JICA Global Agenda for
No. 4 Private Sector Development

Strategy on the Promotion of Investment and Industry in Asia

Japan International Cooperation Agency (JICA) works toward the achievement of the Sustainable Development Goals (SDGs).

2024.5

1. Purpose

1.1 Purpose of the Strategy

This Strategy on the Promotion of Investment and Industry in Asia (hereinafter the "Strategy") has been prepared to achieve the goals of the JICA Global Agenda for Private Sector Development.

The purpose is to develop growth-driving industries in the country through the combined focus on Investment Climate / Industrial Policy, business linkages, and strengthening business competitiveness with the ultimate aim of achieving sustainable and inclusive economic growth[1]. The intent of the Strategy is to effectively expand development projects in the region and achieve sustainable and quality economic growth.

1.2 Overview

As the global economic map has transformed since COVID-19, it is important that each country's industries are newly integrated into the global supply chain. Under these global economic trends, developing countries are required more than ever to develop new industrial structures and investment climate, and to continue "quality growth" that is both sustainable and resilient. The Strategy targets the Asian region, where there are many middle-income countries which have strong economic relations with Japan. It aims to promote the expansion of direct investment by Japanese and other developed countries companies through the formulation and implementation of government measures, policies, and related legal framework to promote investment and industrial development, as well as the improvement of the business environment, including better access to finance. At the same time, JICA will implement comprehensive measures to strengthen the capacity of local domestic enterprises through human resource development in cooperation with the private sector and consultants, and to strengthen business linkages among companies.

To avoid the middle-income trap and achieve higher growth in the future, the Strategy sets out a phased scenario for building an effective and efficient ecosystem with other countries in the global value chain.

The Strategy will help to achieve Sustainable Development Goals (SDGs) Goal 8[2] "Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all," Goal 9[3] "Build resilient infrastructure, promote inclusive

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[1] Ensuring that the benefits of development are passed on to the enterprises that carry out various businesses and the people who work in them, and that growth is achieved without creating economic disparities.

[2] Target 8.2 "Achieve high levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value-added and labor-intensive sectors." Target 8.3 "Promote development-oriented policies that support productive activities and decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small-, and medium-sized enterprises, including through access to financial services."

[3] Target 9.2 "Promote inclusive and sustainable industrialization and, by 2030, significantly raise industry's share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries" Target 9.3 "Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets"

and sustainable industrialization and foster innovation," and Goal 17[4] "Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development."

2. Current Situation and Development Approaches

2.1 Current Situation of Development Issues

Growth in the private sector, which generates the majority of GDP, is essential for countries to achieve sustainable economic growth. However, in achieving sustainable private sector growth, many countries face the following development challenges:

(1) Economic structure dependent on export of primary commodities

In the early stages when the economic structure has not yet matured, the primary sector[5] accounts for the majority of GDP, and in many cases primary products account for the majority of exports due to underdeveloped processing technology and cold chains. In general, primary commodities are subject to highly volatile international market prices, and an economic structure dependent on primary commodities results in a structurally unstable and fragile economy, as trade revenues are also highly affected by fluctuations in international market prices. In addition, if the export products are not diversified and the economy relies on the export of a limited variety of primary products, there is no way to cover losses in the event of crop failure or a fall in international prices of such products, causing the economic situation to deteriorate rapidly. To avoid such a situation, it is necessary to promote, upgrade, and diversify secondary and tertiary industries. However,developing countries are often unable to break away from their fragile economic structure due to a lack of policies, technology, funds, and human resources.

(2) Absence of national strategic industrial policies for promoting industry

To realize industrial promotion that supports sustainable growth, it is important to establish strategic industrial policies at the national level. It is necessary to identify industries that have the potential to secure a comparative advantage internationally and participate in global value chains, as well as industries that can substitute for imports. In addition, it is essential to put in place budgetary measures, preferential policies, and human resource development to foster these industries as a national policy, and to ensure that they are implemented consistently

[4] Target 17.11 "Significantly increase the exports of developing countries, in particular with a view to doubling the least developed countries' share of global exports by 2020" Target 17.17 "Significantly increase the exports of developing countries, in particular with a view to doubling the least developed countries' share of global exports by 2020"

[5] The Japan Standard Industrial Classification defines primary industries as "agriculture, forestry, fishing, mining, etc.," secondary industries as "construction, manufacturing, electricity/gas/water supply, etc.," and tertiary industries as "information and communication, transport, wholesale and retail, finance and insurance, real estate, accommodation and catering, lifestyle-related services, education, services, etc."

regardless of changes in government administration, etc. However, there are cases with challenges such as the absence of industrial policies or lack of initiatives at the national level, and lack of policy coherence due to political instability.

(3) Undeveloped business environment for promoting the manufacturing sector and investment

As investment, including from foreign countries, is expected to significantly impact on and play a role in the growth of the domestic private sector and the transformation of the economic structure described in (1) above (promotion, upgrading, and diversification of secondary and tertiary industries, etc.), it is essential to improve the business environment to attract or encourage investment. However, there are often issues with legal framework, licensing and approval systems, deregulation (setting incentives), or predictability, transparency, and inefficiency in the operation of these systems, which act as barriers to investment promotion and require urgent improvement.

