

Public-Private Partnerships

New Partnerships that Support Economic Growth

The demand for social and infrastructure development in developing countries is enormous, and it is difficult to respond to this demand with ODA alone. Private sector funding now accounts for a large proportion of the funds entering developing countries from advanced nations. Under such circumstances, there are hopes for even more effective development support through collaboration with private-sector activities.

Recently, corporations have been more actively expanding their trade and investment in developing countries and are focusing their attention on new activities, including public-private partnership (PPP) infrastructure projects, BOP businesses, and CSR activities. These efforts have allowed private sector businesses in developing countries to produce benefits from development projects, including creating employment opportunities, cultivating human resources, and improving technologies. In addition, the technologies and business ideas of Japan's many small and medium-sized enterprises (SME) with outstanding technologies are making a big contribution to solving problems in developing countries.

Nevertheless, there remain many barriers hindering corporations from carrying out these activities on their own. For example, corporate activities in developing countries require a developed business and investment environment in terms of both institutional and hard infrastructure aspects, including well-established legal structures, human resource development, and peripheral infrastructure development. Accordingly, there are areas where it is difficult for the private sector to carry out activities by themselves, creating room for collaboration with ODA.

In light of these circumstances, it would be ideal for both developing countries and Japan if ODA and private-sector activities led to constructing productive partnerships, intensifying the effects of development in developing countries, and accelerating the pace of growth.

JICA will advance collaboration with the private sector through the provision of a variety of schemes as described below.

Preparatory Survey for PPP Infrastructure Projects Public-Private Partnerships to Address Infrastructure Projects in Developing Countries

There is a growing trend in developing countries toward incorporating the expertise of the private sector into infrastructure projects that have traditionally been carried out as public projects. Based on a proper division of roles and risks between the public and private sectors, PPPs are implemented in order to engender greater benefits and efficiency in these projects. This has led to the realization of a public-private collaboration mechanism to address development issues in developing countries. JICA is working to form PPP infrastructure

projects by providing assistance for preparatory surveys.

In PPP infrastructure projects, it is important to perform surveys as a collaborative effort between the public and private sectors from the initial planning stage based on the awareness of the various related parties, including project owners and sponsors. For this reason, JICA began the Preparatory Survey for PPP Infrastructure projects, a scheme for formulating project plans based on proposals from the private sector. Proposals for PPP infrastructure business plans are widely solicited from private corporations. JICA entrusts the organization that submitted the selected proposal with conducting a preparatory survey as a feasibility study for project formulation.

During fiscal 2011, two calls for proposals were made and 16 proposals were selected.

Preparatory Surveys for BOP Business Promotion A New Approach for Supporting Developing Countries that Uses Corporate Business Principles

Base of the pyramid (BOP) business is also referred to as "inclusive business," and is attracting attention as a new approach to resolve issues in developing countries with business initiatives. Aid agencies of various countries and international organizations have been actively promoting partnerships with BOP businesses.

One of the keys to the success of BOP business lies in the establishment of business models by gathering and analyzing of information on the actual needs of the BOP. However, the lack of such information is one of the major barriers for their entry to the BOP business market. For this reason, JICA has started a scheme called Preparatory Survey for BOP Business Promotion, in which JICA adopts proposals on BOP business from private

Case Study

Bangladesh – Establishment of Green Mung Bean Growing System

Yukiguni Maitake Co., Ltd. aims to expand the number of countries for the procurement of green mung beans, which are used to produce bean sprouts. As one of the locations for green mung bean production, the company has chosen Bangladesh as a promising country, and aims to establish a production system by the provision of know-how for growing green mung beans and utilizing the initiatives of BOP. In the survey, the company aims to establish a business plan while conducting a pilot growing project to determine methods for organizing farmers for the large-scale production of green mung beans as well as for assisting farmers and supervising the bean growing and storing operations. In the business, the processing of green mung beans (removal of foreign objects and insects) and sales operations are expected to create jobs for women. Furthermore, earnings from this business are expected to be returned to communities growing green mung beans by the Grameen Group as a social business.

companies. In fiscal 2011, two public calls for proposals were made and 32 projects were selected in total.

