

# Southeast Asia

## Strategic Cooperation for Sharing Prosperity between Japan and Southeast Asia

There are growing expectations for Southeast Asia to become the center of growth for the global economy because of the region's consistently high economic growth rate in recent years and population of about 620 million. This region is also becoming increasingly important for Japan because of the deepening economic relationship as the Association of Southeast Asian Nations (ASEAN) moves toward the establishment of the ASEAN Community in 2015.

Sustaining economic growth in Southeast Asia will require creating a variety of frameworks for infrastructure development, human resources development and attracting investments from other regions of the world. Furthermore, there are still many issues in this region such as the narrowing development gap within the region and individual countries as well as disaster prevention and environmental issues.

JICA is extending support for the sustained economic growth of Southeast Asian countries as well as various issues and changing needs in these countries. JICA will continue to conduct activities aimed at deepening ties as strategic partners so that Japan and Southeast Asia can prosper together.

Special Feature

Program Goals and Overview

Concrete Initiatives

Cooperation Modality

Operation, Management and Evaluation

Data and Information

### Key Aid Strategies

Support for Economic Growth, Promotion of Inclusive Development, Assistance for Myanmar, Initiatives for New Issues and Regional Issues

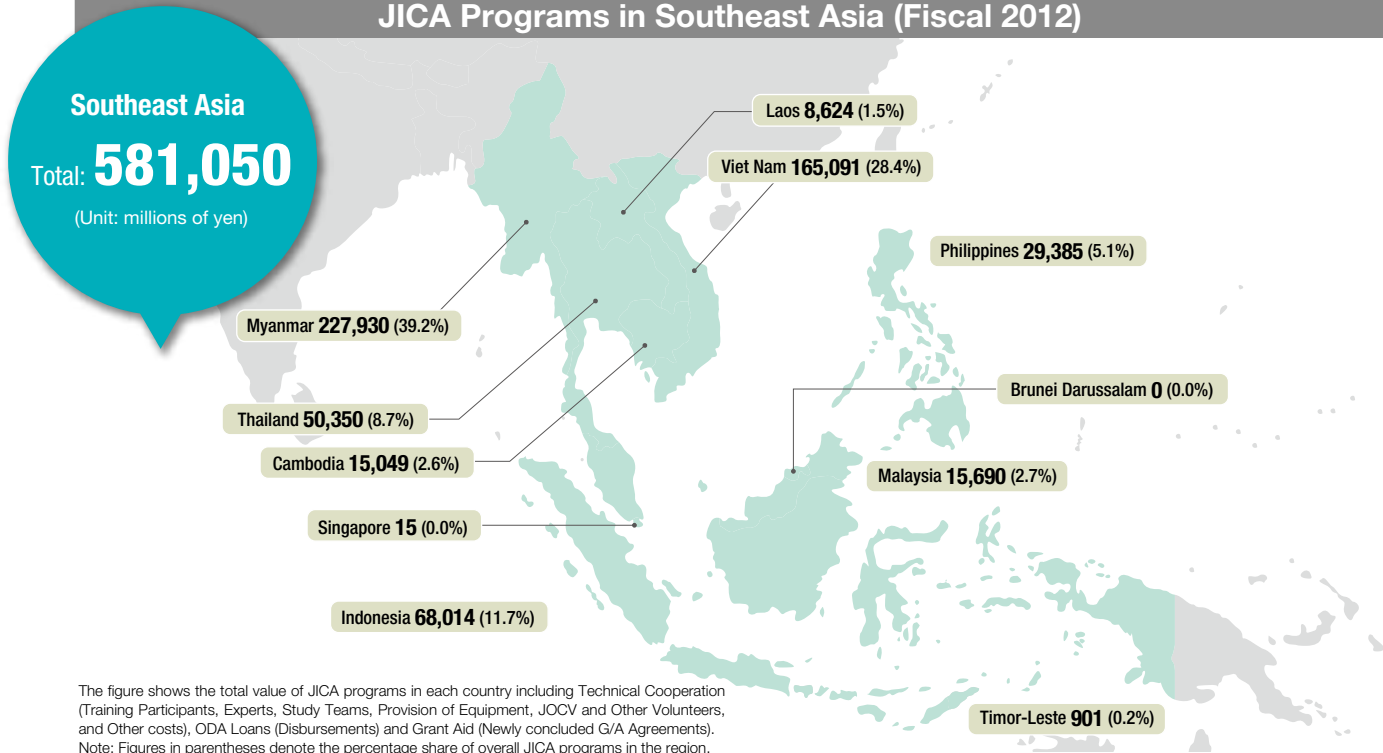
### Support for Economic Growth

Numerous issues must be tackled in order to enable the original ASEAN member countries (Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand) to sustain economic growth without falling into the so-called middle-income trap.\* For example, emphasis is needed on industries that add more value and measures are needed to support the growth and effectiveness of the ASEAN Community. Accomplishing these goals will require support for infrastructure development, a favorable investment climate and the development of

supporting industries. These same issues must be targeted as well to achieve continuous economic growth at the newer ASEAN members (Cambodia, Laos, Myanmar and Viet Nam). In these fields, JICA is involved beginning with the policy and master plan stages. JICA also provides assistance for development projects and improving the climate for investments with respect to soft aspects.

Infrastructure development using public-sector funds alone is not enough to maintain consistent economic growth in Southeast Asia. Growth will also require development projects

JICA Programs in Southeast Asia (Fiscal 2012)