(4) Low competitiveness of enterprises due to insufficient manufacturing technology, quality control capacity, management expertise, human resource development, etc.

The private sector in developing countries generally faces challenges in technology, quality control and management, and expertise to take steps to improve them, such as developing human resources within the company, sharing information and expertise within the industry, and making improvements based on relationships with business partners in their countries. These shortcomings are an obstacle to the improvement of the competitiveness of enterprises. For this reason, it is essential to enhance the domestic BDS (Business Development Service)[6] and other services and to provide them to enterprises in an efficient and effective manner. The approach to supporting enterprises differs depending on the case; for example, if enterprises are unable to analyze the factors and problems that prevent them from strengthening their competitiveness, when they lack access to information on BDS and financial services, or if the BDS and financial service delivery systems and institutions are weak.

(5) Insufficient initiatives for upgrading industries to incorporate the latest technologies

Even when the private sector achieves a certain degree of growth, leading to industrial development and economic growth, the next challenge is to maintain sustainable growth, as typified by the so-called "middle-income trap." The main reason for this is the relative decline in international competitiveness due to rising labor costs, the catch-up of late-emerging economies, and the widening gap in technological capacity with advanced economies. To avoid this situation and achieve sustainable growth, it is necessary to introduce the latest technologies and upgrade industries, but for the private sector to take action is not easy due to unclear approaches, a lack of human resources who understand and can incorporate

[6] The BDS Guideline Principles issued by DCED (then the Committee of Donor Agencies for Small Enterprise Development) in 2001 defined BDS as "services that improve the performance, market access, and competitiveness of enterprises" and include training, consultancy, marketing support, technology development and business linkage promotion provided to individual enterprises (The Committee of Donor Agencies for Small Enterprise Development, 2001).

technologies, difficulty in bearing the burden of capital investment to introduce higher-specification production machinery, and a lack of support from the public sector. Therefore, in many cases, industrial upgrading is a major challenge.

(6) Weak business linkages

In promoting active trade and related activities by companies, which are essential for promoting industry, obtaining foreign direct investment (FDI) will enable the local companies to become partners of the foreign companies, and through business transactions, a certain amount of technology and management expertise can also be expected to be transferred. Thus, it is important and effective to strengthen cooperation between companies and relevant institutions and to build and strengthen business linkages. By attracting investment from foreign companies that are also give consideration to the environment, society, and human-rights, it can be expected to contribute to the sound development of industry. However, it is not easy for companies in developing countries to identify the level of management, technology, and capabilities that those foreign companies require, and improve their own attractiveness, which they often lack the opportunities to do so. In many cases, there is a lack of understanding of the other party's needs and expectations, which is essential for building relationships, and the establishment of business linkages is also a development issue.

2.2 Approaches to Development Cooperation

(1) Promotion of the manufacturing sector

One of the measures mainly addressed in response to the aforementioned development challenge in 2.1 (1) (economic structure dependent on exports of primary products) is promotion of the manufacturing sector. For instance, Thailand is one of the countries that has achieved such rapid economic growth which is described as an East Asian Miracle.

From the 1960s until the onset of the Asian currency crisis in 1997, Thailand followed the economic growth trajectory described below (OECD, 2021).

[1960s-early 1970s].

The economic structure relied on the production and export of primary commodities and agricultural products. Exports of rice, rubber, and other products were the basis of economic growth. The Thai government promoted the development of economic infrastructure such as roads and dams, and the diversification of agriculture. It also established the Board of Investment in 1966. In the same year, a treaty of amity and economic relations was signed with the US, which gave preferential treatment to US investors, who were exempted from various regulations.

[1970s].

In the 1970s, the Thai government stepped up its industrialization efforts, favoring capital-intensive industries such as textiles, automobiles, and pharmaceuticals, and setting high tariffs to promote import substitution. The aim was to reduce dependence on import products, save foreign currency, increase the added value of domestically produced and manufactured goods, and move away from an economic structure dependent on agriculture. On the other hand, markets were also opened to foreign companies in sectors where their development required foreign capital, such as textiles and automobiles. As mentioned above, American investors were exempt from those regulations.

[1980s-1996].

Although the Thai government had been promoting import substitution, from around 1980, it became difficult to continue such policy due to the worsening terms of trade for agricultural products, the second oil crisis (1979), and the appreciation of the US dollar, to which the local currency, the baht, was pegged (and a corresponding rise in interest rates and devaluation of the baht). The Thai government shifted its policy to promote export, by lowering tariffs, eliminating export taxes, and exempting import taxes on raw materials and other goods. As a result, exports were promoted. Thailand's central bank also promoted introduction of a special credit facility for exporters. These policies made the country an attractive investment destination for FDI, especially from 1985 onwards, and brought in investment from Japan, Singapore, and other countries. Competitive labor costs, backed by an abundance of human resources with basic education, were another attraction for investors. Exports of manufactured goods expanded rapidly and the share of light industry, such as garments and leather goods, grew. Later, exports of products requiring more advanced technology, such as electronics assembly, computer accessories, and motor parts, also increased.

