

# Private Sector Development / Energy and Mining / Governance

— Achieving Sustainable Growth and Democratic and Fair Societies in Developing Countries



Of the eight Millennium Development Goals (MDGs), relevant goals are shown in color.

JICA assists developing countries with building up their private sectors, which serve as an engine for economic growth. While focusing on promoting trade and investment, small and medium-sized enterprises development, the vitalization of local industry and economy, and tourism development, JICA provides broad-ranging assistance to develop industrial infrastructure, including support for the stable supply of electric power, mining, renewable energy, and energy conservation. JICA also strives to strengthen governance through its cooperation in establishing legal and judicial frameworks, making government more efficient and transparent, improving the administrative capacity of local government and strengthening fiscal and monetary management. Through these activities, JICA is promoting sustainable growth as well as democratic and fair societies in developing countries.

## Private Sector Development

Because it acts as an engine for economic growth, development of the private sector is one of the top priorities for achieving independent and sustainable development of the economic system in a developing country. This is particularly important because along with the progressive globalization of the world's economy, business activity is increasingly going beyond national borders. Therefore, in developing the private sector of a developing country, the major issues are ensuring that the economy appropriately benefits from globalization and that the benefits of economic development are spread widely among the population. With this in mind, JICA provides assistance across a broad range of areas that contribute to

vitalizing the private sector in developing countries. Those areas include promoting trade and investment, developing small and medium-sized enterprises and nurturing human resources in the industry sector and developing regional economies and industries.

In recent years, Japanese companies, particularly manufacturers, have actively established operations in developing countries, playing a large role in developing their private sectors. Reinforcing its collaboration with those companies has boosted the effectiveness of its assistance for developing countries. At the same time, greater cooperation has contributed to strengthening economic ties with the counterparty countries and to mutual economic development.

### Case Study Private Sector Development Establishing a Japan Center for Human Resource Development

#### Developing the Human Resources Responsible for the Future of Myanmar's Industry

In August 2013, the fourth Japan Center for Human Resource Development in the ASEAN/Indochina region opened in Myanmar.

Beginning its research in February 2012, JICA held ongoing discussions with Myanmar's Ministry of Commerce and the Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI) as it continued to progress with preparations to open the Myanmar-Japan Center for Human Resources Development. The mission of the center will be to develop human resources for business management and to promote personnel exchange between Myanmar and Japan. The center is located on the 11th floor of the UMFCCI building in Yangon, the commercial center of Myanmar, suggesting the high expectations for JICA's cooperation in future.

Over the next three years, JICA will build up business training programs at the center that utilize Japanese-style management and

production management methods and are taught by instructors dispatched from Japan. In addition, JICA will provide assistance for the operations of the center, including customized courses for individual companies, dispatching instructors to assist with the development of managers and of curriculums and educational materials. JICA will also focus on developing local instructors for the center's programs, promoting exchanges through industry/government workshops, and other activities.

With a view to ASEAN integration, JICA's policy will be to conduct information exchanges with the other Japan Centers in Viet Nam, Laos and Cambodia to assist with the effective development of the Myanmar-Japan Center's activities.



The Myanmar-Japan Center for Human Resources Development is located in the UMFCCI building.

## ● Overview of Issue

JICA's cooperation in the development of the private sector aims to contribute to increasing employment and developing the economies of developing countries by enhancing the vitality of the private sector. Because of the lack of government policies, systems, and other measures to develop the private sector, many developing countries are struggling with such issues as the inadequate competitiveness of their companies and industries and a lack of progress with the improvement and diversification of industry.

In addition, along with the expansion of the markets of India, China and other emerging countries, foreign companies, including Japanese companies, are aggressively producing and selling products in developing countries. These activities usually result in the training of local technicians and technology transfer and bring with them a wide-range of employment opportunities. To develop the private sector, therefore, the main issue facing governments in developing countries is how best to collaborate with these Japanese and other foreign companies to enable the absorption of technology and the expansion of production and employment that will lead to effective development.

