

Southeast Asia

Strategic Cooperation for Sharing Prosperity between Japan and Southeast Asia

The year 2013 was the 40th anniversary of ASEAN-Japan Friendship and Cooperation, and many memorial events were held. There are growing expectations for Southeast Asia, a region embracing a population of about 620 million, to become the center of growth for the global economy. The region, which historically has a close relationship with Japan in political, economic, and social aspects, is an important region for Japan. It is expected that reductions in customs duties and liberalization in the service and investment fields will proceed within the region as ASEAN moves toward the establishment of the ASEAN Community in 2015.

In anticipation of the coming ASEAN Community, JICA is cooperating to overcome development challenges in Southeast Asian countries and is extending support for strengthening connectivity within the region and with Japan, infrastructure development, and narrowing the development gap within the region.

Key Aid Strategies **Support for Strengthening ASEAN Connectivity and Narrowing the Development Gap, Coping with Various Challenges Utilizing Japanese Knowledge and Experience**

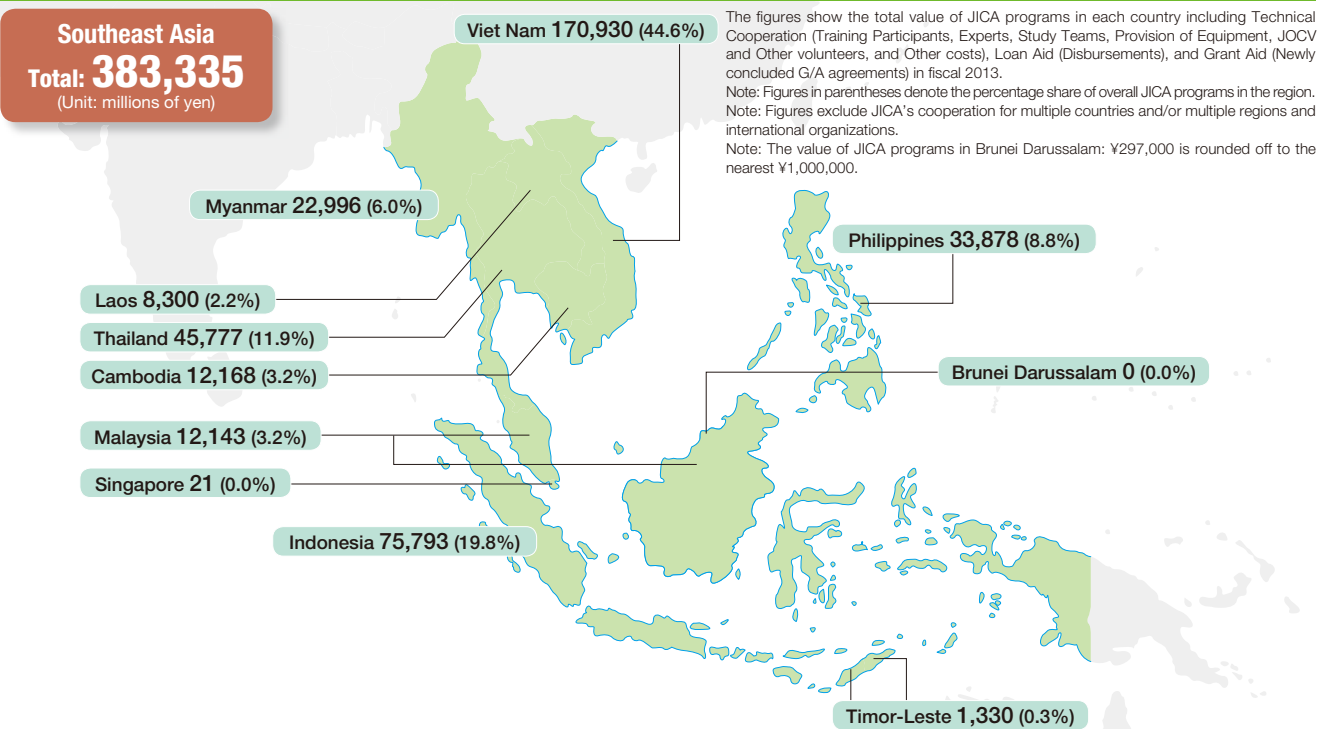
JICA is extending support for developing soft and hard infrastructure and narrowing the development gap within the Southeast Asian region and in individual countries in order for the countries to achieve sustainable economic growth. It also cooperates in various fields such as disaster prevention, maritime safety, the rule of law, health, women's empowerment, and resolving disputes utilizing Japanese knowledge, technology, and experience.

