, PEACE focuses on research themes in the priority areas of JICA’s cooperation. The goal is to utilize the results of this research directly for the development of Afghanistan. PEACE is also a fine textured programme to support before and after training in Japan. Preliminary training will be prepared before going to Japan in order to enhance basic academic skills. PEACE also includes the resumption of work and participation in JICA projects after returning to Afghanistan.

A long-term is needed for programs to train people to start producing benefits. The first group of students who went to Japan in 2011 will return to Afghanistan in 2013. There are great expectations for the contributions that these people will make to the country’s future.
2001, about 5.7 million refugees were repatriated. The number of people attending schools increased from 1 million in 2001 to 7 million in 2009. However, Afghanistan still ranks among the world’s poorest nations, placing 172nd out of 187 countries in the 2011 UNDP Human Development Index. There are severe shortages regarding electricity, transportation, water and sewer systems, and other infrastructure components.

JICA carries out projects that contribute to economic growth, including the creation of employment opportunities and stabilizing the lives of citizens. At the same time, JICA implements the maximum level of safety measures due to the country’s unstable security situation. Working closely with the Government of Afghanistan, JICA has been extending aid in two priority categories: urban development infrastructure projects, mainly in the Kabul metropolitan area; and the development of agriculture and rural areas. Work is under way on development projects involving social and economic infrastructure, such as highways and electric power, construction of a new city called Dehsabz, the redevelopment of Kabul, and other areas. Completion of these projects will enable operations involving highways, water resources and other infrastructure components to begin.

For agricultural and rural village development, JICA has established a comprehensive aid framework that covers the next five to ten years and follows the development plan of the Government of Afghanistan. Assistance will have four main elements: (1) Change Management through Capacity Development at the National and Sub-National level; (2) Support for Water Resource Development and Management to vitalize Agriculture and Rural Development sector; (3) Increase in agricultural productivity; and (4) Promotion of Farming System Diversification and Value Added Agriculture.

Assistance also covers improving administrative services and the establishment of systems. In addition, the Project for the Promotion and Enhancement of the Afghan Capacity for Effective Development (PEACE) has started [See the Case Study on page 38]. For medium and long-term human resources development, PEACE will send 500 long-term trainees to Japanese graduate schools over a five-year period.

JICA works with the Aga Khan Foundation and other international NGOs, too. Trials are under way to extend aid to areas that have been difficult to reach in the past. In 2011, a liaison office was opened in the city of Bamiyan in order to provide even more effective aid.

Pakistan

Pakistan ranks sixth among the nations of the world, with a population of about 180 million, and is also one of the most important countries in geopolitical terms. Following the U.S. terrorist attacks of September 11, 2001, since Pakistan has been at the center of the war on terrorism, the international community is placing much importance on the stable and sustainable development of Pakistan. The country’s large workforce could be a driving force for economic growth and Pakistan has much potential as an emerging economic market. About one in four residents, however, is poor in Pakistan. Furthermore, there are many other problems, including a weak economic infrastructure and unstable political situation.

The emphasis of JICA’s assistance for Pakistan is centered on three themes: (1) ensuring human security and human resources development; (2) development of a sound market economy; and (3) achievement of balanced regional socio-economic development.

For the first theme, JICA uses three schemes (Technical Cooperation, Loan Aid and Grant Aid) in a flexible manner to strengthen polio countermeasures and vaccination programs, build water and sewer systems and establish systems in large cities, and support national initiatives for disaster management. For the second theme, JICA supports the construction of electricity transmission and highway networks through ODA Loans, and also promotes capacity development in industrial sectors through Technical Cooperation. For the third theme, JICA extends assistance to stabilize Pakistan-Afghanistan border areas, and to revitalize the greater Karachi area, the largest regional economy in the country.

Poor water and sewer systems in cities are a serious issue with regard to ensuring the safety and security of the people of Pakistan. In Lahore, the country’s second-largest city, demand for water has increased along with rapid urbanization and there is a growing need for the efficient use of water. JICA has sent experts to Lahore and provided other support in order to strengthen institutional management as well as operation and maintenance capacity of the water and sewer public utilities, and establish legal systems. In addition, JICA uses Grant Aid to supply equipment for managing and cleaning sewage and drainage and sewage pumps. There is also an urgent need to be prepared for natural disasters, which have become more severe and frequent in recent years in Pakistan. A powerful earthquake hit the country in 2005 and there was massive flooding in 2010. JICA quickly provided reconstruction aid following these disasters. Furthermore, starting in 2010 JICA co-worked with the Pakistan government to develop a National Disaster Preparedness Management Plan, based on our own knowledge and experience of disaster management in Japan. JICA will continue to support the activities of the Pakistan government to implement the plan.