During this period, for example, the Japanese government provided technical cooperation in promoting the manufacturing sector through Official Development Assistance (ODA), supporting the development of the meat processing, furniture, and metal processing industries etc. from the 1970s to 1980s, promoting supporting industries in the 1990s, and human resource development in the automotive-supporting industries in the 2000s. In addition, from the early 1980s to the early 1990s, in response to the "Eastern Seaboard Waterfront Development Plan," which promoted the establishment of a new industrial base in Thailand, the Thai government promoted heavy and chemical industries and export-oriented industries in the Eastern Seaboard Area located southeast of Bangkok, with the Japanese government providing full support for the development of industrial parks, ports, railways, roads, water pipes, and other infrastructure with Japanese ODA Loans which helped to promote investment in the region (Japan Bank for International Cooperation, 2000). At the same time, since the late 1980s, the Japanese government has cooperated in the field of Small and Medium-Sized Enterprises (SME) policy and dispatched individual experts, and provided two-step loans to promote SMEs (JICA, 1989, 2013).

As for approaches by non-Japanese donors to encourage manufacturing, United States Agency for International Development (USAID) and Directorate-General for International Cooperation (DGIS: Netherlands), for example, have provided assistance to improve the technological capabilities and export capacity of partner companies as a measure to encourage trade relations between their countries and the partner countries. The German Agency for International Cooperation (GIZ) has supported technological capacity building by operating technology demonstration labs where partner companies can test new manufacturing technologies, and International Finance Cooperation (IFC), which has a support strategy to foster manufacturing and has developed support at the enterprise, sectoral and government levels, respectively, tailored to each country's industrial promotion needs and development stage (Department for International Development (DFID), 2019).

(2) Support for the formulation of industrial policy

As mentioned above, to promote industries with limited resources, it is important to formulate industrial policies, set guideline and grasp the challenges faced by the private sector in the industry concerned, and implement national support measures to solve these challenges.[7]

One of the leading development approaches to the challenges of the absence of industrial policy and lack of action at the national level is policy dialogue.

For example, in “The Economic Development Policy in the Transition toward a Market-oriented Economy” (commonly known as the “Ishikawa Project”), which was conducted by JICA as a joint study between Japan and Viet Nam from 1995 to 2001. A team of about 20 economists and government officials from Japan and Viet Nam worked together to make policy recommendations on industrial policy, trade policy, and fiscal and monetary policy for the transition from a socialist planned economy to a market economy and for the formulation of a sustainable economic development plan (Ohno, 2018). As the name” dialogue” implies, issues and policy options were discussed between the two sides to deepen mutual understanding, and at key milestones, reports were also presented to the then General Secretary of the Communist Party and opportunities were set up to exchange views (Ohno, 2018). The results of the dialogue were reflected in the formulation of the Five-Year National Development Plan, which literally supported the country’s development and brought about many achievements in sustainable economic growth. These achievements included shock relief from the economic crisis in the Asian financial crisis due to the emphasis on agriculture, and avoidance of carrying out high-risk projects (Katsurai, Kobayashi, 2006).

Industrial policy dialogues have also taken place with Ethiopia for more than ten years. In 2008, the then Prime Minister Meles expressed a desire to stimulate industrial development through direct intellectual exchange with Japan, the country that had created the East Asian Miracle, and intensive policy discussions were conducted between top leaders including the Prime Minister and ministers of Ethiopia, Japanese ministry officials, researchers, JICA and Japan External Trade Organization (JETRO). Also, a series of activities consisting of research activities, surveys, and exchanges in third countries in Asia and others, practice at project sites, and discussions with other donors were being implemented (Ohno, Amatsu, and Hosono, eds., 2022). In a wide range of areas (such as medium-term planning, quality and productivity improvement, investment promotion, industrial park development, export promotion, individual industry development policies, technology transfer, and business linkage creation), the experiences of Asian countries were presented with international comparisons and factors of success and failure. Those were used in policy making by the Ethiopian government, such as promoting the export of leather products, revising investment laws, and providing one-stop services for efficient investment licensing (Ohno, 2018).

As for approaches by non-Japanese donors to formulating industrial policy, such as the Enhancing the Quality of Industrial Policy (EQuIP) project by GIZ and United Nations Industrial Development Organization (UNIDO). In formulating industrial policies, the project has developed a toolbox to provide evidence-based options on the competitiveness of the country’s industrial sector, potential areas for further promotion, upgrading and job creation, and the potential for industrial diversification, to strengthen policy formulation capacity

[7] However, it is important that the formulation of industrial policy should take into account the national and international situation, as cases of “government failure” due to excessive intervention in industry cannot be ignored.

through the use of these options. There are examples of support for formulating sub-sectoral industrial development strategies and policies for their implementation in Viet Nam, and to effectively promote development strategies and policies in Cambodia[8]. In addition, since 2011, USAID has been working with partner governments and bilateral donors to implement the Inclusive Growth Diagnosis (IGD)[9], which can help identify constraints to private-sector growth to help determine which policies to concentrate on.