JICA continues to be engaged in activities for Japan and Southeast Asia to prosper together by coping with the needs and demands that change along with economic development and social shifts.

● **Support for Strengthening ASEAN Connectivity and Infrastructure Development**

In order for ASEAN countries to develop and intensify as the ASEAN Community, it will be necessary to strengthen "connectivity" within ASEAN, between ASEAN and Japan, and between ASEAN and the world, both in hard and soft aspects. The original ASEAN member countries (Brunei, Indonesia, Malaysia, the Philippines, Singapore, and Thailand) will have to achieve sophistication of trade, investment, and logistics toward the establishment of the ASEAN Community. It is necessary for these countries to promote high-value-added industries in order to sustain economic growth and to avoid the so-called middle-

JICA Programs in Southeast Asia (Fiscal 2013)



income trap.¹ The newer ASEAN members (Cambodia, Laos, Myanmar, and Viet Nam) also need to achieve high economic growth and improve life in the countries, while enjoying the benefit of the ASEAN Community.

In the fields that promote ASEAN connectivity, JICA is involved from policy and master planning stages while providing individual cooperation for projects aimed at development of infrastructure and institutional aspects to improve the investment climate, legal systems and others.

Still, infrastructure demand in Southeast Asia is huge and will require the kind of infrastructure development that uses not only public funds but also public-private partnerships (PPPs) and other private-sector resources. JICA provides assistance for establishing the institutions necessary to promote PPP projects and supports privately funded development, as well as assisting in building and reinforcing foundations for private-sector activities through deeper partnerships with the private sector, including SMEs.

● Support for Narrowing the Development Gap

In Southeast Asia, the development gap within the region and income disparities within countries are still challenges. The gap and disparities could undermine the unity and solidarity of ASEAN and may eventually lead to political instability in each country, so narrowing the development gap and disparity reduction are necessary for this region to achieve sustainable growth in the future.

JICA is providing support for basic education, governance, health care, agriculture, water supplies, and other areas, particularly in the newer ASEAN member countries. Other activities include support for minority ethnic groups in Myanmar and strengthening the capacities of government institutions in Mindanao, where a comprehensive peace deal has been achieved.

In Myanmar, which has been working on democratization and economic liberalization since 2011, JICA is providing support for (1) improving the living standards of the people of Myanmar, (2) upgrading the capacities of people and establishing institutions, and (3) achieving sustained economic growth.

● Coping with Various Challenges Utilizing Japanese Knowledge and Experience

Disaster prevention measures are important in Southeast Asia, where natural disasters frequently occur, not only as social concerns but also from the standpoint of sustaining economic growth. As well as providing humanitarian aid when a disaster occurs and giving support during the recovery and reconstruction stages, JICA puts focus on disaster prevention and pre-disaster measures, and its support extends to evaluating risks associated with natural disasters, preparing disaster preparedness and response plans, and establishing early warning systems by applying Japanese knowledge and experience. In addition, from a risk-finance viewpoint, JICA provides loan assistance to meet financial needs after a disaster, and is also considering introduction of disaster insurance.

Furthermore, by promoting collaboration with the civil society, local governments, private-sector entities, universities, and other

partners, JICA extends its support utilizing Japanese technologies and experience for emerging issues as a country that faced similar challenges, such as aging of the population, slightly earlier. New issues are becoming evident, as they did in Japan, especially in the original ASEAN member countries, and they are altering needs for support from JICA. To respond to these new needs, JICA is conducting studies concerning social security systems in Indonesia, domestic disparity reduction in Thailand, and coping with an aging population in Malaysia. JICA is also considering measures for new issues emerging in the region, such as elder care and welfare, and infrastructure maintenance.

Likewise, JICA provides cooperation on the regional issue of strengthening capacities of maritime safety, and also for the Japanese government's focus areas, such as women's empowerment and global health.

Country Overviews and Priority Issues

● Indonesia

Indonesia's real GDP growth slightly slowed to a rate of 5.8% in 2013, but is expected to remain strong in medium term (GNI per capita of \$3,580 in 2013). For its stable economic growth, Indonesia needs to improve the investment climate by promoting infrastructure development that supports economic activities.