## ● JICA Activities

JICA's assistance for development of the private sector can be roughly divided into the areas of promoting trade and investment, developing small and medium-sized enterprises and nurturing human resources in the industry sector and developing regional economies and industries. JICA extends assistance for establishing environments that facilitate smooth business activities and for removing obstacles to trade investment and promoting import and export and investments by corporations. JICA also assists with strengthening the government policy system for developing small and medium-sized enterprises and the implementation systems for each policy and planning industry development that utilizes local resources of rural areas in order to spread the economic benefits broadly throughout the country. These activities link up with economic development, increasing employment and strengthening economic ties with Japan and other countries.

In recent years, interest in entering foreign markets has heightened among Japanese companies. JICA conducts opinion exchanges with and provides information to these companies through investment promotion advisors stationed in each country, investment seminars, and other measures. In addition, JICA's cooperation with developing countries contributes to the overseas business development of Japanese companies. JICA provides assistance for the development of industrial parks, special economic zones and assistance that supports the establishment of a base for business, such as standard certification and intellectual property rights systems. JICA is also emphasizing the nurturing of local human resources in the commercial sector in Asia. In Africa, JICA's focus is on nurturing human resources in the industry sector by increasing commitment to improving quality and productivity and other measures. Through these efforts, JICA is endeavoring to provide cooperation that is useful for the mutual development of the

private sectors of developing countries and Japan.

## 1. Promoting Trade and Investment

The benefits of developing trade and promoting investment range from new expertise and technology, such as new market creation and finance and management know how, to creating new jobs and strengthening international competitiveness.

To develop trade and promote investment in developing countries, JICA places its priorities on assistance for 1) building business environments, 2) establishing frameworks for promoting trade and 3) establishing frameworks for promoting investment. In particular, building business environments comprises removing barriers to trade investment created by governments and other public institutions and strengthening the promotion of imports and exports and investment by corporations. In these priority areas, JICA focuses on providing comprehensive assistance that covers formulation of policy systems to strengthening concrete policy implementation systems. The following projects are representative of recent efforts in the priority areas.

- 1) **Building Business Environments:** JICA cooperated in projects to strengthen the intellectual property rights protection systems in Indonesia and Viet Nam and with the software aspects of a project to establish a standard certification framework in Viet Nam. In other projects, JICA provided assistance with the hardware aspects of setting up an approximately 70 hectare special economic zone near Sihanoukville Port.
- 2) **Establishing Framework for Promoting Trade:** JICA provided assistance with the strengthening of the functions of an export development agency in Indonesia.
- 3) **Establishing Framework for Promoting Investment:** JICA projects assisted the investment promotion agencies of Cambodia and Zambia with institutional and practical aspects of soliciting overseas direct investment. JICA also dispatched investment promotion advisors to developing countries with an eye to also supporting the overseas business development of Japanese companies.

On the national level, JICA provided an overarching program that covered the high policy level, such as promotion of overseas direct investment and the underpinning industrial policy proposals, as well as the practical level of investment promotion agencies.

Along with today's globalization of economies, there has been a rapid increase in the signing of free trade agreements (FTA) on a bilateral and regional level. JICA is providing assistance to support that process. For example, with the Indonesia-Japan Economic Partnership Agreement, JICA analyzed the benefits of the trade promotion system established by the agreement. JICA also utilized the results to promote the greater utilization of the system by providing assistance for trade procedures carried out by Indonesian public institutions under the agreement. Furthermore, from the perspective of building a multilateral trade system, JICA's assistance is provided within the framework of the World Trade Organization (WTO)'s Aid for Trade (AfT) initiative. Both the software and

hardware aspects of JICA's previously mentioned projects contribute to the AfT movement.

## 2. Promoting Small and Medium-Sized Enterprises and Nurturing Human Resources in the Industry Sector

JICA's assistance for small and medium-sized enterprises mainly targets 1) establishing policy systems and organizations to promote small and medium-sized enterprises and 2) improving the competitiveness of companies.

There are a vast array of policies and systems required for the promotion of small and medium-sized enterprises in developing countries. To begin with, effective policy development requires basic principles for promoting small and medium-sized enterprises and building and fortifying a system to implement them. In Cambodia, for example, JICA provided assistance in forming a ministry-wide framework for promoting small and medium-sized enterprises and for practical development of policies. JICA assisted with the formulation of basic laws for small and medium-sized enterprises and with implementing promotional measures under the country's high-level policies.