Sri Lanka

Sri Lanka has an area that is about 80% as large as the Japanese island of Hokkaido and a population of about 20.45 million. Approximately 70% of its citizens are Buddhists. The country suffered from continuous conflict for almost 30 years between the government, which is composed mainly of the majority Sinhalese ethnic group, and an armed anti-government organization that wanted independence for Sri Lanka’s northern and eastern areas. After this war ended in May 2009, economic growth was backed by increasing domestic demand associated mainly with reconstruction activity. In 2011, Sri Lanka’s real
GDP growth rate was 8.0%, one of the highest in South Asia. Sri Lanka is now in a full-scale growth period and is positioned as a medium-income country with a per capita gross national income of $2,290 (2010).

To achieve balanced reconstruction and economic development after the prolonged conflict, the Government of Sri Lanka made utilizing private-sector investments to strengthen the economic infrastructure, such as for transportation and electric power, a key part of its fundamental policy for development. Reducing the income disparity between cities and rural areas is another key element of this policy. The country is moving faster with development activities and has an income-doubling plan by 2016.

In response to Sri Lanka’s cooperation needs, JICA placed priority on aid for the purpose of rebuilding the lives of people affected by the conflict and improving their livelihoods. JICA provided extensive assistance for infrastructure projects, too. In addition, JICA is involved with disaster prevention measures because Sri Lanka is highly vulnerable to seasonal heavy rain and other natural disasters that occur every year. JICA is strengthening activities in Sri Lanka by focusing on three primary development themes: (1) establish an economic infrastructure for growth; (2) improve the social environment in lagging regions; and (3) mitigation for vulnerabilities.

There were several major initiatives in the 2011 Japanese fiscal year involving these primary themes. To help establish a transportation network for the Colombo area, the nation’s capital, the decision was made to provide financial cooperation needed to enlarge the terminal at Sri Lanka’s only international airport. Aid to expand electricity transmission and distribution and highway networks was provided, too. Furthermore, in the northern part of Sri Lanka that was affected by the conflict, JICA assisted with public facilities like water supply equipment and piers, promoting the development of agricultural and fishing villages, and with preparing a plan for the entire region. Actions include improving the livelihoods of people in areas where progress with development is slow, improving small dairy farms and other measures. In addition, JICA is engaged in a broad range of other activities such as enhancing the capacity of disaster prevention in response to climate change and emergency recovery support for severe flooding.

Maldives

Maldives is in a geopolitically important position that links Southeast Asia and the Middle East. Consisting of about 1,190 small islands, the country has a population of only 320,000 (2009). The economy is weak and it is difficult to conduct comprehensive social development programs. Maldives has traditionally had a friendly relationship with Japan. Following the tsunami of 2004, JICA extended emergency humanitarian aid and after the recovery from the tsunami has consistently provided aid for redevelopment and disaster prevention programs.

Tourism and fishing are the foundation for the Maldives economy, accounting for about 40% of the country’s GDP. In 2008, the global economic crisis brought down the number of tourists from Europe, which represent about 70% of all tourists.

**Case Study**

**Sri Lanka  Project for Improvement of Basic Social Services Targeting Emerging Regions**

**Comprehensive Aid Including ODA Loans to Enhance the Management of Non-communicable Diseases**

Due to improvements in basic health indicators, Sri Lanka now ranks high among countries in South Asia with regard to public health. However, major diseases are shifting to heart disease, brain disorders and other non-communicable diseases (NCD) become more prevalent. Creating a healthy society is one of the priorities of the Government of Sri Lanka. To accomplish this, Sri Lanka is formulating an efficient health care system by strengthening NCD countermeasures with emphasis on prevention, encouraging people to lead healthy lives, and early treatment.

Assistance provided by JICA since the 1970s for building core hospitals, improving capabilities and other health care programs has earned praise from the Government of Sri Lanka. In response to a shift to NCD as major diseases in recent years, JICA has implemented a Development Study that includes strengthening NCD management and offered proposals for programs. The Technical Cooperation project “Project on health promotion & preventive care measures of Chronic NCDs” is supporting the formulation of an NCD prevention model centered on primary health care facilities, which are closest to the residents of Sri Lanka, and promoting the use of this model.

Upgrading NCD management at secondary health care facilities, which perform the early detection and treatment of these diseases, is another policy of the Government of Sri Lanka. However, there are shortages of materials and medical specialists. Furthermore, demand for pharmaceuticals is increasing rapidly along with the rising number of NCD patients. As a result, increasing production of drugs has become a priority issue. To deal with these issues, an agreement was reached in March 2012 to extend a new ODA Loan (¥3,935 million) for the Project for Improvement of Basic Social Services Targeting Emerging Regions. The objective is to contribute to strengthening NCD management through improving secondary health care facilities that are the core facilities in each region of Sri Lanka is one aspect of this project. Improving the State Pharmaceutical Manufacturing Corporation (established with 1987 Grant Aid) and other initiatives are also part of this project.
Real GDP growth became negative as a result. However, the GDP expanded by more than 4% in 2010 as tourism recovered. This demonstrates how much the Maldives economy is vulnerable to the effects of external factors.