Filling in the infrastructure gap, such as relieving severe traffic jams and improving the electricity supply, is especially important in the Jakarta Metropolitan Area, which drives the economy. In this regard, JICA supported "the Master Plan for Establishing Metropolitan Priority Area for Investment and Industry (MPA) in JABODETABEK Area," by incorporating the inputs from the private sector. The plan was approved at the ministerial levels of Japan and Indonesia in October 2012, and JICA is now working to accelerate the formulation and implementation of the projects identified in the Master Plan.

¹ 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.



Groundbreaking ceremony for the North-South line (ODA Loan) of the Jakarta Mass Rapid Transit (MRT), which is expected to help relieve the capital's traffic jams.

As infrastructure development through Public-Private Partnerships (PPPs) gains importance, JICA started its first technical cooperation project in Indonesia from 2011, in order to improve the government's PPP regulatory framework and capacity [→ see the Case Study below].

JICA's cooperation in Indonesia also encompasses support for responses to international and regional challenges such as climate change and Indonesia's emergence as a donor country.

● Philippines

Despite the slowing global economy and large-scale disaster caused by Typhoon Haiyan (called Yolanda in the Philippines), the economy of the Philippines in 2013 maintained high growth supported by strong private consumption and other elements, achieving a real GDP growth rate of 7.2% (GNI per capita of \$3,270 in 2013). Meanwhile, challenges that affect sustainable development, such as improving the investment climate, dealing with disaster vulnerability, and creating jobs, are piling up.

JICA's cooperation in the Philippines focuses on the following priority issues: (1) sustainable economic growth by promoting investment; (2) overcoming the country's vulnerabilities; and (3) establishing peace in the conflict-affected areas in Mindanao [→ see the Case Study on page 69].

In terms of measures against vulnerabilities, JICA joined the immediate efforts in response to the disaster caused by Typhoon Haiyan, which struck the central Philippines in November 2013. JICA sent Japan Disaster Relief (JDR) team first, and then extended assistance for recovery and reconstruction under the

concept of "Build Back Better," applying Japanese knowledge and technologies [→ see the Case Studies on pages 121, 133, and 135].

Also, to assist sustainable development of Metro Manila, one of the top future megacities in the world, JICA supported creation of the "Roadmap for Transport Infrastructure Development for Metro Manila and Its Surrounding Areas" (the Infra Roadmap for Mega Manila). JICA is making proposals to develop the areas along the north-south axis to achieve relief of traffic congestion, reduction of disaster risks, realizing smooth transportation systems, reduction of the social cost of transportation, and reduction of air pollution and other improvements.

● Thailand

With a GNI per capita of \$5,370 in 2013, Thailand has joined the ranks of upper-middle income countries. However, many issues still need to 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 common throughout the ASEAN region, such as strengthening ASEAN connectivity and narrowing the development gap.

JICA is extending its cooperation to Thailand in three priority areas: (1) sustainable development of the economy and coping with a maturing society; (2) coping with issues common to ASEAN countries; and (3) promotion of cooperation toward countries outside the ASEAN region.

JICA is providing support for issues in Thailand as an

Case Study Indonesia: The Project for PPP Network Enhancement

Support for Framework and Capacity Building for PPP Infrastructure Projects

JICA implemented a three-year Technical Cooperation Project in Indonesia from 2011, which was the first of its kind to provide support from the establishment of framework and capacity building to formulate Public-Private Partnership (PPP) initiatives.

Toward Formulation and Implementation of Individual Projects

Under its mid- to long-term development plan, the Government of Indonesia plans to implement infrastructure projects using private-sector resources for approximately 30% of infrastructure investments. Since

implementation of the private-led projects requires improvement in the investment climate, the government worked on establishing PPP-related systems, such as guarantees by the public sector.

However, the government authorities have so far not successfully formulated PPP projects in which private-sector entities could be confident enough to make investing decisions. Connected to this, JICA's project promoted two approaches, which were (1) strengthening a PPP specialized agency with top-down decisions and (2) formulation of model projects. In specific terms, together with government institutions, JICA assisted in empowering a cross-ministerial organization through establishment of the agency,

and at the same time conducted PPP model projects in the fields of water and electricity and carried out Project-Development Facilities (PDF)¹ to increase projects' bankability.²

These actions have led to improvement in the organizational and institutional framework, such as amendment of Presidential Regulations related to PPP requirements and tender processes. Furthermore, the results of this cooperation were put together in the "Indonesia PPP Handbook," and related seminars were held in Jakarta. These achievements have been highly valued by the Indonesian government.