From the point of view of heightening the competitiveness of companies, it is probably necessary to provide assistance regarding so-called "manpower, goods, capital and information," the business foundation of companies. Because providing assistance in these areas to small and medium-sized enterprises often requires going through an intermediary "support organization" that is a public institution or a private sector association, much of JICA's targets improving the capacity of these support organizations. In the case of Thailand, JICA is providing cooperation aimed at strengthening and firmly establishing the services of the support organizations for regional small and medium-sized enterprises.

In particular, assistance for "manpower" or in other words the nurturing of human resources in the industry sector, focuses on measures to boost the competitiveness of companies utilizing Japan's know how in this area. JICA cooperates with the government institutions, educational institutions and other entities that provide such support. The goal of the cooperation is to enable companies to acquire and improve know how necessary to business activities, such as business and production management and manufacturing technology. For example, in India, JICA is implementing innovative measures to contribute to the sustainable development of the manufacturing industry. JICA is training the core management personnel of the manufacturing industry about the essence of Japan's monotsukuri or manufacturing craft, developing the industrial leaders responsible for transforming India's manufacturing industry. The results of this type of cooperation can mutually benefit both the developing country and Japan. It contributes to the development of the manufacturing industry in the developing country and to the business activities of Japanese companies operating locally.

Among its efforts to nurture human resources for the industry sector, JICA is spreading the use of quality/productivity improvement KAIZEN methodologies, one of the areas of Japan's greatest competency. This is especially true in Africa;

in the Yokohama Action Plan 2013-2017 announced at the 5th Tokyo International Conference on African Development (TICAD V), the importance of improving quality and productivity in the public and private sectors through KAIZEN activities was clearly stated. Staying on this path, in addition to Ethiopia, Ghana and Kenya, JICA is newly providing cooperation for private sector development to Tanzania and Zambia, pursuing further mutual collaboration in this field.

JICA is establishing Japan Centers for Human Resources Development (Japan Centers) as focal points for its efforts in nurturing human resources for the industry sector in developing countries. In addition to the eight Japan centers set up in Viet Nam, Laos, Kazakhstan, Uzbekistan, Mongolia, the Kyrgyz Republic, Cambodia and Ukraine, JICA has added a Japan Center in Myanmar.

Through the Business Programs that form the core of their operations, the Japan Centers develop human resources in developing countries that have been trained in Japanese-style management and production management methods. In recent years, this process has evolved one step further by creating networking among the local workers in industry through regular reunions of people who have completed Business Programs and other events. Utilizing the know how and networking built up over the many years of the Business Program, JICA is also providing support and cooperation to Japanese companies doing business in these local markets. Most recently, the number of Japanese companies enrolling their local employees in the Business Programs is growing in countries where Japanese companies are increasingly setting up local operations.

## 3. Promoting Local Economies and Industries

As the economies of developing countries grow, regional disparities have become a major issue in an increasing number of developing countries. Guided by its vision of "Inclusive and Dynamic Development," JICA aims to spread the benefits of economic growth widely throughout the local area. For that purpose, in its assistance for local industry development, JICA effectively utilizes the special characteristics and resources of the local area to benefit the residents.

JICA's cooperation in the development of local industries comprises 1) creating organizations and systems to support local companies and cooperatives; 2) developing business skills to enable local companies and cooperatives conduct general business activities, such as product development, quality improvement, marketing and others; and 3) building a system of cooperation by the public and private sectors for promoting local economies. The industries targeted for assistance include processed products or handicrafts that use local agricultural products and other local resources. Tourism that incorporates local nature and culture, historical or scenic sites, and other tourism resources is also a targeted industry.

For instance, to provide assistance to small local companies and cooperatives in Kenya and Malawi, JICA is creating a system where the ministry or local government administrator in charge can directly or indirectly through support institutions supply the technology and financing they require. In

combination with this project, JICA is assisting with providing the basic business knowledge (accounting and others) needed to utilize local resources to make salable products. Other areas of assistance include resource exploration, improving quality and productivity and strengthening marketing, sales and other skills. In addition to Kenya and Malawi, JICA is carrying out these measures in many other countries, including Ethiopia and Mozambique.