The figure shows the total value of JICA programs in each country including Technical Cooperation (Training Participants, Experts, Study Teams, Provision of Equipment, JOCV and Other Volunteers, and Other costs), ODA Loans (Disbursements) and Grant Aid (Newly concluded G/A Agreements). Note: Figures in parentheses denote the percentage share of overall JICA programs in the region. Note: Figures exclude JICA's cooperation for multiple countries and international organizations.

that use Public-Private Partnerships (PPP) and other private-sector resources. In Southeast Asia, JICA provides assistance for establishing the systems needed to promote PPP projects. Private-sector funds and deeper partnerships with corporate activities, including those of SMEs, are used to support regional development. Furthermore, JICA assists in building and reinforcing foundations for private-sector activities.

From the standpoint of utilizing Japanese knowledge and technologies, JICA uses collaboration with the civil society, local governments, private-sectors, universities and other partners. There is also support for emerging issues for the region that draws on knowledge and technologies as a country that faced similar challenges slightly earlier.

\*A situation where a country that has overcome poverty and reached the middle-income level loses its competitiveness due to rising wages and other reasons.

### ● Promotion of Inclusive Development

Although the number of people in the high and middle-income class is increasing in Southeast Asia, there are concerns about the widening disparities within the region and countries.

Actions to eliminate these disparities will be essential for Southeast Asia to maintain its growth and stability. This is why JICA is providing assistance for basic education, governance, health, agriculture, safe water supplies and in other areas. Other activities include aid for minority ethnic groups in Myanmar and strengthening the capacities of government institutions for the consolidation of peace in the Mindanao region of the Philippines. Timor-Leste aims at early accession to ASEAN. JICA is extending support to narrow the development gap in the region, provide education, strengthen connectivity and make other improvements.

Disaster prevention measures are important in Southeast Asia from the standpoint of sustaining economic growth, too. When a disaster occurs, JICA provides humanitarian aid and support during the recovery and reconstruction stages. Assistance also extends to evaluating risks associated with natural disasters, preparing disaster preparedness and response plans, and establishing early warning systems. In addition, JICA is considering the use of standby loans to meet financial needs after a disaster.