(3) Business environment development

As foreign investment is essential for stimulating sustainable economic growth and domestic private sector development, it is important to create an attractive business environment for investors. Therefore, it is required a multi-pronged approach, including policies, laws, institutions, and regulations.

The Donor Committee for Enterprise Development (DCED), a donor community in the private-sector development field, released a report on Business Environment Reform and Investment Promotion in February 2019, drafted by a JICA-led task team. Beside private investment being a key input for achieving the SDGs, the report identifies each donor as focusing on ODA functioning as an intermediary for private-sector investment and business environment reform, and at least at the project and program level, business environment reform efforts and investment promotion measures by donors have a positive impact on new investment, job creation, and income growth. Therefore, business environment development and private investment are dynamically linked (JICA/DCED, 2019). According to the study, donors are restructuring their cooperation programs on business environment reform and investment promotion under the SDG framework as initiatives with broader objectives, such as job creation, poverty reduction, SME development, productivity improvement, and overall growth.

Specific examples of these efforts include: the presentation of policy options to attract more FDI through investment reform maps and investment competitiveness diagnostics by the IFC; identification of barriers to private investment through economic data analysis and legal and regulatory reviews; capacity building and strategy development of investment promotion agencies; establishment of investment incentives; SECO's (State Secretariat for Economic Affairs: Switzerland) efforts to improve the business environment, with agribusiness, manufacturing, and tourism as priority sectors; JICA's Ethiopia Industrial Policy Dialogue; and JICA's investment promotion cooperation in Myanmar (Thilawa Special Economic Zone, Long-term Foreign Direct Investment Promotion Plan and dispatch of investment promotion advisors) (JICA/DCED, 2019).

JICA has also provided support to improve the business environment by offering development policy loans and support through a combination of financial and technical cooperation. For example, in Indonesia, through a series of development policy loans since 2004, JICA has supported Indonesian policy reforms by reflecting in the policy matrix the improvements required by the private sector to promote investment, such as reducing the number of days to start a new business, facilitating import and export procedures, and reducing business transaction costs. In Bangladesh, Myanmar, and other countries, JICA

[8] https://www.equip-project.org/equip/project/

[9] https://www.usaid.gov/economic-growth-and-trade/growth-diagnostics#:~:text=An%20inclusive%20growth%20diagnostic%20(IGD,or%20sector %20of%20an%20economy.

has also combined financial and technical cooperation to support development of special economic zones (SEZs), systems related to the licensing, customs clearance and deregulation required for their development and operation, and structuring a framework to efficiently facilitate investment applications from investors and the issuance of licenses and permits (one-stop service provision).

In Bangladesh, to help attract FDI, JICA is supporting the development of infrastructure surrounding special economic zones (such as site fill and access roads) through Japanese ODA Loans, providing financing (two-step loans) to companies, including Japanese companies entering the zone, investing in infrastructure development projects through the Public Private Partnership (PPP) method, and investing in companies responsible for the development, sale, and operation of special economic zones. In addition, the technical cooperation "Project for Promoting Investment and Enhancing Industrial Competitiveness" was implemented with the Bangladesh Investment Development Authority (BIDA), Bangladesh Economic Zones Authority (BEZA), Ministry of Industries and others as counterparts. The project has been comprehensively advocated to develop the business environment, strengthen SEZ management systems, formulate promotional measures for target industrial sectors, implement pilot projects for forming linkages, and strengthen capacity of BDS agencies. In terms of improving the business environment, the project promoted: revision of guidelines for the overseas remittance system and the foreigner work-permit system, which were heavily requested by foreign investors; introduction of telegraphic transfers for import settlements; and introduction of an after-care function for stakeholders who attended investment seminars, who are likely to be prospective investors in the future. The Project also worked on introducing a one-stop service for investors and tenants in SEZs, which accepts and efficiently approves applications for 107 permits and approvals in one package, the legal basis for this service, and formulating standard operating procedures for permits and approvals.

(4) Strengthening the capacity of BDS providers

One of the typical development cooperation approaches for strengthening business competitiveness is to reinforce the capacity of BDS-providing organizations or their personnel.

The BDS Guideline Principles issued by DCED (then the Committee of Donor Agencies for Small Enterprise Development) in 2001 defined BDS as "services that improve the performance of the enterprise, its access to markets, and its ability to compete." This definition includes training and consultancy services provided to individual enterprises, marketing support, technology development, and business linkage facilitation (The Committee of Donor Agencies for Small Enterprise Development, 2001). Many donors, including DFID, GIZ, International Labour Organization (ILO), and the World Bank, have been cooperating on BDS for many years as an effective way to improve enterprise performance and competitiveness. Furthermore, a Working Group on BDS has been formed in DCED and the guidelines and donor co-ordination mentioned above have been developed. However, as stated in the guidelines, it is recognized that the role of government is to create a business-friendly environment, not to provide direct support to companies, and that BDS should be provided on a commercial basis and donors should cooperate on this basis. On such a foundation, cooperation has been developed, for example, by GIZ and USAID mainly to strengthen the capacity of private BDS providers, and by the ILO to develop business service packages (content to be provided as BDS).