"The MPA Support Facility," a successive new technical cooperation project to support formulation and implementation of individual projects, has started in 2014. JICA will continue to extend its support for implementation of MPA projects jointly promoted by the governments of Indonesia and Japan.



Meeting of the Steering Committee that drives PPP promotion in Indonesia.

1. Preparation work for formulating a PPP project in consideration of governmental financial support and guarantees.

2. The degree of projects' maturity up to the level eligible for PPP financing.

upper-middle income country, among which are: cooperation in strengthening research capabilities through joint research among universities and research institutes, both in Japan and Thailand, in the fields of food safety, environment, and energy; cooperation on measures for environmental-pollutant reduction utilizing Japanese experience and knowledge; and cooperation in improving social services and health care concerning senior citizens. In regard to issues that are shared across the ASEAN region, JICA is providing cooperation (1) through training in neighboring countries in collaboration with Thai institutions with which Japan worked together in the past, and (2) on measures against cross-border human trafficking with the Thai organizations concerned.

● Cambodia

Although Cambodia's economy is making progress, the country continues to lag behind the ASEAN countries with a per-capita GNI of \$950 in 2013 and a poverty rate of about 19.8% in 2011.

In anticipation of Cambodia's ASEAN integration, JICA is providing support in three priority areas in order to achieve economic growth and poverty reduction: (1) strengthening the economy's foundations, (2) promoting social development, and (3) strengthening governance.

Recently, Cambodia's participation in a production network through the international division of labor within the ASEAN region has been accelerating. Based on this, it can be said that Cambodia has reached the point to seek further economic development

through diversification and upgrading of its industries. Also, foreign investment in Cambodia, including those by Japanese enterprises, especially in the manufacturing sector, has been increasing rapidly. JICA is contributing to enhancement of connectivity intensification and economic development not only within Cambodia but also in the region by supporting reinforcement of the southern economic corridor that links Ho Chi Minh City in Viet Nam with Bangkok, Thailand, through construction of the Neak Loeung Bridge and improvement of National Roads No. 1 and No. 5.

On the other hand, there is still large income disparity between urban and rural areas. In rural areas improvement in fields such as health care and water supply seems to be an urgent matter. JICA supports improvement in fundamental quality of life in rural areas by fostering human resources engaged in maternal and child health care and providing access to safe water [→ see the **Case Study below**].

● Laos

The real GDP of Laos has been increasing in a stable manner at an annual rate of between 7% and the high 8% range as the country makes progress toward graduating from the ranks of least developed countries and achieving the Millennium Development Goals (MDGs), with a GNI per capita of \$1,460 in 2013.

JICA provides cooperation for building a foundation for economic growth that will be a driving force for the country's self-reliant and sustainable growth and for the achievement of the MDGs. In detail, JICA focuses on cooperation for the

Case Study

Cambodia: The Project on Capacity Building for Urban Water Supply System (Phase 3)

To Enhance Management Capacity of Provincial Waterworks

JICA has been continuously supporting human resources development in Cambodia's water supply operations. Technical capability improvement was a major priority in the past, but JICA started implementing projects with a focus on management aspects of water supply in 2012.

With Focus on Conversion into Public Corporations

The civil war extremely deteriorated the conditions of water supply facilities in Cambodia. To cope with this situation, the Japanese government and JICA helped create water-supply enhancement plans and provided financial assistance for facility improvement, and additionally started the Project on Capacity Building for Urban Water Supply System in 2003. JICA assisted in the enhancement of operation and maintenance capabilities of the water-supply facilities of the Phnom Penh Water Supply Authority in the project's Phase 1, and of the eight Targeted Provincial Waterworks (TPWs) in Phase 2.

Technicians were developed and the operation of water-supply systems at a certain

level was achieved through this cooperation. However, the fact remained that many TPWs do not have a good understanding of their revenues and operational costs, and JICA started extending its assistance in a new challenge to enhance management capability of eight TPWs in 2012 as the Phase 3 project.

Anticipating that each TPW will become a financially autonomous public corporation in the future, the project aims at enhancement of water-supply services by sustainable and stable management through assistance in capacity development for formulation and implementation of mid-term business plans for finance, customer management, facility management, organizational strengthening, and other aspects.

