

Cooperation with the Private Sector

Supporting Economic and Social Development through Private-Sector Business Activities

Making use of the networks and trusting relationships with the governments of developing countries, and the know-how in project implementation in the developing world gained through ODA over many years, JICA provides wide-ranging support schemes, as shown in the figure below, to produce better developmental results efficiently and effectively through further collaboration with the private sector.

Private-Sector Investment Finance

Economic and social development support in developing countries by the private sector

Of the Finance and Investment Cooperation provided by JICA, Private-Sector Investment Finance (PSIF) is a scheme to support—through the provision of loans and equity—private enterprises around the world, including Japanese companies that conduct business with high development outcomes in such sectors as infrastructure development, poverty reduction, and measures against climate change. Through collaboration with private and international financial institutions and combined operations with JICA’s other ODA programs and projects, JICA makes efforts to reduce various risks associated with projects and to further increase development outcomes. JICA is particularly strengthening cooperation with international organizations in order to promote co-financing. In fiscal 2019, JICA signed memoranda of cooperation (MOC) with the Agence Française de Développement, the African Development Bank, and the European Investment Bank. These came after JICA concluded an MOC with the U.S. International Development Finance Corporation in fiscal 2018.

In fiscal 2020, JICA approved 10 projects under PSIF. These

included the Local Government Infrastructure Support Project in Morocco, the Climate Change Management Project in India, and the COVID-19 Emerging & Frontier Markets MSME Support Fund (Private-Sector Investment Finance) among other projects aimed at supporting the vulnerable—including women, low-income people, and micro, small, and medium enterprises (MSMEs)—through local financial institutions. JICA also approved eight projects through the Leading Asia’s Private Infrastructure Fund, a JICA-funded facility in the Asian Development Bank.

Preparatory Survey for Private-Sector Investment Finance

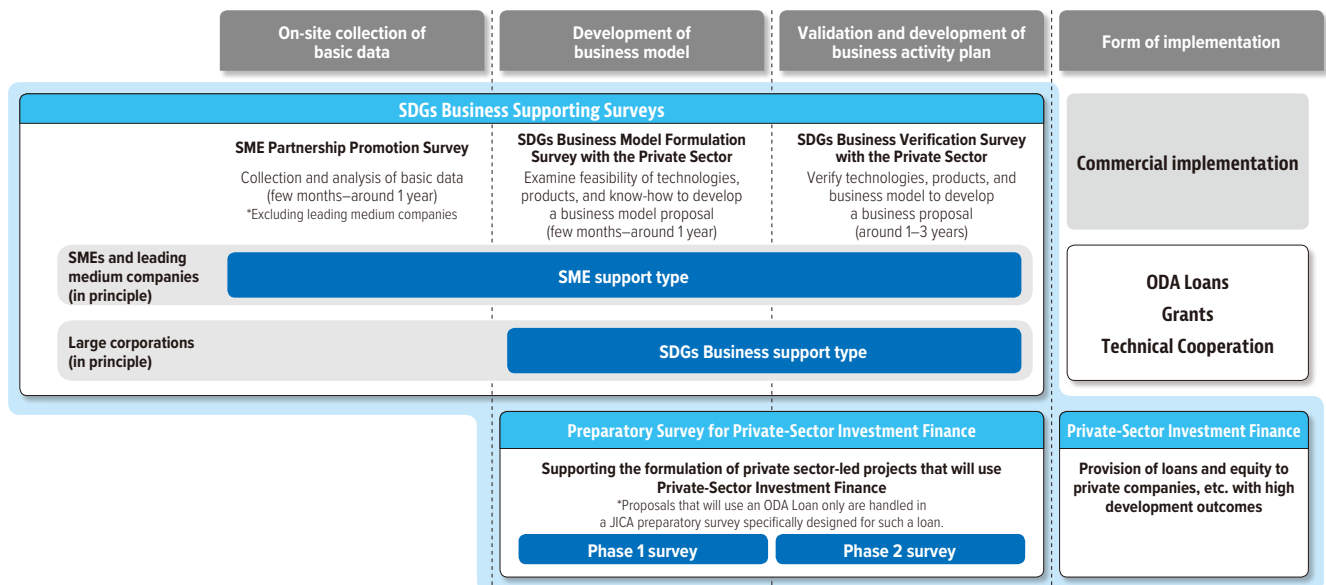
Supporting the formation of promising PSIF projects

This scheme is designed to identify and formulate projects that capitalize on the expertise of Japan’s private sector. Under the scheme, JICA entrusts the necessary surveys to private Japanese companies that have submitted promising proposals so as to develop project plans to be implemented that utilize PSIF.