JICA has been involved in the development and capacity building of BDS-providing organizations and human resources, including the training of BDS providers, cooperation based at the Japan Centers, and cooperation using *Kaizen* (continuous improvement) as a tool.

For example, in Malaysia, since 2006, in the “Project on Development of Human Resource for Small and Medium Industries” and Phase 2 of that same project, had been implemented through cooperation in the formulation of training plans and the development of SME counsellors who can provide appropriate advice to SMEs after analyzing their problems and needs, for staff of Small and Medium Industries Development Corporation (SMIDEC) / SME Corporation Malaysia (SME Corp.).

In addition, Japan Centers, which have been established in nine countries in East and Central Asia and Southeast Asia since 2000 (continuing in seven countries), have been working to strengthen the technical and operational capacity of the Centers themselves, as BDS providers, to train managers, entrepreneurs, and middle managers on a fee basis.

Furthermore, cooperation using *Kaizen*, a Japanese initiative to improve quality and productivity in manufacturing, as a tool, has been extended from Asia to other continents, starting with Singapore in 1983 (at the request of then Prime Minister Lee Kwan Yew). For example, JICA has been implementing technical cooperation in Ethiopia since 2009. The Ethiopian Government has given high praise regarding *Kaizen*’s effectiveness and, on the initiative of the then Prime Minister and other top leaders, established the Ethiopia Kaizen Institute (EKI)[10] in 2011 as the world’s first government organization bearing the term *Kaizen*. EKI has been cooperating in the process of establishing a system to disseminate *Kaizen*, including the training of *Kaizen* Consultants and the introduction of a qualification system. Moreover, the government has supported EKI in becoming a core BDS provider, helping to strengthen the competitiveness of businesses.

(5) Industrial advancement

To maintain a certain degree of competitiveness and sustainable growth in the international market, companies need to adopt the latest technologies. With the development of new technologies such as the Internet of Things (IoT) and Artificial Intelligence (AI), the use of these technologies in industrial activities has become a matter of course, and new business models and value creation are being developed.

Changes are also taking place in the manufacturing sector. As typified by Germany’s Industry 4.0 strategy, through the fusion of the workplace and cyberspace, the Fourth Industrial Revolution (4IR), which links value chains by networking industrial facilities and production processes and managing them in real time from order receipt to shipment, is gaining momentum. Recently, not only in Asia but also in Africa, rapid technological innovation in developing countries, such as leapfrogging, has been observed, therefore various development models can be envisaged without adhering to Asian-style gradual growth. For example, emerging economies such as Thailand, Malaysia, and Indonesia have also launched policies[11], which is a global trend. On the other hand, the situation as to whether this is accompanied by feasibility differs from country to country; for instance, even developed countries often still face challenges in dealing with 4IR in the manufacturing sector.

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[10] Renamed Kaizen Excellence Center (KEC) in 2022.

[11] For example, Thailand published Thailand 4.0 (2015); Malaysia, Industry 4WRD (2018); and Indonesia, Making Indonesia 4.0 (2018), which are also the basis for cooperation in each country.

According to the “Data Collection Survey on Upgrading Manufacturing Industry Using the Latest Technology” conducted by JICA (final report in 2022), it is recognized that information security and productivity risks arise from the “smartened” production of multiple products at manufacturing sites where people are in charge. The report also cites the following issues: the lack of cost and IT human resources; the assumption that it will cost much more than necessary; the uncertainty of where to start; and the lack of reform awareness among management due to the fact that the current situation is sufficiently profitable.

It is particularly difficult for SMEs to take risks, and they tend to act late. Informing them about any small initiative that is relatively inexpensive, the subsidies and other schemes available, encouraging practical initiatives on the ground with subsidies, and matching them with system integrators who can analyze the problems and provide solutions are effective ways. Developed countries themselves are also currently working through a process of trial and error to upgrade their industries in the flow of the 4IR, and it is hoped that the support measures will be concretely implemented in the future and lead to growth while learning in both directions in the process.

(6) Strengthening business linkages

As a measure to promote private-sector and industry growth, linkage formation, which involves the establishment of business relationships with foreign companies, is considered effective because it would involve the transfer of technology and management expertise, leading to enhanced business competitiveness and business expansion.

JICA has also been active in forming business linkages between foreign companies and local companies, through technical cooperation in Bangladesh and the activities at the Japan Human Resources Development Center (known as the Japan Center)in other countries. In the pilot project in Bangladesh under the “Project for Promoting Investment and Enhancing Industrial Competitiveness”, local plastic companies were matched with foreign companies, and a model production line for motorcycle parts was set up to support the improvement of production and quality management, thereby creating business linkages that enable local companies to meet the requirements of foreign companies. In the Project on Champions for Societal Manufacturing implemented in India, and the activities of the Japan Centers, efforts have been made to provide venues that help to connect between local companies and foreign companies, including Japanese ones, through organizing business meetings and running matching events.

