

Private Sector Development / Energy and Mining / Governance



Of the 17 Sustainable Development Goals (SDGs), strongly associated 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 trade and investment promotion, small and medium-sized enterprises (SMEs) development, JICA provides broad-ranging assistance to develop industrial infrastructure, including support for promoting the mining industry, and the stable supply of

safe, low-carbon, and low-priced electric power.

JICA also strives to strengthen governance through its cooperation in establishing legal and judicial frameworks, making government more efficient and transparent. Through these activities, JICA is promoting sustainable growth as well as democratic and fair societies in developing countries.

Private Sector Development

The private sector serves as the driving force for economic growth in developing countries. Strong and comprehensive economic growth can be realized when private companies in various fields achieve dynamic growth and development and create higher added value. Still, in *Doing Business 2016*, the latest Ease of Doing Business ranking by the World Bank, 15 of the 33 countries in Asia and only 5 of the 47 countries on the African continent are within the top 100 countries.

In recent years, many developing countries have been focusing efforts on attracting foreign direct investment. Many Japanese companies, for their part, are actively establishing operations in developing countries by finding new markets and opening manufacturing bases in those areas. Through further reinforcement of collaboration between the two, JICA focuses on contributing to more effective private sector development in developing countries while enhancing mutually beneficial economic relations.

● Overview of the Issue and JICA Activities

While a wide range of factors, including macroeconomic stability, infrastructure development, and improved basic education, constitute important elements of private sector development, JICA focuses on the following fields: (1) developing policies and institutions for improving the business environment; (2) promoting trade and investment; (3) improving the competitiveness of local companies; and (4) tourism.

1. Developing Policies and Institutions for Improving the Business Environment

JICA assists developing countries to achieve an environment conducive to the activities of private companies and to realize the development of industries that serve as an engine for development.

Industrial promotion policy is a principal pillar for national development. JICA assists with drawing up these industrial policies focusing on various aspects depending on the situation in the partner country. JICA also assists with the development and operational improvement of legislative and

institutional infrastructure for business activities, including economic regulations such as enterprise law and competition law, intellectual property systems, standards and conformity assessment systems, tax administration, and financial systems.

In fiscal 2015, JICA launched a technical cooperation project in Indonesia that is designed to improve the intellectual property rights system. This project provides inclusive assistance that covers all facets of the system, ranging from capacity building for the enforcement aspects, including examination and court procedures by competent authorities, to improvement of the procedures for examining and drafting related laws and regulations.

2. Promoting Trade and Investment

In the global economy, the growth of developing economies fundamentally requires trade and investment with other economies. With this in mind, JICA focuses on the following aspects:

(1) Promoting Trade

Imports and exports of emerging and developing countries account for 45% in export value and 42% in import value of total global trade in 2014. It is obvious that trade plays an important role in economic development in developing countries. For furthering trade, it is essential to simplify and facilitate trade-related procedures, including customs, as well as to improve access to foreign markets by companies in developing countries.

(2) Promoting Investment

In direct investment in 2014, 55% of investment went to emerging and developing countries; thus, developing countries are becoming even more attractive as an investment destination for foreign companies. There are also moves on the part of developing countries to take advantage of foreign direct investment (FDI) as an engine to promote domestic industries.

JICA assists developing countries in improving the investment environment and proactively disseminating information on investment opportunities. To this end, it dispatches investment promotion advisors and supports the development of special economic zones. Under its development policy loan program, JICA also supports efforts to reform and improve the policy and institutional aspects of the investment environment.

In fiscal 2015, JICA's activities to support investment promotion in Africa included the dispatch of experts to Kenya, Ghana, and Zambia to build up the capacity of investment promotion organizations in these countries. In Ethiopia, JICA conducted a data collection survey. Based on this survey, it analyzed the investment environment in the country from a trans-African perspective and helped to develop an investment strategy.

3. Improving the Competitiveness of Local Companies

In order to improve the competitiveness of local companies, particularly SMEs, JICA is engaged in strengthening support services for companies and developing industrial human resources.

(1) Strengthening Support Services for Companies

Increasing corporate competitiveness requires enhancing corporate management resources: labor, technology, capital, and information. JICA assists the public entities that are SME support organizations in strengthening their business development services and in fostering industrial clusters.