## Case Study ASEAN Activities for Industries and Disaster Management

### Information Gathering and Verification Area Studies for Natural Disaster Risk Assessments at Industrial Agglomerated Areas and Business Continuity Planning

**Floods, torrential rain and other natural disasters occur frequently in the ASEAN region. Typhoons and cyclones produce floods and other problems every year in the Philippines, along the coast of the Bay of Bengal in the Indian Ocean and in the Mekong Delta. The ASEAN region is also highly vulnerable to earthquakes and tsunamis.**

**To strengthen the ability of the ASEAN region to deal with natural disasters, the ASEAN Agreement on Disaster Management and Emergency Response (AADMER) was established in December 2009. Currently, JICA is supporting activities of the ASEAN Committee on Disaster Management based on the AADMER work program, which is a concrete action plan in accordance with the agreement.**

Massive natural disasters not only affect people's lives but also impact activities of the private sector in many ways that could also influence regional and national economies and even the global economy. In 2011, the Great East Japan Earthquake and massive flooding of the Chao Phraya River clearly demonstrated such economic impacts. Companies are responding to this risk by preparing their own business continuity plans. However, there are limits on the actions that individual companies can take against major disasters that interrupt public infrastructures like electricity, water and transportation over an entire region.

Local and other governments where industrial clusters are located need to cooperate with the private sector to examine and assess disaster risk exposure in the area. Then measures for disaster management such as disaster preparedness measures must be examined and prepared to respond to these risks.

Enhancing disaster management in ASEAN region where industries are agglomerated makes regional economies more resilient to natural disasters. Taking these actions is

also beneficial for Japan which has a strong economic relationship with the region, and Japanese companies which operate in the region.

JICA proposed the Study for Natural Disaster Risk Assessment and Area Business Continuity Plan Formation for Industrial Agglomerated Areas in the ASEAN region to the ASEAN Committee for Disaster Management. The committee officially approved the plan in April 2013 and the study has started as an ASEAN cooperation project.

Performing this study allowed identifying natural disaster risk in ASEAN countries along with the current condition of industrial areas, logistics infrastructures, lifelines and supply chains. The information will be compiled in a database that all regions can share. Pilot regions were selected in Indonesia, the Philippines and Viet Nam. Natural disaster risks for industrial agglomerated area will be evaluated in each region and support provided for creating area-wide business continuity plans. Results of these activities will be used to prepare guidelines for natural disaster risk assessments and area business continuity

plans so that the program can be conducted throughout the ASEAN region.

For risk assessments and business continuity plans, an advisory committee will be established in Japan consisting of experts in Japan in these fields who will give advice based on their knowledge as specialists. There will also be a panel consisting of prominent individuals in ASEAN countries for the purpose of providing advice concerning the study's implementation.

The study is expected to facilitate measures for minimizing economic effects and losses in the event of a large-scale natural disaster in the ASEAN region.



Industrial Agglomerated Areas along Chao Phraya River, Thailand

## ● Assistance for Myanmar

As democratization advances rapidly in Myanmar, the country continues to take actions to create a market economy. Despite mounting international investors' interest in Myanmar, many problems exist, such as a shortage of skilled labor and an inadequate basic infrastructure. JICA is providing support for (i) improving the lives of the people of Myanmar, (ii) upgrading the capacities of people and establishing systems, and (iii) achieving sustained economic growth.

## ● Initiatives for New Issues and Regional Issues

ASEAN countries must deal with new issues like aging populations just as in Japan. These issues are altering needs for assistance from JICA. To respond to these new needs, JICA is performing studies in order to determine how to extend support. There are studies concerning social security systems in Indonesia, disparity reduction in Thailand and coping with an aging population in Malaysia.

Furthermore, JICA provides cooperation for regional issues that encompass many countries. For example, there is cooperation for strengthening maritime security capabilities, cyber-security measures, protecting the environment and climate change measures.