3. Development Scenarios and Key Concepts

3.1 Development Scenarios

(1) Establishing focus areas

In the Strategy for investment promotion and industrial development, various factors are intricately related and give rise to challenges that are difficult to solve. If the overall goal is to achieve sustainable and inclusive economic growth, it is necessary to create various environments to develop industries that have a comparative advantage. However, fostering an investment climate and domestic industries to maximize their attractiveness are complementary to each other, so it is crucial to build business linkages between companies to facilitate them. Therefore, considering the status quo of the development issues, three main focus areas have been set: “Investment Climate / Industrial Policy” as an external initiative (investment attraction), “Strengthening Business Competitiveness” as an internal initiative (improving cooperate attractiveness); and “Business Linkages” to connect the previous two issues.

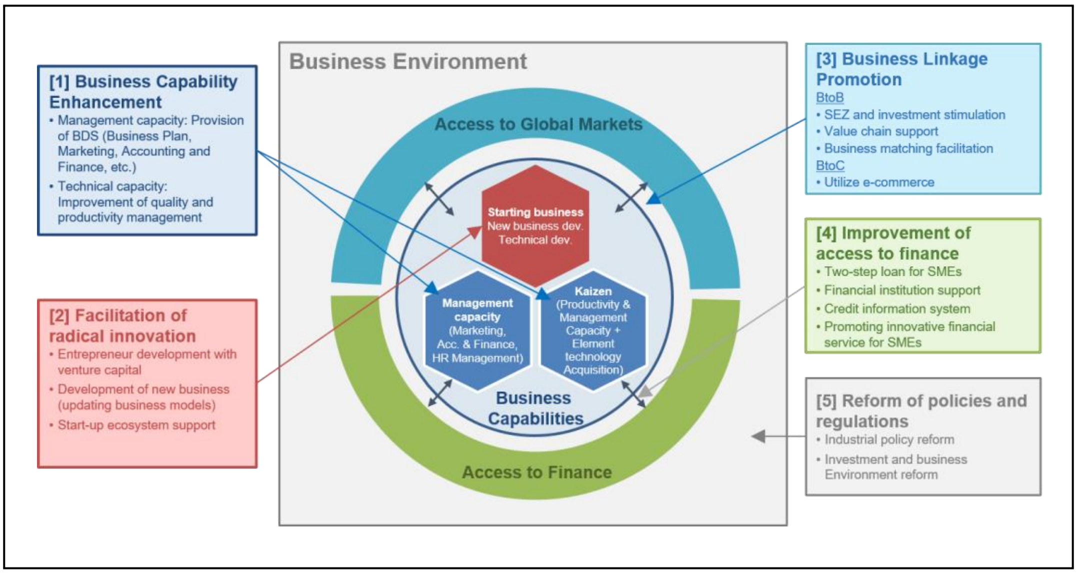


Figure 3.1 Private Sector Development Global Agenda cuts and approaches

In the Private Sector Development Global Agenda, the approach to the area is organized in way that five cut-off points are set out to improve access to markets and finance. Among these, three are designated as focus areas except for promotion of radical innovation and improvement of access to finance, which fall within the scope of another strategy.

Investment Climate / Industrial Policy: Foreign investment has the potential to bring in superior technology and expertise, transfer foreign capital, create jobs, and encourage innovation and high value-added technology strategies. Countries, including developing countries, compete to improve their investment environment to attract foreign investment, so it is essential to create an environment superior to that of other countries. However, developing countries cannot allocate sufficient budgets for stimulating industry due to tax revenue problems, and are also unable to introduce effective industrial policies. Accordingly, they fail to improve the investment environment and attract foreign enterprises.

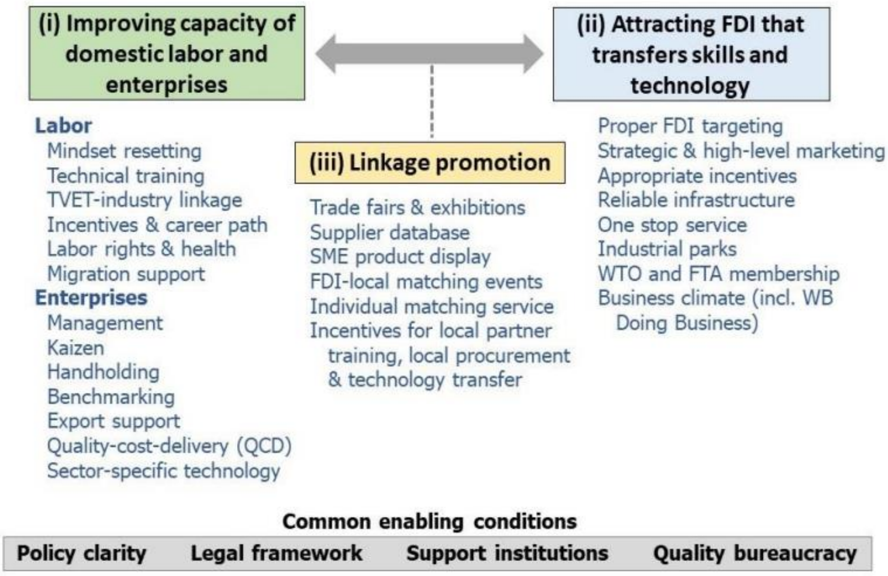
Business Linkages: Individual companies have limited resources and cannot boost the industry as a whole. For this reason, it is essential to establish business linkages between enterprises to strengthen the attractiveness and competitiveness of enterprises as an integrated entity. In particular, linkages with FDI enterprises can deliver opportunities for domestic companies to participate in global value chains.