In this cooperation, staff members from



The Chief Advisor (shown at left), a Japanese specialist who provides training to TPW staff members in preparation and management of fundamental information such as financial statements.

the Phnom Penh Water Supply Authority, which were JICA's counterparts in Phase 1, act as local specialists to assist regional project activities for TPWs. Human resources developed in past cooperative efforts helps effective implementation of the project.

→ **Related video** *JICA's Water Project—Cambodia*, produced by JICA in 2012, <http://www.youtube.com/watch?v=ixHcnOnSIWs>

following priority areas: (1) Development of Economic and Social Infrastructure; (2) Agricultural Development and Forest Conservations; (3) Improvement of Educational Environment and Human Resources Development; and (4) Improvement of Health Care Services. JICA is also involved in removal of unexploded ordinance as a cross-sectoral issue.

Laos has recently been attracting attention for its 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. Helping to create a favorable climate for investment, JICA has extended its cooperation as ODA Loan and Grant Aid for establishing this East-West Economic Corridor, and Technical Cooperation for software aspects. JICA also extends its cooperation to further strengthen Laos's connectivity to neighboring countries, as seen in a decision to provide ODA Loan to assist expansion of the international terminal and construction of a new domestic terminal at Vientiane International Airport in 2013 [[→ see the Case Study below](#)].

● Myanmar

In Myanmar, where the new administration that took over in March 2011 has been implementing reforms for democratization and national reconciliation, economic growth is expected at an annual rate of over 6%. But at the same time, the country faces many challenges, including infrastructure development and establishment of legal systems.

To support reforms enacted by the Government of Myanmar,

JICA extends its cooperation with emphasis on three areas in line with the Japanese government's economic cooperation policy. First is assistance for improvement of people's lives in Myanmar. This includes support for ethnic minorities, development of rural areas, support for the poor, agricultural development, and improvement of health care. The first ODA Loan project in 25 years was provided in June 2013 for improvement of basic infrastructure (roads, electricity, and water supply) in rural areas. Second is assistance for development of systems and institutions to sustain the economy and society. This includes assistance for economic reforms in the form of policy recommendations and capacity development for policy-makers in the fields of economy and finance; trade, investment, and SME growth; and agriculture and rural development, as well as assistance in establishing legal systems. The Myanmar-Japan Center for Human Resources Development opened in August 2013 and started support for fostering human resources in the industry sector. The third area is support for improvement of infrastructure and related systems necessary for sustainable economic development. JICA's assistance includes formulation of master plans for the development of Greater Yangon and major sectors, as well as technical and financial cooperation for transportation including railroads, communication, water supply, and electricity.

● Viet Nam

Viet Nam has achieved stable economic growth through the reforms and open-door policy called the Doi Moi policy, with a per-capita GNI of \$1,730 in 2013 and annual real GDP increase

Case Study Laos: Vientiane International Airport Terminal Expansion Project

ODA Loan to Support Development of the Main Gateway into Laos

Vientiane International Airport is the main gateway to Laos and an important center of economic activity, including international tourism. JICA signed an ODA Loan agreement for the Vientiane International Airport Terminal Expansion Project in January 2014 to cope with the rapidly increasing number of air passengers due to Laos's recent economic growth.

Annual Passenger Numbers at About Twice the Planned Capacity of the Terminal

For Laos, the only landlocked country in ASEAN, with 80% of the land mountainous, air transportation is an indispensable mode of transportation for economic activities such

as cargo movements to and from surrounding countries, traveling, and international tourism promotion.

Japan has provided support to Vientiane International Airport in the past for construction of the international terminal, implementation of an air traffic control system, and other improvements, mainly as Grant Aid.

However, in 2012, the number of passengers passing through the international passenger terminal reached about twice the annual capacity planned at the time of construction in 1995, drastically exceeding the terminal facility's capacity, so urgent expansion became necessary. Peak period increase in the number of flights is also

difficult, and there are emerging issues such as the acceptance capacity for new airlines almost reaching its limit, with a background that includes a lack of terminal space to accommodate new airlines' counters and other clerical work. The domestic passenger terminal building was built 50 years ago, with evident deterioration and with an urgent need for reconstruction.

The project plans to cope with further increases in the number of passengers and to improve convenience, efficiency, and safety of the airport by expanding the international passenger terminal and constructing a new domestic passenger terminal.

Meanwhile, an "eco-airport" concept, aiming at environmental load reduction in airport operations, will be introduced in the new terminal facilities to achieve environmentally friendly enhancement using energy-saving and other technologies.