JICA's cooperation in the tourism field in Palestine and Tunisia lies in providing assistance for coordinated efforts and collaboration by the public and private sectors. JICA cooperates with investigating the special characteristics of tourists or local resources and developing tourism products that benefit the region and with using effective advertising or promotions for targeted tourists. JICA also provides assistance for strengthening administrative capacity for utilizing the environment, including nature, culture and ways of life, in a sustainable manner. The assistance is provided taking into consideration sustainable methods of preserving, exhibiting, and using tourism resources.

In providing cooperation, JICA also utilizes Japan's knowledge about developing human resources for the industry sector, working to implement economic development and promote local industry in a way suited to each country.

## Energy and Mining

### ● Supporting 3L (Low-Cost, Low-Carbon, Low-Risk) Energy Use in Developing Countries

A stable supply of energy is necessary to satisfy basic human needs and for industrialization. With wide application throughout society, it is indispensable for economic activity—economic growth and energy consumption growth have a strong positive correlation. Securing a stable supply of low-cost energy is an extremely important issue for developing countries

in achieving a stable society and economy and sustainable growth.

In developing countries with substantial natural resource reserves, energy and mining development can produce results in a relatively short time frame compared with development of other industries. Mining development also has a tremendous impact on society and the economy through infrastructure and regional development. For Japan and other countries that import mineral resources, it also is extremely important to ensure a stable and sustainable supply of mineral resources from diverse sources by encouraging mining development in many countries.

### ● Overview of Issue

#### 1. Energy

##### (1) Dealing with the unavoidable growth in use of fossil fuels

According to World Energy Outlook (WEO) 2012 produced by the International Energy Agency (IEA), during the period from 2010 to 2035, energy consumption by developing countries will expand substantially. From the perspective of climate change measures, going forward the main issues will be pursuing the greatest possible introduction of renewable energy, such as geothermal energy, and increasing the combustion efficiency and reducing the carbon emissions of oil and gas, which account for a large share of the world's energy sources.

##### (2) Ensuring stability and sustainable growth in rural areas

Increasing electrification rates is an important issue in developing countries wanting to achieve sustainable growth and an equitable society. In 2009, the electrification rates were low in rural areas in non-OECD countries. It is necessary to improve the situation in these areas by introducing off-grid power sources and extending transmission and distribution networks.

### Case Study Energy and Mining Cooperation for Geothermal Development

#### Technical Cooperation for Geothermal Development Commences

**There are high expectations for geothermal power generation as a renewable source of energy that can provide a low-carbon, low-cost and stable supply of electricity. Utilizing Japan's leading technology, JICA has commenced Technical Cooperation for geothermal development in Kenya, Africa.**

The African Great Rift Valley is a plentiful source of geothermal resources. It is a promising area for the construction of geothermal power stations especially in the northeastern part of the Great Rift Valley. Geothermal power generation has been highlighted globally as a renewable source of energy that can provide a low-carbon, low-cost and stable supply of electricity. However, the low success rate of test drilling has proved a bottleneck to development.

In the past, JICA provided assistance for the construction of geothermal power stations in Olkaria, Kenya through ODA Loans. However, to step up geothermal development in Kenya, starting in 2013 JICA has begun Technical Cooperation aimed at expanding the capacity

of the state-owned Geothermal Development Company utilizing Japan's leading technology. Since Kenya has sites already being developed, JICA is proceeding with assistance that will lead to technology improvements in the chain of development steps from exploration to drilling and evaluation. Assistance is being provided by dispatching experts to the sites in Kenya, holding training programs in Japan, and other activities.

Through this cooperation, JICA also expects to expand the business opportunities for Japanese companies to sell their power generation plant and equipment or participate in independent power producer (IPP) or other power generation business schemes. This

will also assist with the development of young Japanese geothermal development-related technicians.



Geothermal steam production testing in Menengai, Kenya

### (3) Meeting the need for advanced technology and large amounts of capital

Improving electric power supply takes huge investments. The IEA estimates that non-OECD countries will invest \$10,081 billion in the electric power sector in the period up to 2035. It will be important to invest not only in electric power generation, but also in distribution facilities in future. Meeting these substantial capital needs not only will require public funds, but also facilitating the use of private sector capital.