Strengthening Business Competitiveness: Many domestic companies with competitive advantages, which make them attractive to foreign companies, are also immature due to the lack of a business-friendly environment. As a result, foreign companies that try to enter the market struggle to find local partners.

These focus areas do not exist separately but interact with each other. Therefore, no single one of them can be missing, and each of them will improve the state of affairs in a spiral of phases.

Creating Business Linkages: A Policy Perspective (UNCTAD: 2010) also identified the three-issue area framework as a systematic and highly sustainable approach.

The GRIPS report (FDI Policy for Enhanced Value Creation in Ethiopia Situation Analysis and Policy Proposals: 2021) also reports that these are closely related and affect overall industrial development. Based on this hypothesis, the projects have been developed and initiatives have been presented in Viet Nam and Ethiopia[12]. Efforts in Bangladesh and Myanmar are underway and will be reviewed to see how the results are manifesting.



GRIPS Development Forum Report (2021): "FDI Policy for Enhanced Value Creation in Ethiopia – Situation Analysis and Policy Proposals."

Figure 3.2 Relationships between focus areas

By providing solutions to these three focus areas, according to the size and complexity of the problem, internationally competitive industries can be created and the launch of new businesses in the country can be promoted, and eventually an ecosystem can be built to generate innovation by integrating and utilizing various management resources. The following are some of the key elements of the project.

The development phases of the scenario in the Investment Promotion and Industrial Development Strategy are divided into four phases: In the first phase, the basic environment

[12] Ethiopia FDI Policy Report (https://www.grips.ac.jp/forum/pdf22/EthiopiaFDIReport_final2.pdf) (2022, pp.69-70)

is developed; in the second phase, investment and industrial development initiatives are launched in the improved environment; in the third phase, initiatives are promoted by functioning of the ecosystem; and in the final phase, the economy develops sustainably.

As each country is in a different phase of development in each issue area, this is only a conceptual arrangement and does not imply that a uniform approach should be taken. However, to ensure efficient and effective cooperation with the targeted developing countries, it is necessary to determine which phase the country concerned is at and consider a standard approach to cooperation according to the phase.

(2) Stories for each phase

<Phase 1: Improving the basic business environment>

Attractive investment destinations for foreign companies are countries that have market access advantages, stable macroeconomy, foreign exchange system and policy, well-developed infrastructure, a high-quality workforce, and a growing number of supporting industries. It is also important that the country has high economic growth potential and business costs are low compared to other countries, including Japan. Besides enhancing these attractions, efforts should be made to deregulate, focusing only on rational and transparent regulations to attract investment. For this reason, many countries have set up special economic zones and investor protection measures to develop industrial parks and introduced one-stop services to streamline investment licensing and approval. Some countries are also improving their business environment, such as by promoting formalization of the informal sector. To develop the investment environment and foster industry, it is important to formulate and improve industrial policy in line with the country's situation. Industrial policy is a policy on how to allocate resources between industries in a country and how to spur competition within industries by intervening in the organization of industries within a particular industry. This also provides direction for the industry. In accordance with this policy, investment promotion will be achieved through developing investor protection legislation and the continued relaxation of various regulations. To create a fruitful industrial policy, it is important to form a framework in which domestic and foreign companies, business support organizations, and investors can consult constructively and continuously with the government of the country concerned.

One way to develop domestic enterprises is to collaborate with foreign companies, but the only way to do this is to gradually improve and upgrade both sides, as in the chicken first or egg first debate. To develop domestic enterprises, it is necessary to develop a comprehensive range of management resources for enterprises. Development of medium and large-sized enterprises includes capacity building for management and employees, facilitating access to finance, and providing and utilizing various BDS services. In addition, nurturing start-ups, which are a source of innovation, is also essential for revitalizing industry and economic growth. For start-ups, the following support measures are effective: providing financial support in the form of loans, tax measures and subsidies; offering acceleration services; strengthening intellectual property protection; supplying various kinds of expertise and knowledge; and setting up systems or regulations that allow special exceptions to existing laws. Moreover, it is important to create a social environment in which start-ups can easily grow through these support measures, and to establish a mechanism to provide various support measures to compensate for companies' lack of management resources.