(2) Developing Industrial Human Resources

Developing countries are showing strong interest in Japanese-style management and production management methods such as *kaizen*. In Asia, JICA takes advantage of its eight Japan Centers for Human Resources Development, called Japan Centers, to assist business training in the region, thereby developing human resources that are familiar with Japanese-style management and production management methods.

In Africa, JICA supports the promotion of the *kaizen* system to improve quality and productivity, which is the most typical Japanese-style management and production management

method [→ see the Case Study below]. It has trained *kaizen* advisors to enhance guidance for companies and other entities in seven African countries. In addition, JICA supports the establishment of human resource development centers for business and industry, as called for in the Fifth Tokyo International Conference on African Development (TICAD V).

The outcomes of all these kinds of assistance are expected to bring about mutual benefits to developing countries and Japan, as they will contribute both to industrial promotion in developing countries and to the activities of Japanese companies there.

4. Tourism

As the economies of developing countries grow, regional disparities have become a major issue in an increasing number of developing countries. In order to spread the benefits of economic growth widely to local residents, JICA supports industrial development benefitting local areas by effectively utilizing tourism resources.

In Myanmar, JICA supports the formulation of an integrated tourism development plan that involves a scheme to enhance the allure of the Bagan area as a tourism destination and accordingly develop tourism products and infrastructure that benefit the local community. Tourism projects in Jordan and Ethiopia emphasize the concept of preserving, displaying and utilizing the tourism resources including local nature, culture and ways of life, in a sustainable and unified manner with local people. To materialize this concept, JICA is supporting capacity development of public and private stakeholders and strengthening of collaboration among those stakeholders.

Case Study

Ethiopia: Project on Capacity Development for Kaizen Implementation for Quality and Productivity Improvement and Competitiveness Enhancement

Promoting African Industries with Japan's Management Know-How

Ethiopia, which is seeking to transform itself into an industrialized economy, is struggling to increase its industrial competitiveness through quality and productivity improvement. The Ethiopian government is taking the lead in promoting *kaizen* across the country.

Kaizen Is the Key to Growth

Convinced that *kaizen* holds the key to growth, the Ethiopian government established the Ethiopian Kaizen Institute (EKI) in 2011 at the strong initiative of the prime minister. With assistance from Japan, EKI has been training consultants and teaching *kaizen* to companies of any size, including large and micro enterprises. To date, more than 200 companies have introduced *kaizen*, increasing their productivity on average by 37.2% and reducing waste on average by 55.2%.

Ethiopia has been working to apply *kaizen* skills and promote the concept nationwide. Its five-year national development plan for 2015-2020 mentions the need for *kaizen* many times.

This project, launched in 2015, involves training EKI consultants with a view to

encouraging companies that are capable of basic *kaizen* activities to engage in company-wide *kaizen* efforts, including total quality management (TQM), and introduce an advanced *kaizen* program. The project also aims to strengthen the management capacity of EKI and support the development of institutions and mechanisms designed to promote and spread *kaizen* throughout the country.

In March 2016, JICA held a Kaizen Knowledge Sharing Seminar in Ethiopia and shared



EKI Director General Getahun Tadesse shares Ethiopia's experience at a Kaizen Knowledge Sharing Seminar.

Ethiopia's experience with the participants from 11 African countries and elsewhere. It is hoped that such knowledge sharing will allow *kaizen* to be widely practiced across Africa, eventually contributing to industrial promotion in the region.

Energy and Mining

Stable supply of quality electric power, meaning a safe and affordable power supply, and mining development are essential for building industrial infrastructure for developing countries as well as for improving the quality of people's lives there. As of 2015, some 1.2 billion people in the world have no access to electricity. About a half of those people are concentrated in Africa. Some estimate that, to rectify the situation, investment worth \$10 trillion will be needed by 2035.

Meanwhile, the development of energy and mining and the supply thereof are strongly required to adopt low-carbon operations to address climate change under the Paris Agreement of December 2015. It may be worth noting here that some 90% of CO₂ emissions from Japan originate from the energy sector and about 40% are associated with power generation. Efforts in this sector are essential in addressing climate change.