As can be seen, technology, know how and large amounts of capital are needed to resolve the energy problems of developing countries. However, developing countries lack these resources as well as policy planning skills and the human resources to implement those policies. Although developing countries also need to convert to low-carbon energy, the technology to do so is advanced and expensive. For these reasons, the cooperation of developed countries is indispensable in terms of technology, capital, and acquired experience and know how.

## 2. Mining

### (1) Mining environment in recent years and issues for developing countries

In recent years, global demand for mineral resources has risen along with the economic growth of China and other emerging countries. Amid intensifying competition to secure natural resources and oligopolization of markets by majors, the price of natural resources has continued to increase. In reaction, there are many countries with large reserves of natural resources that have a strong desire to developing their mining industry. Getting from the mineral resource discovery state to the production stage requires large amounts of capital and advanced technology. However, most developing countries are lacking in these resources, making it necessary to invite foreign companies into the market.

However, the governments of developing countries have little knowledge about mining development or managing corporate activities, presenting such issues as the lack of legal systems and frameworks, basic geological information systems and infrastructure. Moreover, there are many issues to be resolved in order to promote the entrance of foreign companies into the market. They include political and social risk, security and war risk and heightened so-called “resource nationalism” that places various regulations on mineral exports and mining operations.

### (2) Outline of JICA’s cooperation in the mining field

Keeping in mind both extending assistance to developing countries for the previously mentioned mining development issues and Japan’s need to secure natural resources, JICA provides cooperation that builds a Win-Win relationship with developing countries. Led by Japan’s Ministry of Economy, Trade and Industry (METI), Japan’s government-related institutions have formed a coordinated and structured collaborative system (a one-stop organization for securing overseas mining resources) working with JICA, and Japan Oil, Gas and Metals National Corporation (JOGMEC) and other

organizations. Within that system, JICA implements Technical Cooperation and human resource development that especially targets governments of developing countries.

## ● JICA Activities

### 1. Energy

#### (1) Promoting the adoption of low-carbon electric power sources

Through Loan Assistance and Technical Cooperation, JICA is promoting the adoption of high-efficiency thermal electric power generation in Indonesia and other developing countries. In accordance with the primary energy reserves in the country receiving the cooperation, JICA provides assistance for the adoption of low-carbon and stable power sources, such as hydro and geothermal power. JICA is also supporting the adoption of solar power and small-scale hydro power plants through Grant Aid and Technical Cooperation. Since it can especially utilize Japan’s technology in geothermal power generation, JICA’s policy is to provide cooperation that promotes low-carbon power source development in African and other countries.

#### (2) Pursuing efficient utilization of energy

JICA has been involved for some time in promoting the efficient utilization of energy (energy conservation) from the demand side in Viet Nam and other countries. Assistance is also being provided for improving electric power distribution systems in developing countries where those systems have high loss rates and other inefficiencies. Here, JICA provides financial cooperation for strengthening distribution systems or Technical Cooperation for strengthening maintenance and management capacity.

#### (3) Myanmar: Assistance for Power Generation and Distribution in the Electric Power Sector

In Myanmar, which has been moving steadily toward democratization since 2012, there is a need to address the huge amounts of assistance required to improve the electric power generation system, a key infrastructure for Myanmar expected economic growth in future. Collaborating with the World Bank, Asian Development Bank (ADB) and similar donor institutions, JICA will provide both technology and funding toward this goal. Specifically, assistance will be provided to repair and upgrade dilapidated power distribution systems, to formulate industry plans for the entire electric power sector and reinforce distribution systems and to improve access to electrical supply in rural areas.

### 2. Mining

As a field of cooperation where short-term result can be expected, JICA endeavors to provide assistance with establishing developing countries’ systems and peripheral infrastructure where soliciting private sector investment is necessary in both software and hardware aspects. Moreover, in the medium- to long-term, JICA provides assistance in strengthening the administrative capacity of the government and developing human resources. Through its network of

personal contacts in Japan, JICA also seeks to build mutually beneficial relationships for both countries.

Specifically, the following are JICA's four priority areas in the mining field.

#### (1) Development of regional peripheral infrastructure

JICA provides assistance for the development of peripheral infrastructure essential to mining development, such as roads, railways, harbors, electric power, and water supply and for development of peripheral utilities.