Until April 2020, this scheme was known as Preparatory Survey for PPP Infrastructure Projects. By renaming the scheme, JICA made it clear that the scheme covers a wide range of projects, including non-infrastructure projects as well as pure private-sector business activities with no involvement by a developing country government. It also improved the scheme so that it is more readily usable for applicant companies. In fiscal 2020, JICA adopted four proposals under the scheme.

There are many challenges related to this kind of project in developing countries. These challenges include an inadequate investment environment in both physical and nonphysical aspects,

Available schemes and the flow of commercial implementation



Sri Lanka: Kawasaki Kiko Co., Ltd. adapted the specifications of its green tea ingredient analyzer to black tea and took advantage of JICA's support scheme to apply it to the quality control of Sri Lankan black tea. The photo shows an official at Kawasaki Kiko tea-tasting local tea leaves in Sri Lanka. He says that interaction with many local people involved in the tea industry during the survey convinced him that they are as much confident and proud of their tea industry as Japanese tea producers are. (Photo: Kawasaki Kiko Co., Ltd.)



difficulties in securing financial viability, and insufficient recognition of proper public-private role-sharing and risk allocation (insufficient support from developing-country governments). Therefore, in addition to supporting individual projects by the private sector, JICA is promoting comprehensive efforts for the establishment of projects by cooperating in the establishment of associated policies and institutions and strengthening implementation capacities.

SDGs Business Supporting Surveys

Supporting the creation and deployment of businesses that help developing countries achieve the SDGs

SDGs Business Supporting Surveys is a program based on proposals from private companies. It is aimed at building win-win relationships between developing countries that want to use Japanese technologies, products, and know-how for addressing their challenges and Japanese companies that seek to venture into developing-country markets. This program is made up of two types: (1) the “SME support type,” for which small and medium enterprises and leading medium companies are eligible in principle; and (2) the “SDGs Business support type,” for which large corporations are eligible in principle. The program offers three support schemes for different purposes for different business phases: SME Partnership Promotion Survey, SDGs Business Model Formulation Survey with the Private Sector, and SDGs Business Verification Survey with the Private Sector [→ see the figure on page 52].

Of the proposals submitted in response to open calls made from fiscal 2010—when JICA launched private-sector partnership programs—through fiscal 2020, JICA adopted an aggregated total

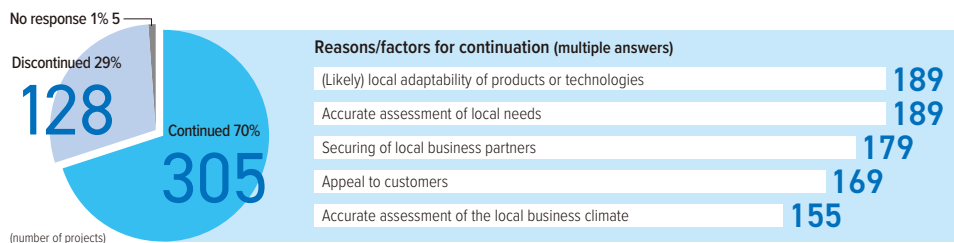
of 1,333 proposals under this program, including 116 in fiscal 2020. In the second open call in fiscal 2020, JICA introduced the category of “remote implementation” whereby the survey is carried out by local human resources without Japanese personnel traveling to the partner country. JICA adopted 26 proposals under this new category, which was introduced in response to the COVID-19 pandemic. JICA also created the category of “cooperation with Japanese regional financial institutions,” which gives preferential treatment to proposals that involve the participation of employees at regional financial institutions in the survey. Under this category, JICA adopted seven proposals.

JICA conducted a follow-up survey of companies that implemented projects that took advantage of this JICA program. The survey, which covered 438 projects in total, showed that “business expansion was ongoing” for some 70% of the projects even after their term of the program expired. Of these projects, as many as 74% were “accomplished” in any of the following three categories: “securing new overseas business partners and customers,” “setting up overseas subsidiaries, offices, or representative offices,” and “starting local production or service delivery.” One such company was OSUMI Co., Ltd., based in Yokohama, Kanagawa Prefecture,