JICA is working on energy and mining issues with a focus on contributing to a stable supply of environmentally friendly natural resources and energy at low cost, according to the situation and needs of each partner country or region.

● Overview of the Issue and JICA Activities

1. Energy

Stable securement of low-cost, low-carbon energy is an urgent development subject for developing countries to achieve stable social economy and sustainable growth. However, many countries face a lack of necessary techniques, know-how, and funds, and even human resources in charge of policy planning

and implementation are limited.

To address these challenges, JICA seeks to attain balanced power supply that meets three requirements—low-cost, low-carbon, and low-risk, the “3 L’s,” with an eye on contributing to achieving SDG7: to ensure access to affordable, reliable, sustainable, and modern energy for all. Specific assistance is shown below:

(1) Promoting Better Access to Electric Power and More Stable Power Supply by Reinforcing National Grids

For many years, JICA has been committed to achieving better access to electric power and more stable power supply in developing countries by supporting the reinforcement of their national grids. In recent years, JICA has provided assistance for establishing an electricity master plan to Myanmar, Pakistan, Tanzania and other countries. It has also supported high-efficiency thermal power generation and assisted the development of power infrastructure, including power transmission and distribution networks, in many countries in Asia, Africa, and elsewhere. Reinforcing and extending national grids will enable stable power supply to a wide range of users, including those in the poverty.

(2) Promoting of Low-carbon Power Sources

Japan possesses world-class technology in geothermal power generation, which is renewable energy and stable base-load power sources. JICA provides a wide range of support, from resources development to the construction of geothermal plants in Indonesia, African Great Rift Valley countries that include Kenya, and Latin American countries.

Small island states, especially those in the Pacific region, need to reduce their consumption of imported diesel fuel and become more self-reliant in energy supply. In this regard, JICA assists

Case Study Academic-Government Partnership in Mining Pollution Control

Putting Japan's Experience and the Knowledge of Japanese Universities to Use for Environmental Pollution Control in the Developing World

Environmental pollution control is now essential for sustainable mining development. In this sector, joint initiatives are underway among Japanese universities that have expertise in mining pollution control, JICA, the Japan Science and Technology Agency (JST), and institutions in developing countries.

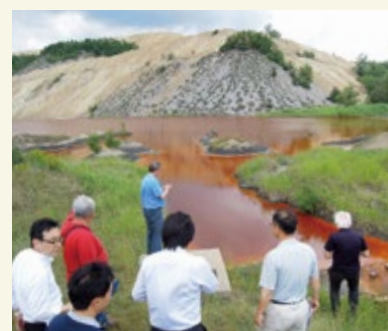
Serbia Jointly Developing Environmental Monitoring and Other Techniques

In Serbia, scientists have pointed out the possibility that tailings* at the Bor copper mine, which has operated for more than 100 years, are causing environmental pollution. The problem is that the potentially polluted area is huge due to the many years of operations. To make matters worse, it is difficult to pinpoint where high concentrations of pollution exist. Akita University of Japan and the Mining and Metallurgy Institute Bor of Serbia are now working together to develop a wide-area environmental monitoring technique that utilizes Japan's advanced remote-sensing technology and a tailing-processing technology that can recover recyclables.

Zambia Toward Elucidating the Mechanism of Hazardous Metal Pollution

Major concerns associated with mining development in Zambia include the pollution of water, soil, and other environmental resources as well as hazardous metals pollution in livestock and humans. The Blacksmith Institute, a U.S.-based independent environmental organization, has identified Kabwe as one of the ten most polluted places in the world.

This situation has promoted Hokkaido University of Japan and the University of Zambia to (1) elucidate the mechanism of how the pollution sources contaminate soil, ecosystems, humans, and animals; and (2) develop safe and economical techniques for environmental restoration.



Polluted water flows from the tailings.

Expectations are high for the outcomes of these activities in the two countries to be adaptable in other countries. JICA plans to continue its assistance for sustainable mining development in developing countries.

* The mineral-derived muddy waste generated from mines, smelters, chemical plants, and the like.

these countries in developing a “hybrid” power grid system that builds on the optimal use of diesel power generation and renewable energy.