## Country Overviews and Priority Issues

### ● Indonesia

Indonesia's real GDP growth rate remained high at 6.2% in 2012 following 6.5% in 2011. With a population of 240 million, the presence of Indonesia increases as a key driver of economic growth in the ASEAN region. However, the infrastructure is not

keeping up with economic growth. The result is severe traffic jams, a tight electricity supply and other problems.

Infrastructure shortage is particularly serious in Jakarta Metropolitan Area. To help resolve this problem, JICA, in cooperation with the Government of Indonesia, created "the Master Plan for Establishing Metropolitan Priority Area for Investment and Industry (MPA) in JABODETABEK Area". The plan includes the future vision and the necessary infrastructure development plan of the MPA for 2020. The plan was approved at the ministerial levels of Japan and Indonesia in October 2012. JICA is working with the government of Indonesia to accelerate the formulation and implementation of the projects listed in the Master Plan.

Demand is increasing for schemes using the Public-Private Partnership (PPP) approach as a means of encouraging private-sector companies to participate in infrastructure development. JICA is providing comprehensive cooperation that includes assisting in establishing relevant policies and regulations, developing the capacities of government institutions by creating model projects, and other activities. In addition, JICA's cooperation encompasses support for responses to international and regional challenges such as climate change and the new issue of Indonesia's emergence as a donor country.

### ● Philippines

Real GDP growth rate in the Philippines was high at 6.6% in 2012 despite the slowing global economy mainly because of solid household spending and growth of the service sector. But the country must resolve a large number of problems that may become obstacles to sustainable growth. Examples include income disparities, a poor climate for investments from

### Case Study Philippines Support in Cooperation of Japanese Local Government

#### Preparation of the Metro Cebu Urban Development Vision in Cooperation with Yokohama

**JICA, in cooperation with the City of Yokohama, supported Metro Cebu, the second largest metro in the Philippines, to come up with an urban development vision called "Mega Cebu Vision 2050." This cooperation was conducted based on the Comprehensive Partnership Agreement between JICA and the City of Yokohama (October, 2011) and the Memorandum of Understanding between the City of Yokohama and the City of Cebu (March, 2012). The City of Yokohama has extended international technical cooperation based on its urban development experience (such as the Minato Mirai area) which was highly appreciated by the Metro Cebu.**

A unique feature of this case was to apply the "back casting" approach. The back casting approach was to discuss at first an urban development vision and then to propose prioritized individual projects which are consistent with the vision instead of the conventional masterplanning method which accumulates data to propose individual projects. This approach resulted in formulating the vision in a short period of time. The formulated vision has four development strategies including livability and transportation. It also has reference targets such as a 24-hour supply of safe water. JICA will continue to support the implementation of prioritized projects in such areas of transportation, water supply,

sewerage, solid waste management, through ODA and/or PPP. Three companies located in Yokohama city have already started studies in the areas of sludge treatment, solid waste management and solar power, supported by the Japanese Government and JICA as a part of a policy thrust to promote overseas activities of small and medium enterprises. In addition, in 2012, Yokohama Water Corporation, which was established by the Yokohama Waterworks Bureau, assisted the Metro Cebu Water District in water treatment, pipe maintenance and other operations as a JICA Technical Cooperation project.

This case was the first case in which JICA collaborated with a Japanese local government

to support the overall urban plan of an overseas counterpart local government. It could be a new model of ODA in which JICA could support Japanese Government policy to promote overseas activities of local governments.



Pollution in rivers of the City of Cebu are serious because of the insufficient sewerage systems and awareness of residents.

overseas and vulnerability to natural disasters.

JICA's cooperation in the Philippines focuses on the following priority issues: 1) sustainable economic growth by promoting investments; 2) overcoming the country's vulnerabilities; and 3) establishing peace in Mindanao.

The Philippines presents a new ODA model of JICA's assistance for overseas activities of Japanese local governments that is promoted by the government of Japan. In 2011, JICA and the City of Yokohama signed a Comprehensive Partnership Agreement for solving challenges caused by urbanisation in developing countries. Cooperation in this area has started in Metro Cebu, the second-largest metropolitan area in the Philippines [See the Case Study on page 23].