Number of proposals adopted out of those submitted in response to open calls during fiscal 2020 (breakdown)

category	SME Partnership Promotion Survey	SDGs Business Model Formulation Survey with the Private Sector	SDGs Business Verification Survey with the Private Sector
SME support type	26 surveys	48 surveys	18 surveys
SDGs Business support type	—	13 surveys	11 surveys

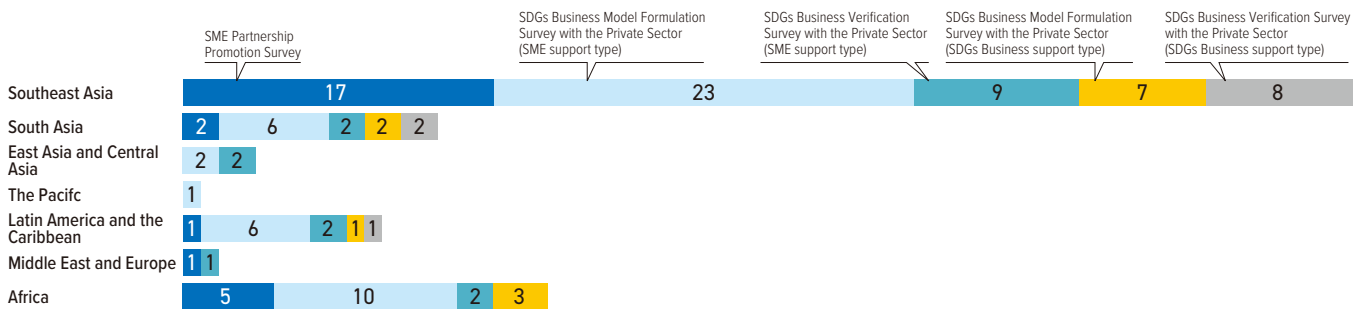
Continuation status of business expansion in target countries (for 438 projects for which the term of SDGs Business Supporting Surveys expired before March 2020)



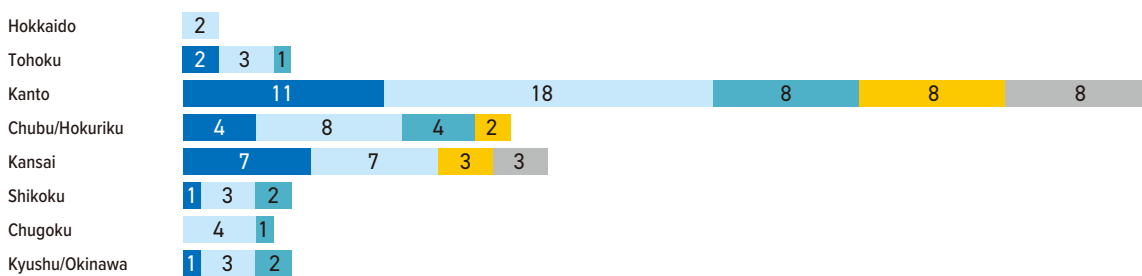
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Number of regional banks and credit unions/co-ops that have signed an MOU for cooperation with JICA by the end of fiscal 2020

Number of adopted surveys by world region in fiscal 2020



Number of adopted surveys by region in Japan in fiscal 2020



as shown in the picture below. In October 2020, the company set up a local subsidiary in the Vietnamese city of Da Nang, with which the city of Yokohama had signed a memorandum of understanding (MOU) on technical cooperation.

In addition to these existing proposal-based programs, JICA introduced the Data Collection Survey on Potential Utilization of Japanese Private-Sector Technologies in Developing Countries Affected by COVID-19. Under this new program, JICA sought applications from Japanese companies for the use of their products and technologies in four sectors, including the global environment



Viet Nam: OSUMI Co., Ltd. leveraged this JICA program to conduct simple energy-saving analyses of businesses and plants. Now, with a base set up in Da Nang, the company is aiming to expand business in the country.

and health care. In fiscal 2020, JICA adopted 40 applications in total.

Contribution to regional revitalization augmented by cooperation with other organizations

Support for SMEs in their business expansion overseas through SDGs Business Supporting Surveys is contributing to regional revitalization and giving a much needed boost to some local economies in Japan. This is made possible by the appropriate application of local traditional technologies and technologies jointly developed with local universities. A case in point is Kawasaki Kiko Co., Ltd., based in Shimada, Shizuoka Prefecture. This company is engaged in the business that utilizes its black tea ingredient analyzer in Sri Lanka. In cooperation with the University of Shizuoka and tea-related businesses, the company aims to revitalize the tea industry in both Sri Lanka and Japan [→ see the photo on page 53].