(3) Pursuing Efficient Use of Energy

How to make energy use more efficient is another important issue. JICA assists Viet Nam, Bangladesh, and other countries in their energy-saving efforts. It also provides them with financial assistance for upgrading power transmission and distribution systems as well as technical cooperation for strengthening operation and maintenance capacity for the systems, thereby contributing to reducing power loss.

2. Mining

Mineral resources development not only has enormous socioeconomic implications; it is vital for sustainable development of the global economy as well.

A transition from the mineral-resource exploration stage to the production stage requires large amounts of capital and advanced technology, which in turn calls for the entry of foreign companies into the mining industry in developing countries. However, many developing countries’ governments have weaknesses in mining policy as well as legal systems and frameworks, and lack basic geological information and infrastructure. Keeping in mind both Japan’s need to secure natural resources and extending assistance to developing countries for the previously mentioned mining development issues, JICA selects countries and provides cooperation: (1) to improve the investment environment in terms of both software and hardware aspects by, for example, strengthening the administrative capacity of developing countries’

governments and developing peripheral infrastructure; and (2) to develop human resources. For the second objective, JICA has recently been working with Japanese universities to offer a training program in Japan, popularly known as the Kizuna Program (*kizuna* means “bonds of friendship” in Japanese). The program is aimed both at training government officials in developing countries who are responsible for mining development as well as at building and strengthening a human network involving Japanese people.

Governance

The term “governance” refers to not only administrative activities, but the overall social system in which the public and private sectors are also involved. Governance becomes the basis for the socioeconomic development of developing countries. Among the low-income countries, however, the average percentage of citizens who have confidence in the judicial system is as low as 20%, according to a 2014 survey. JICA is supporting various kinds of capacity development activities in the field of legislation, judiciary, administration and finance. Such cooperation is conducted from the perspective of assistance in democratic growth and development in developing countries by sharing universal values, such as freedom, market economy, and rule of law.

● Overview of the Issue and JICA Activities

1. Legal and Judicial Frameworks

Since 1996, JICA has been cooperating in (1) establishing

Case Study

Myanmar: Project for Modernizing the Funds Payment and Securities Settlement Systems

A Giant Leap for Modernizing Financial Markets with an Electronic Payment and Settlement System

JICA has supported the development of ICT systems for banking and monetary operations, especially the payment and settlement system of the Central Bank of Myanmar (CBM) by Grants to modernize the country’s financial sector. In this technical cooperation project, JICA is working to create an environment to facilitate the operation and maintenance of these systems.

Building on the BOJ’s System

In Myanmar, most interbank financial transactions were conducted manually, and even large-value payments and settlements were made by the delivery of bank notes. To tackle these inefficient and high-risk transactions, CBM-NET, a Real Time Gross Settlement

(RTGS) system that was developed based on the Bank of Japan (BOJ) Financial Network System (BOJ-NET), was put into operation in January 2016, paving the way for efficient and safe transactions. At the same time, CBM-OA, an in-house ICT system for the Central Bank of Myanmar (CBM), was also introduced for better

IT utilization.

This project began with a seminar, “Central Bank and Central Banking,” presented by the former BOJ governor in August 2014. To date, the project, in cooperation with the BOJ, has involved a range of activities, including development of rules, guidelines, and work flows as well as various training sessions in such fields as payment and settlement, monetary policy, ICT system operation and maintenance, and basic PC usage. Accounting and book keeping, which were traditionally done by hand, has been systematized and are now effectively operated in line with CBM-NET.

During the development stage, many unexpected incidents, such as damage to network cables by rats, were overcome by working with the central bank officials.

Building on the project’s achievements to date, JICA plans to assist in improving financial markets and developing the capacity for monetary operations in order to make better use of CBM-NET.



H.E. U Set Aung, Deputy Governor of the Central Bank of Myanmar, inspects a system test of CBM-NET (Photo: NTT Data Corporation)

and improving the legal framework, and (2) restoring legal and judicial frameworks and developing human resources for economies in transition and in post-conflict countries. Such assistance is delivered in cooperation with Japanese jurists. JICA's assistance is characterized by the utilization of Japan's experience in establishing its own legal framework and the long-term assignment of Japanese jurists to partner countries.