In Mindanao, a conflict has been going on for 40 years between the government and a group seeking independence. A framework agreement for peace was signed by the government of the Philippines and the Moro Islamic Liberation Front (MILF) in October 2012 to create the new Bangsamoro government in 2016. JICA will use its experience in this field to assist in the transition process to the new political entity. Activities will include training people who can become government ministers and creating models for regional developments.

### ● Thailand

In the Eleventh National Economic and Social Development Plan (2012-2016), the government of Thailand stated that its national vision is to be "a happy society with equity, fairness and resilience." The plan includes measures for continuous and comprehensive economic and social development. With a GNI per capita of US\$4,420 (2011), Thailand has joined the ranks of upper-middle income countries. However, many issues must be addressed to achieve sustained social and economic development: making industries more competitive, measures for an aging population, environmental problems and climate change, and assistance for socially vulnerable people. In addition, there are several issues throughout the ASEAN region such as strengthening ASEAN connectivity and reducing disparities.

JICA is extending its cooperation to Thailand in three priority areas: 1) Sustainable development of economy and coping with maturing society; 2) Coping with common issues in ASEAN countries; and 3) Promotion of cooperation towards countries outside the ASEAN region.

JICA is providing support for issues in Thailand as an upper-middle income country. For example, JICA is implementing several projects for recovery from the damage of the severe flooding of 2011, infrastructure development for enhancing competitiveness, countermeasures to climate change, environmental management at the provincial level, SME promotion, and care services development for elderly people.

### ● Cambodia

Although Cambodia's economy is making progress, the country continues to lag behind the ASEAN countries with a per capita GNI of \$830 (2011) and a poverty rate of about 26.1%.

In anticipation of Cambodia's ASEAN integration, JICA is providing support in three priority areas in order to achieve economic growth and reduce poverty: strengthening the economic foundation, promoting social development and strengthening governance. Assistance is aimed at nation-building from both hard and soft aspects.

Foreign Investments in Cambodia, have been increasing rapidly in recent years. JICA is using the Japan Desk at the Cambodia Development Council to assist in upgrading services for investors. In addition, an ODA Loan agreement was signed in May 2013 for the National Road No. 5 Improvement Project. This road is an east-west arterial highway in Cambodia and is a vital part of the southern economic corridor that links Ho Chi Minh City in Viet Nam with Bangkok, Thailand.

The government of Cambodia is currently working on a medium to long-term national development plan. Along with the World Bank, Asian Development Bank and other organizations, JICA discusses with the government how to create suitable development strategies.

### ● Laos

The GDP of Laos has been increasing consistently at an annual rate of almost 8% as the country makes progress toward leaving the ranks of least developed countries and attaining the Millennium Development Goals (MDGs).



An expert provides guidance at the Siem Reap Water Public Corporation.

JICA's basic approach in its cooperation to Laos is centered on support for the achievement of the MDGs and for building a foundation for economic growth that will be a driving force for the country's self-reliant and sustainable growth. JICA focuses on the cooperation for the following priority areas: Development of Economic and Social Infrastructure; Agricultural Development and Forest Conservation; Improvement of Educational Environment and Human Resource Development; Improvement of Health Care Services; and Improvement of Governance. With these priorities, assistance to Laos also reflects the unique characteristics of Laos such as the need to remove unexploded ordinances and utilize the country's abundant resources for power generation.

Laos has been recently attracting attention for its



This transmission line of about 40km goes from the Paksan substation and over the Pakkading Pass.



Many people undergo blood tests at a temple.

investment opportunities. Savannakhet is particularly appealing and Japanese companies are making investments there because of its location on the East-West Economic Corridor linking Viet Nam, Laos and Thailand. JICA has extended its cooperation as Loan and Grant Aid for establishing this East-West Economic Corridor, thereby helping create a favorable climate for investments. In 2012, construction of a main power transmission line was completed and this ODA Loan project contributes the electricity supply to Savannakhet.