Small and Medium-Sized Enterprise Partnership Promotion Survey

To strengthen its partnership with Japanese small and medium-sized companies whose activities contribute to solving development problems in developing countries, JICA has introduced a Small and Medium-Sized Enterprise Partnership Promotion Survey (F/S Assistance) on a trial basis to assist such companies that wish to formulate new projects overseas, and has selected 11 proposals.

A public call was made to solicit proposals from small and medium-sized companies and other entities aiming to directly expand into developing countries, and the entities that submitted selected proposals conclude a contract with JICA to do the survey. JICA will bear up to 10 million yen in survey expenses. The recent advertisement resulted in 56 proposals from 101 companies and organizations (total of 115 entities) from 19 prefectures, demonstrating an extremely high level of interest. JICA evaluated and selected proposals from various perspectives including the effects the projects would have on solving development problems in the developing country, their feasibility as a project, etc.

Private Sector Investment Finance Support for Development Projects by Private Enterprises in Developing Countries

Of the Loan Aid provided by JICA, Private Sector Investment Finance (PSIF), a scheme supporting development projects by private enterprises, is another pillar of economic cooperation along with ODA Loans. Various businesses by private enterprises in developing countries stimulate the economies and create employment in those countries, thereby generating development impact such as improvements in people's living standard. At the same time, these businesses contribute to acquisition of foreign currency and technology transfers. Nevertheless, due to factors such as high risks associated with businesses in developing countries, it is difficult for these businesses to find financial sources from commercial financial institutions in many cases.

Due to these circumstances, PSIF supports these businesses of private enterprises in developing countries through the provision of loans and equity. These operations resumed in March 2011 based on the New Growth Strategy released in 2010 and other policies of the Government of Japan. PSIF targets three sectors: achieving MDGs and poverty reduction; infrastructure development and boosting economic growth; and mitigation of global warming. Specifically, PSIF is expected to support infrastructure projects, BOP businesses, microfinance projects and other social development projects.

In fiscal 2011, a Loan Agreement and Investment Agreements were signed for the Viet Nam Industrial Human Resources Development Project and the Pakistan Microfinance Project, respectively.

Case Study

Industrial Human Resources Development Project in Viet Nam

JICA signed a loan agreement with the Asia Commercial Joint Stock Bank (ACB), one of the largest commercial banks in Viet Nam, for the Industrial Human Resources Development Project.

In this project, JICA provides a loan to Esuhai Co., Ltd. (Esuhai), a Vietnamese company, through the PSIF scheme for the construction of a school building in order to assist its business expansion with the aim of developing competent industrial human resources in Viet Nam. For conducting the project, JICA provides a loan to Esuhai through ACB.

It is pointed out that sufficient education and training for human resources in industrial sectors are urgent issues for ensuring sustainable development in Viet Nam. Currently, technical trainees are dispatched from Viet Nam to Japan and receive practical training in small and medium enterprises under the Technical Intern Training Program of Japan with the objectives of skill/technology transfers. It is expected that, after returning to Viet Nam, they will form a basis of economic development in Viet Nam.

Japanese language and job training before going to Japan are required to ensure that trainees fully acquire skills during their stay in Japan. Such language education and training provided by Esuhai is highly valued by Japanese companies accepting those trainees. This support of JICA is expected to further enlarge such activities by Esuhai, thereby increasing the quantity and quality of industrial workers with knowledge about foreign technologies and business operations. Furthermore, it will contribute to the further expansion of direct investment of foreign companies including Japanese companies in Viet Nam.

Other Partnerships

Beside the aforementioned schemes, JICA is cooperating with private sectors through Public-Private Partnership trainings and other programs.

Case Study

Alliance with Terumo for First Public-Private Sector Joint Training

JICA and Terumo Corporation are working together in a project aimed at reducing the number of deaths in Mexico caused by ischemic heart disease. Physicians from national hospitals in Mexico were brought to Japan to study a treatment method in which catheters are inserted in the wrist, which reduces the burden placed on the body. Training was performed with the cooperation of the Shonan Kamakura General Hospital Iryohogin (Medical Corporation) Okinawa Tokushukai. Providing this training is expected to lower the number of ischemic heart disease deaths in Mexico as well as contribute to Japan's new growth strategy of "international health care exchanges." In addition, this is an excellent opportunity to make Japan's catheter technology available to other countries.