In fiscal 2015, JICA launched two projects in this sector. One is a follow-up project designed to ensure legal consistency and promote the Civil Code in Viet Nam. The other is a project in Indonesia that is aimed at (1) improving legal consistency in drafting and examining business-related laws and regulations, including intellectual property (IP) laws, and (2) strengthening the framework for protecting IP rights.

In Myanmar, Cambodia, and other countries, JICA assisted in developing laws and regulations, building their execution capacity, promoting the mediation system, and improving judicial practice. For the first time, JICA also provided training in criminal justice for the eight French-speaking African countries in Cote d'Ivoire.

2. 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 fiscal 2015, JICA sent an advisor to support the voter registration process to Cambodia, as requested by the Cambodian government. It also continued its assistance for the Office of the National Assembly in Viet Nam. In addition, JICA provided Ukraine with country-focused training to support the legislative branch and the media.

3. Public Safety

JICA is also committed to supporting developing countries in improving public safety in cooperation with Japan's police. Such assistance addresses a number of aspects, including (1) the democratization of police organizations, (2) *koban* community policing designed to promote crime prevention and deterrence based on trusting relationships with the public, and (3) criminal investigation skills as represented by expertise in criminal identification.

In fiscal 2015, JICA continued its project in Brazil that is aimed at disseminating *koban* community policing nationwide. Assistance in institutional and human resources development for promoting civilian community policing in Indonesia, Timor-Leste and other countries are ongoing. Training for Afghan women police officers was conducted in Turkey as well.

4. Public Administration / Public Financial Management / Finance

Public administration, public financial management, and finance constitute the basis for policy formulation, implementation and economic management in each country. Every donor agency

should pay adequate attention to the political and economic background of each partner country and put the country's reform process into in a medium- to long-term perspective, rather than seeking short-term outputs.

(1) Public Administration

In order to strengthen the comprehensive administrative functions of developing countries, JICA has been working on the enhancement of civil servant training and enhancing the planning capacity of local governments for better public service delivery.

In Viet Nam, JICA provided training on public sector reform and other policy issues for candidates for high-ranking official positions in the Communist Party. Of those who participated in this training, 33 were selected as members of the Central Committee at the party congress in January 2016. In the Dominican Republic, JICA supported to establish a mechanism whereby each city coordinates its development plan, which reflects local resources and needs, with the sector plans of central government agencies.

As part of its assistance in anticorruption measures, JICA supported institution building to ensure the integrity of government officials in Bangladesh. JICA also provided Ukraine with country-focused training on administrative and fiscal reforms and organized an anticorruption seminar in the country.

(2) Public Financial Management

Public financial management (PFM) constitutes a key sector that covers all the components that relate to the flow of funds for the public sector. It is a key development issue that influences everything from development planning to public-sector management.

In fiscal 2015, JICA shared its activities and international trends in the PFM sector along with its fiscal 2015 project research, the "Study on Economic and Fiscal Policies in Resource-Rich Countries," with the United Nations, the International Monetary Fund, and the World Bank. It also shared views with these international organizations, which showed strong interest in JICA's wide-ranging activities, including the introduction of performance-based budgeting, public investment management, internal audit, and public-private partnerships (PPPs).

JICA also continues its assistance in tax administration and customs administration, which play the pivotal role on the revenue side of public finance. JICA is supporting the introduction of a new customs clearance IT system in Myanmar, aiming at trade facilitation. In the east, west, and south subregions of Africa, JICA continued to set up One-Stop Border Posts to facilitate cross-border transportation as well.

(3) Finance

Finance constitutes a major part of the "soft infrastructure" that supports private sector development. In recent years, JICA's assistance in this sector has been increasing. In Viet Nam, JICA drew on Japan's experience to support the reform of state owned enterprises and the disposal of nonperforming loans. It also provided assistance to develop the capacity of the central banks to formulate monetary policies. In Myanmar, JICA has provided the central bank with assistance for modernizing the fund settlement system and helped to develop a stock exchange market. In this way, JICA supported financial modernization in Myanmar [→ see the Case Study on page 102].