## ● Myanmar

The new administration that took over in March 2011 has been implementing reforms for transitioning to a market based economy and democratization and reconciliation with the people of Myanmar. On January 30, 2013, a debt relief measure was implemented that was a requirement for the resumption of full-scale aid to Myanmar. To support reforms enacted by the

government of Myanmar, JICA has an economic cooperation policy with emphasis on three areas. First is assistance for improving the lives of the people of Myanmar. This includes support for ethnic minorities, upgrading agricultural technologies, improving health care systems and building infrastructure in areas other than large cities. Second is assistance for enhancing the capacity of people who play key roles in economic activities and establishing economic systems. One element is Assistance for Economic Reforms [\[> See the Case Study on page 25\]](#). This aims to help create policies for economic reforms with emphasis on economics and finance; trade, investments and SME growth; and agriculture and rural development. Other activities for this area modernizing the financial sector, establishing legal systems to encourage overseas investments, and using the Japan Center and university support to create more employment opportunities. In addition, JICA dispatches advisors for policy making of

### Case Study Myanmar Assistance for Economic Reforms

#### Support for Activities in Myanmar for Economic Reforms

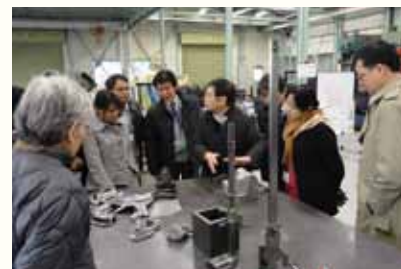
**In Myanmar, where the new administration faces many issues, JICA is assisting in human resources development to help in enacting economic reforms.**

In Myanmar, where a new administration was formed in March 2011, many reforms are being enacted to achieve democracy and a market-based economy. However, many problems must be overcome. Examples include the financial burden on government-owned companies, old financial institutions, import and export systems that restrict trade, and an agricultural sector that needs modernization.

JICA started the Economic Reform Program in fiscal 2011 as part of its assistance to Myanmar for implementing economic reforms. The program has three pillars: economy and finance; trade, investment and SME growth; and agriculture and rural development. The objective is to give Myanmar government officials and private-sector individuals more knowledge that is needed for economic development activities.

In fiscal 2011, 30 government officials came to Japan for training and 31 officials underwent training in Japan in fiscal 2012. There were classes on events in Japan and other Asian countries as their economies grew. Trainees visited government ministries and agencies, local governments, and companies and there were opportunities to exchange ideas. All activities were selected to increase the participants' know-how for driving economic development in Myanmar. The upcoming Economic Reform Program will supply support to enable Myanmar to continue making steady progress with these reforms. For example, there will be human resources development, joint research activities using individuals in Japan and Myanmar, and other activities that address specific issues involving the three pillars.

In addition to the Economic Reform Program, JICA uses a variety of training and the dispatch of experts for the development of young people who will play key roles in nation-building. These activities are expected to contribute to Myanmar's economic development as well as deepen ties between Myanmar and Japan.



Training program participants from Myanmar visit a factory in Japan.

Myanmar government including the Ministry of National Planning and Economic Development. Third area is assistance for development of infrastructure and related systems necessary for sustainable economic development. This includes the development of greater Yangon, upgrade of transportation and telecommunication systems, and improvement of the electric supply.

In January 2013, JICA dispatched its first Senior Volunteers (medical care field) to Myanmar. There are expectations for more support for Japanese Overseas Cooperation Volunteer programs involving culture, sports and many other fields.