#### (2) Establishing mining development strategies and legal systems

Assistance involves government planning and formulating policies for legal systems, policies, implementation systems, and basic information compilation necessary for mining development and appropriate mineral resource management.

#### (3) Managing mineral resources

JICA aims to strengthen governments' administrative skills in soliciting private sector investment and implementing sustainable mining development and resource management. Specifically, JICA provides assistance related to supplying basic information necessary for resource exploration and establishing management systems.

#### (4) Mining preservation administration and environmental measures

JICA's assistance targets mining preservation and environmental administration.

## Governance

### ● Legal and Judicial Frameworks

Since 1996, JICA has been providing assistance for establishing and improving the legal framework for a market economy to developing countries or assistance in restoring legal and judicial frameworks and human resource development in post-conflict countries.

Among new measures initiated in 2012, JICA began implementing measures in Myanmar to drive democratization and economic reform. Started in response to the decision in April 2012 to expand the areas of economic cooperation with Myanmar, the measures are intended as part of the package to improve human resource capabilities and establish systems. In more concrete terms, in August 2012, JICA co-hosted a seminar on company law in the capital of Myanmar, Naypyidaw, with the Office of the Myanmar Federal Attorney General. Also, in December 2012, JICA hosted a seminar on the privatization of state-owned enterprises—an urgent issue for the Myanmar government—and invited 22 young public administrators to Japan to receive training in establishing legal systems. Based on the results of the seminars and other events, JICA plans to commence full-scale Technical Cooperation projects in fiscal 2013.

Moreover, in January 2013, JICA carried out its first South-South Cooperation in the field of establishing legal systems. Five counterparty country members of JICA's Project for Human Resource Development in the Legal Sector in Laos visited Viet Nam, which has a similar legal system and is receiving

assistance to establish legal systems from JICA. The project members from Laos learned from the experiences of Viet Nam by observing related institutions and exchanging opinions with their counterparty members of JICA's Technical Assistance for the Legal and Judicial System Reform (Phase II) project in Viet Nam, which is a little ahead of Laos in establishing a market economy.

In Cambodia, following the introduction of a new civil code at the end of 2011, JICA began a new cooperation program to encourage adoption of the civil code and civil procedure code. The program is mainly for the staff of the Ministry of Justice, lawyers and lecturers at the Royal University of Law and Economics. In Mongolia, JICA had previously implemented the Project for Strengthening Mediation System, which, among other activities, provided assistance for conducting trial mediation in a pilot court. After Mongolia enacted a mediation law in May 2012 and a court-based mediation system was adopted nationwide, JICA decided to launch the Project for Strengthening Mediation System (2nd Stage) in April 2013 and commenced preparations. For Nepal, JICA initiated training programs in Japan for managing court cases and began making preparations for a project to strengthen the capacity of the court system in Nepal.

### ● Democratic Systems

JICA extends assistance for a range of measures to strengthen the foundations for democratic rule in developing countries. The assistance covers such measures as improving the capacity of election management committees in order to ensure fair elections, strengthening the functions of parliament, and reinforcing the capacity of the media, which functions as a monitor of the use of power and influence.

In 2012, JICA conducted local seminars for Egypt's electoral commission and the state-run broadcasting station in preparation for the country's first presidential elections since the revolution. JICA also held seminars on different issues in Japan targeting multiple countries—including Yemen, Palestine and Kenya—having issues with managing fair elections and the operation of parliaments. In South Sudan, JICA provided assistance for converting the state-run broadcasting station into a public broadcast station and began Technical Cooperation with systems to supply citizens with accurate, fair and neutral information.

### ● Public Safety

In the field of public safety, JICA extends assistance to countries working to establish police forces that serve the people, such as training programs and improvement of fingerprinting, forensics and other scientific investigation techniques. Specifically, JICA's support efforts include providing assistance for metropolitan and regional police activities in Indonesia, Timor-Leste, Brazil and Honduras and improving the ability to respond to crimes in the Philippines. To reinforce public safety in post-conflict countries like Afghanistan, JICA provides assistance such as training of police officers.

Targeting multiple countries, JICA also conducts training programs in Japan on major crime issues. The programs cover

such themes as international terrorist countermeasures, international investigations, and policing drug crimes.