JICA provides cooperation in fields (including adapting to climate change) that can contribute to economic and social development as well as the stability and improvement of the lives of the people of Maldives. Recent activities include the installation of solar power systems and assistance for upgrading the sewer treatment system design and maintenance capabilities that are needed for the proper construction and maintenance of sewer facilities.

**Bangladesh**

Bangladesh is only about 40% the size of Japan but has a population of approximately 150 million. The country has the highest population density in the world, other than city-states. About 90% of the country is lowlands (elevation of under 10 meters) and roughly one-third of the country is flooded during the monsoon season. Bangladesh is also highly susceptible to cyclones, flooding and earthquakes. Furthermore, the country is extremely vulnerable to the effects of climate change. Reducing poverty is an enormous issue because approximately 50 million residents, one-third of the population, are poor. On the other hand, with average annual economic growth of 6% during the past decade, Bangladesh is attracting international attention as a market and a destination for investments. However, the country’s basic infrastructure is still extremely inadequate with regard to electricity, transportation, water and sewerage systems, and other components.

The Government of Bangladesh has established the goal of becoming a middle-income country by 2021. To help the country accomplish this goal, JICA is providing assistance for achieving sustainable economic growth and eliminating poverty.

For economic growth, JICA continues to provide assistance for building infrastructure facilities such as a power plant. Furthermore, JICA has provided ODA Loans to supply funds to SMEs for capital expenditures in order to foster the development of industries, particularly in the manufacturing sector. Assistance for disaster preparedness is another element of aid in Bangladesh. Grant aid was provided to build multi-purpose cyclone shelters in 117 locations and establish weather radar facilities and Technical Cooperation is provided to strengthen the capacity of the Meteorological Department. These programs and other aid activities have reduced damage caused by cyclones in Bangladesh. Since the country is highly susceptible to earthquakes, JICA’s assistance also includes Technical Cooperation for creating standards for earthquake-resistant buildings and reinforcing implementation structure to be prepared for earthquakes.

To achieve the Millennium Development Goals, Bangladesh is working on making improvements in education, health and other fields, too. JICA is extending aid with particular emphasis on improving health of pregnant women and newborn babies in the field of maternal and child health care. Along with Technical Cooperation, JICA also provided the first ODA Loan in this sector to support the dissemination of the outcome of JICA’s cooperation.

**Nepal**

Nepal still has the lowest income level in South Asia. Nepal has much diversity in its geography and climate, being located between the Himalayas with 8,000 meter peaks at its northern part and flat lowlands with an elevation of around 60 meters at its southern part. The population is about 26.6 million (2011) and consists of more than 100 castes and ethnic groups who speak more than 90 languages.

Nepal experienced 10 years of conflict starting 1996, which formally ended with the signing of the comprehensive peace accord in November 2006. The newly elected Constituent Assembly declared Nepal a federal republic, ending its monarchy. But the country is still politically and socially unstable and there are some imminent political issues such as developing a new constitution.

Per capita income in Nepal is $490 (2010). Industries with much potential, which include the hydropower and tourism sectors, have not been developed into viable industries that can drive economic growth. The greatest impediment to private economic activities is inadequate infrastructure. The poverty situation has improved as proportion of poor people declined in recent years. On the other hand, some social indicators are still low and widening disparities between urban and rural areas and those related to castes, ethnic groups, and gender are concerns. In the Three Year Plan (2010-2013), the Government of Nepal set the long-term vision of creating a prosperous, peaceful and just Nepal by transforming Nepal from a least developed country (LDC) into a developing nation within a two-decade period.

JICA’s overall assistance strategy to Nepal focuses on three fields: (i) Infrastructure and institutional development for sustainable economic growth; (ii) consolidation of peace and a steady transition to a democratic state; and (iii) rural poverty reduction.

For “infrastructure and institutional development for sustainable economic growth”, JICA supports construction of a road connecting the Kathmandu metropolitan area and Tarai Plain in the south, a hydropower plant, and water supply facilities. For “consolidation of peace and a steady transition to a democratic state”, JICA is extending support for the democratization process, such as drafting civil code and dialogue with members of Constituent Assembly, and strengthening the administrative capacity of the central and local governments. For “rural poverty reduction”, JICA has been continuously supporting the agriculture sector, such as irrigation, and the cultivation of fruits and vegetables, education, and the health sector.