### ● Viet Nam

Since restarting ODA to Viet Nam late in 1992, Japan has been consistently ranked as this country's largest source of ODA. In January 2013, Japanese Prime Minister Shinzo Abe visited Viet Nam as his first overseas trip as prime minister. The leaders of the two countries agreed to further develop their "Strategic Partnership" and strengthen their cooperation. Currently, Viet Nam is attracting attention as a location for manufacturing as well as a consumer market so many Japanese companies operate in this country or are starting operations. In addition, there are increasingly strong mutually cooperative relationships between universities, local governments, NGOs and other organizations. As a result, the relationship between Japan and Viet Nam is advancing on many levels.

Becoming an industrialized country by 2020 is the main pillar of the national agenda of Viet Nam. The country has advanced to a new stage of development with the goal of becoming a developed country. There are three central elements: institutional development, human resources development and infrastructure development. JICA believes that the period from now to 2018, when tariffs will be eliminated due to the ASEAN economic integration, will be a critical period for Viet Nam. This is why JICA is extending multilayered cooperation with emphasis on "Accelerating Growth and Strengthening Competitiveness", "Responding to Vulnerabilities for Inclusive Development" and "Good governance." In 2012, JICA continued to provide cooperation including human resource development for transportation, electricity and other economic infrastructure projects. In addition, JICA is providing cooperation involving reforms of state-owned companies to strengthen the market economy and for amendments to the constitution which are essential to the national governance. Through these activities, JICA is providing rapid and comprehensive cooperation for the new issues of Viet Nam.

### ● Timor-Leste

Timor-Leste celebrated the 10th anniversary of its independence in May 2012. In August in the same year, the Fifth Government was formed after the success of the General Election. The UN Mission left the country in December 2012 in recognition that peace has been established in the country. Timor-Leste is now in a critical phase of its development

process toward becoming completely self-reliant.

There are currently several urgent issues in Timor-Leste; developing leading industries to reduce the overreliance on revenue from oil, creating more job opportunities and developing human resources in order to achieve these goals. To deal with these issues, JICA has developed three cooperation programs; Establishing a foundation for promoting economic activities, agriculture and rural development, and the capacity development of the Government and the public sector.

In 2012, as a commemorative event for the 10th anniversary of diplomatic relations between Japan and Timor-Leste, the Osaka Gas Group, Timor-Leste National University (UNTL) and JICA agreed to jointly conduct a human resources development program. An official agreement was signed in September 2012.

### ● Malaysia

The Malaysian government announced the New Economic Model in March 2010 and is now putting forth its efforts to join the ranks of developed countries (GNI of \$15,000 to \$20,000) by 2020. Several issues must be resolved in order to achieve this goal: transformation into a high value-added economy; harmonisation of development and environmental protection; equal education and working opportunities; and protection of the socially vulnerable.

In Malaysia, JICA's cooperation is focused on three priority areas: 1) Supporting a balanced development toward Malaysia becoming a high-income nation; 2) Responses to common issues in East Asian region; and 3) a Japan-Malaysia Development Partnership beyond the East Asia region.

JICA is implementing projects in following fields: development of human resources for industry with advanced technological skills, higher education for utilizing advanced scientific technologies, infrastructure development, protection of socially vulnerable people (support for individuals with disabilities), and cooperation for environmental conservation including climate change measures. JICA is also assisting with the regional issues of upgrading ASEAN connectivity in the field of customs and maritime security and South-South cooperation among the ASEAN, African and Islam countries.

### ● Singapore

Singapore, which "graduated" from JICA's ODA in fiscal 1998, and Japan have been cooperating with each other as partners carrying out approximately 10 to 15 training courses a year mainly for other ASEAN nations under the Japan-Singapore Partnership Programme (JSPP) since 1994. By fiscal 2012, 326 courses had been conducted with the participation of 5,650 individuals from 93 countries. In JSPP, courses are conducted in many fields. For example, a training program involving customs operations was started for Myanmar in fiscal 2012, which is making progress with democratization and economic liberalization.