## ● Public Financial Management

Up till now, JICA has built a strong cooperation record with developing countries, consisting mainly of ensuring the financial soundness of institutions responsible for tax and customs administration and the implementing of ODA Loans. However, in fiscal 2012, JICA formed strategies for each issue related to public financial management and produced and publicly announced position papers on the issues. Based on that process, JICA decided to step up its efforts regarding the issues and to proceed in the direction of strengthening its consideration of public financial management at each stage of the plan-do-check-act (PDCA) cycle of JICA projects.

Achieving stable and sustainable financial operation requires comprehensive budget discipline, strategic allocation of resources and effective and efficient service delivery. However, these cannot be attained naturally, they require an institutional structure to that end. That necessary structure, which could be termed the system infrastructure, is public financial management (PFM).

PFM includes, among others, budget planning and revision, revenue planning, treasury management, accounting and procurement, internal control and oversight, financial reporting and external audits. In addition, PFM entails necessary aspects

of fulfilling financial accountability and transparency at the national and regional levels.

JICA believes there are two important components to addressing PFM in developing countries. First, since it is a development issue, PFM must be applied as strategically as possible. Second, PFM must be positioned as an important system infrastructure for smoothly implementing JICA's projects and for improving the effectiveness of development steadily pursued at each stage of the project PDCA cycle. However, PFM represents major reform that can impact the entire public sector of the recipient country as well as being an important development issue linked to various areas from the country's development planning to management of the public sector. Therefore, in planning assistance for PFM, JICA must consider not only the state of socioeconomic development in the country, but also thoroughly understand the political and economic background while looking at the PFM reform measures from a medium- to long-term perspective. At the same time, short-term output should not be the goal—the projects should be approached on a medium- to long-term basis and take into account that PFM is an issue that involves the system policy of a country. Therefore assistance for PFM should not be made only by JICA but should also consider cooperation with various donors.

### Case Study

### Legal and Judicial Frameworks Assistance for Amending Viet Nam's Constitution

#### Vietnamese Judicial Survey Mission Visits Japan

**In recent years, there have been major changes in both the society and economy of Viet Nam in conjunction with conversion to a market economy and because of the country's progressive integration with the international community and development of a free economy. In accordance with those changes, the government is pursuing reform of the legislative, administrative and judicial systems.**

Since 1996, JICA has proactively extended assistance to Viet Nam for the reform of its legal and judiciary systems. From 2009, assistance has also been provided for increasing the capacity of the National Assembly. Viet Nam is currently working on amendments to its fundamental law, the constitution, with a completion goal set for the end of 2013. Against the backdrop of its great trust in Japan's assistance in the legal and judicial field provided over many years, the Vietnamese government request assistance from JICA regarding the amendment of the country's constitution.

In response, JICA invited a judicial survey mission from the Vietnamese Government to visit Japan from July 1 to July 7, 2012. The mission consisted of 23 members: Deputy Prime Minister and mission leader Nguen Xuan Phuc, Chief Justice of the People's Supreme Court Truong Hoa Bih, Minister of Justice Ha Hung Cuong; and senior members of the Committee for Drafting Amendments to the 1992 Constitution (a total of 12 Central Committee members and ministers and deputy

ministers)

The survey mission visited Japan's Diet, Supreme Court, related public administration institutions and universities to meet and discuss issues with related people and those with academic experience in the field. The vigorous discussions covered the nature of the constitution as Viet Nam's supreme law (judicial review and constitution amendment procedure), protecting individual rights, strengthening judicial rights (separation of powers and strengthening the authority of courts), regional governments, sovereignty concept (significance of rights of citizens), and other topics.

Even after the survey mission returned home, JICA continued its assistance, holding local seminars in Viet Nam or training programs in Japan. Through these and other measures, JICA offered Japan's knowledge and experience with major issues with the amendment of Viet Nam's constitution to members of the Committee for Drafting Amendments to the 1992 Constitution and others involved with the process.

In January 2013, the proposed amendments to the constitution were announced and opened to public comment from Vietnamese citizens. Discussions based on those comments are ongoing.

JICA will continue to provide assistance for the reform of legislative, administrative and judicial systems through cooperation with the revision of laws in accordance with the amendments in the constitution and strengthening the capacity of the governing system.



Vietnamese judicial survey mission