JICA has been stepping up partnership with external organizations as well. Partnerships with organizations with which JICA had signed an MOU for cooperation have been making progress by taking advantage of respective strengths. For example, the Organization for Small & Medium Enterprises and Regional Innovation is now providing hands-on support (in the form of expert assignment) to 27 private companies that capitalize on JICA's private-sector partnership programs. In fiscal 2020, JICA also offered more online seminars than in previous years. In addition to seminars for sharing some of the issues facing developing countries, JICA held more than 60 seminars on SDGs business for SMEs, attended by a total of over 3,000 participants.

PROJECT

Aiming to Disseminate Energy-efficient Air Conditioners in Brazil

Leveraging Japanese expertise for energy-conservation policy

Air conditioners can save energy if they are equipped with an inverter that controls the rotation speed of the motor of the compressor, which plays the pivotal role in air conditioners. Daikin Industries, Ltd., which has advanced technology in inverter development, was facing an uphill battle in Brazil, one of the largest economies in Latin America and the Caribbean. The country's Standards & Labeling regulations for air conditioners were quantitatively lax in terms of methodology. That meant the company's highly efficient air conditioners have not been properly evaluated, so their strengths could not be demonstrated to Brazilian consumers. In Brazil, as power demand was increasing, there was an urgent need to tighten up the nation's energy-saving policy, not least to reduce CO₂ emissions. Meanwhile, no major revisions had been made to Standard & Labeling regulations for air conditioners for about 10 years. Cheap but energy-inefficient air conditioners dominated the domestic market, adding to environmental impact through increased power demand.

Daikin Industries thought that solving this problem required collaboration among industry, government, academia, and civil society. Capitalizing on one of JICA's SDGs Business Supporting Surveys, Daikin launched the Collaboration Program with the Private Sector for Disseminating Japanese Technologies for Environment-friendly Energy-efficient Air Conditioner in 2018. The program quantified to what extent the dissemination of highly efficient air conditioners with a built-in inverter would reduce power demand and GHG emissions based on demonstration tests conducted by three universities in Brazil. The findings were used to request that the Brazilian government introduce ISO 16358-1, a set of international standards for performance evaluation, and revise its energy-efficiency standards.

In the autumn of 2019, the program invited a group of Brazilian government officials, notably those at the Ministry of Mines and Energy, to Japan. They exchanged views with their counterparts at the Agency for Natural Resources and Energy of Japan and made on-site visits to Daikin's facilities, including the Shiga Plant and the Technology and Innovation Center (TIC). In this way, they shared energy-efficiency technologies and knowledge of energy-



Brazilian government officials on a tour of Daikin Industries' Shiga Plant in Japan as part of JICA's private-sector partnership program

efficiency policies. Ms. Nao Yanagawa, who coordinated the on-site visits, recalls, "Brazilian government officials often asked so many questions at each site that they sometimes stayed significantly longer than scheduled. I was very impressed at how eager they were to learn in order to put their experience here to good use for regulatory revision back home."

Developing trusting relationships and overcoming difficulties

At the outset of the program, Daikin Industries was not well-known in Brazil. The company had a hard time winning the trust of the Brazilian government. With support from JICA, however, the company gradually developed trusting relationships by working with local universities and NGOs and a national laboratory in the United States as well as by sharing objectives and issues. In addition, some members of the group of Brazilian government officials were in Japan under JICA's training program. This apparently made it possible to launch the program based on a sense of trust that the Brazilian side had in Japan. As the program progressed, however, some difficulties arose. For example, there was an abrupt personnel change of a Brazilian government official, and the COVID-19 pandemic made traveling abroad impossible. Although these problems were overcome by remote means such as web-conferencing, it would not have been possible without trusting relationships with the Brazilian side.

Bringing air conditioners that meet new standards to consumers

These efforts paid off. In July 2020, Brazil's energy-conservation regulations were revised. The new regulations adopted the proposed international standards, raising the country's energy-efficiency standard values above those of major Southeast Asian countries, which are said to be relatively strict among emerging economies. Mr. Kazuma Koyama at Daikin Industries says, "Brazilian consumers will be able to choose products in terms of both performance and price. Clear differentiation from other products will hopefully add a major boost to the popularization of highly efficient inverter-type air conditioners in Brazil. Leveraging this experience, we want to help build a framework for disseminating products with lower environment impact in other countries as well."



A Daikin Brazil plant that manufactures environment-friendly energy-efficient air conditioners