This project is expected to enhance the convenience of Vientiane International Airport, Laos's gateway, and contribute to the economic growth of the country.



Current view of Vientiane International Airport.

rates of 5–6% in recent years. Meanwhile, income levels in the rural areas, where approximately 70% of the population lives, are still low, and regional disparity is expanding.

The year 2013 was the 40th anniversary of the establishment of diplomatic relations between Japan and Viet Nam, and the governments of the both countries have agreed to take the bilateral relationship to the level of an “Extended Strategic Partnership.” Viet Nam has become an important country not only for the infrastructure systems export strategy of the Japanese government, but also for foreign direct investment (FDI) by the private sector. Japanese companies operate in Viet Nam, attracted by the 90-million-consumer market in addition to its diligent and rich reserves of labor force. Mutual cooperative relationships among universities as well as local governments have been maintained.

Becoming an industrialized country by 2020 is the main pillar of the national agenda of Viet Nam. There are three priorities: institutional development, human resources development, and infrastructure development. In this regard, JICA is extending multilayered cooperation with an emphasis on (1) accelerating growth and strengthening competitiveness; (2) responding to vulnerabilities for inclusive development, and (3) good governance. Besides the existing support for infrastructure development and strengthening of juridical and administrative functions, JICA’s particular focus covers reforms of state-owned enterprises and disposal of nonperforming loans in the banking sector, which could be the obstacles for economic growth. In terms of urban-rural disparity reduction, JICA supports the development of agricultural value chains from production, processing, and sales of agricultural products.

● Timor-Leste

In Timor-Leste, which achieved independence in 2002, a transition from reconstruction to development is ongoing. Although its per-capita GNI reached \$3,580 in 2013 with stable economic growth, the reality is that the majority of national revenue depends on oil and natural gas. One of the urgent issues is to diversify industry and create job opportunities in order to reduce the overreliance on revenue from natural resources. In order to achieve all this, developing human resources is key.

JICA has three cooperation programs: (1) Establishing Foundations for Promoting Economic Activities, (2) Agriculture and Rural Development, and (3) Capacity Development of the Government and Public Sector. The specific activities include: development of transportation infrastructure, such as roads; development of human resources in the area of engineering; technical cooperation and policy recommendations to promote agriculture; and technical cooperation for the government’s capacity development in formulation and implementation of development plans.

● Malaysia

The Malaysian government announced its New Economic Model in March 2010, and is now putting forth efforts to join the ranks of developed countries by 2020. Developed countries are considered to have a GNI of \$15,000 to \$20,000; Malaysia’s per-capita GNI was \$10,400 in 2013. Several issues must be



Celebrating Party for graduates under the “Higher Education Loan Fund Project (HELP),” a support program for study in Japan by Malaysian students in scientific fields.

resolved in order to achieve this goal: transformation into a high value-added economy; harmonization of development and environmental protection; and protection of the socially vulnerable.

In Malaysia, JICA’s cooperation focuses on three priority areas: (1) supporting balanced development toward Malaysia becoming a high-income nation; (2) responses to common issues in the Southeast Asian region; and (3) Japan-Malaysia Development Partnership beyond the Southeast Asia region.

JICA is implementing projects in the 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 including persons with disabilities; and cooperation for environmental conservation, including climate change measures [→ see the Case Study on page 85]. JICA is also assisting with regional issues of upgrading ASEAN connectivity in the field of customs and maritime security and infectious diseases, and South-South cooperation among ASEAN, African, and Islamic countries.

● Singapore

Singapore, which “graduated” from JICA’s ODA in fiscal 1998, and JICA have been cooperating with each other as partners carrying out approximately 10 to 15 training courses a year, mainly for other ASEAN member states under the Japan-Singapore Partnership Programme (JSPP) and JSPP21 since 1994. By fiscal 2013, 340 courses had been conducted with the participation of 5,923 individuals from 95 countries. In JSPP, courses are conducted in many fields; some courses are conducted in anticipation of the establishment of the ASEAN Community in 2015, such as courses on intellectual property rights and customs operations to accelerate ASEAN connectivity, and courses aimed at newer ASEAN member states (Cambodia, Laos, Myanmar, and Viet Nam) to assist disparity reduction within the ASEAN region. There are also courses targeting Small Island Developing States (SIDS), Timor-Leste, and Palestine.