To attract foreign companies while strengthening the competitiveness of domestic companies, it is vital to reinforce the linkages between the two. In general, there is a large information gap between them, and that lack of information often hinders proper risk assessment, hindering the entry of foreign companies and linkages with local companies. Companies must strive to disseminate accurate information, measures are also required for governments and other reliable organizations to compile and provide this information, while setting up opportunities to meet other enterprises. One way of strengthening linkages in the initial phases is through setting up industrial parks: establishing physical meeting places will make attracting foreign companies easier and strengthen linkages with them.

Phase 1 targets countries whose legal system for improving the investment environment and the support system for domestic enterprises are inadequate, which cause GDP to grow slowly and the local currency to stay weak.

<Phase 2: Implementing investment and industrial development initiatives>

Once an industrial policy has been formulated, measures to spur investment are examined through the analysis of growth industries and the formulation of an industrial promotion vision and action plan. In addition, when considering such measures, it is essential to focus on the foreign investors' perspective on the country, and important to introduce a practical approach to attracting investment.

It is also important to link investment support with industrial promotion, and to grasp that the promotion of supporting industries will attract many foreign companies. By fostering attractive domestic enterprises, there will be strong partners for foreign companies to enter the business world.

Boosting business competitiveness requires a two-prong approach: financial and non-financial. The ILO (2015) states that "access to finance and entrepreneurship training can contribute to income generation and the creation of more and better jobs, especially if they are offered as a package." The challenge is how public institutions and private management consultants can introduce BDS, how to develop the capacity of these management consultants, and how to shape the pool of human resources. Whether the main management consultants should be provided by public institutions, or the private sector needs to be carefully considered, taking into account the availability of tax revenues and budgets for business support in the country concerned, and the existence of actors such as management consultants. Particularly in developing countries, private companies have very limited access to finance, but this should also be supported by the government. Measures are needed not only to directly shape the financial services from government financial institutions, but also to indirectly facilitate the loans by private sector financial institutions. It is necessary to investigate the root causes of the current reluctance of financial institutions to provide loans, from various perspectives such as collateral, information, and financial capacity, and to support the creation of a system where both businesses and financial institutions can share risks.

In addition, simply growing domestic enterprises in both quality and quantity, often does not promote collaboration because foreign companies cannot obtain accurate information on domestic companies. For this reason, a system needs to be built in which trusted organizations, including public institutions, can provide company information in an easily understood and accurate manner.

Phase 2 targets countries in which minimum legislation and regulations have been introduced and both public and private services are provided to support enterprises, but the growth of the domestic enterprises that lead the entry of foreign capital and industry is limited.

<Phase 3: Enabling ecosystem to function for promoting investment and industry>

Once domestic companies have grown and started attracting foreign investment, it can be expected that further investment will increase in a spiral manner by improving the dissemination of information to public and private stakeholders involved in promoting investment in the country and by building further networks.

To train management consultants and provide BDSs at a broad scale, BDS organizations should be established. These organizations would contribute to developing enterprises' capacity and improve their access to finance. Then, as the management capacity of domestic enterprises increases, so will the business opportunities with both domestic and foreign companies. Business opportunities can provide domestic enterprises with a range of knowledge and skills as well as resources such as funds or technologies, leading to the enterprises boosting their management capacities. For this reason, linkages with domestic and foreign companies will be strengthen through, for example, the introduction of an enterprise linkage service.

On the other hand, the companies should create linkages not only with other businesses, but also with governments, non-profit organizations, or the informal sectors. The connections with those actors can expand the new ecosystem and deliver a compounding effect.

At this phase, it is crucial to constantly check whether ongoing policies and measures are consistent with industrial policy so that various initiatives that involve many stakeholders do not diverge, and their effects do not become discrete.

In Phase 3, targeted countries are expected to call in a certain amount of foreign capital, have well-grown industrial clusters domestically, hold a wide range of international linkages among/between companies, and receive new resources through such linkages.

<Phase 4: Sustainable economic growth>

When direct and indirect investment are promoted, the linkages between growth-driving industries will expand their linkages to other enterprises, and spread accumulated technologies and expertise, which leads to inclusive economic growth. The transition to a new policy that fosters novel industries with updated action plans for promoting investment will help develop industries that can compete in a global market, while at the same time producing companies that occupy a certain position in the global supply chain. In doing so, it will be necessary to further ease regulations, as well as make remaining regulations reasonable, transparent, and easy to understand both internally and externally.

As for industrial linkages, companies that entered the global supply chain, in particular, will proceed with business negotiations with foreign companies. By utilizing the linkages between themselves and other domestic enterprises, cooperation will expand to a wide variety of actors to form an ecosystem.

From the perspective of strengthening business competitiveness, there needs to be a shift from labor-intensive to knowledge-intensive enterprises as they transfer to high value-added industries. Therefore, we strengthen corporations with both a national and international research institution, support innovation, and incorporate advanced technologies and expertise into business activities. From this perspective, the countries will focus on building an ecosystem involving academia.

In Phase 4, targeted countries are expected to attract more foreign capital, show an increasing number of domestic enterprises entering the global supply chain, and push new innovations from active interactions between those enterprises.

(3) Conceptual diagram of a Development Scenario

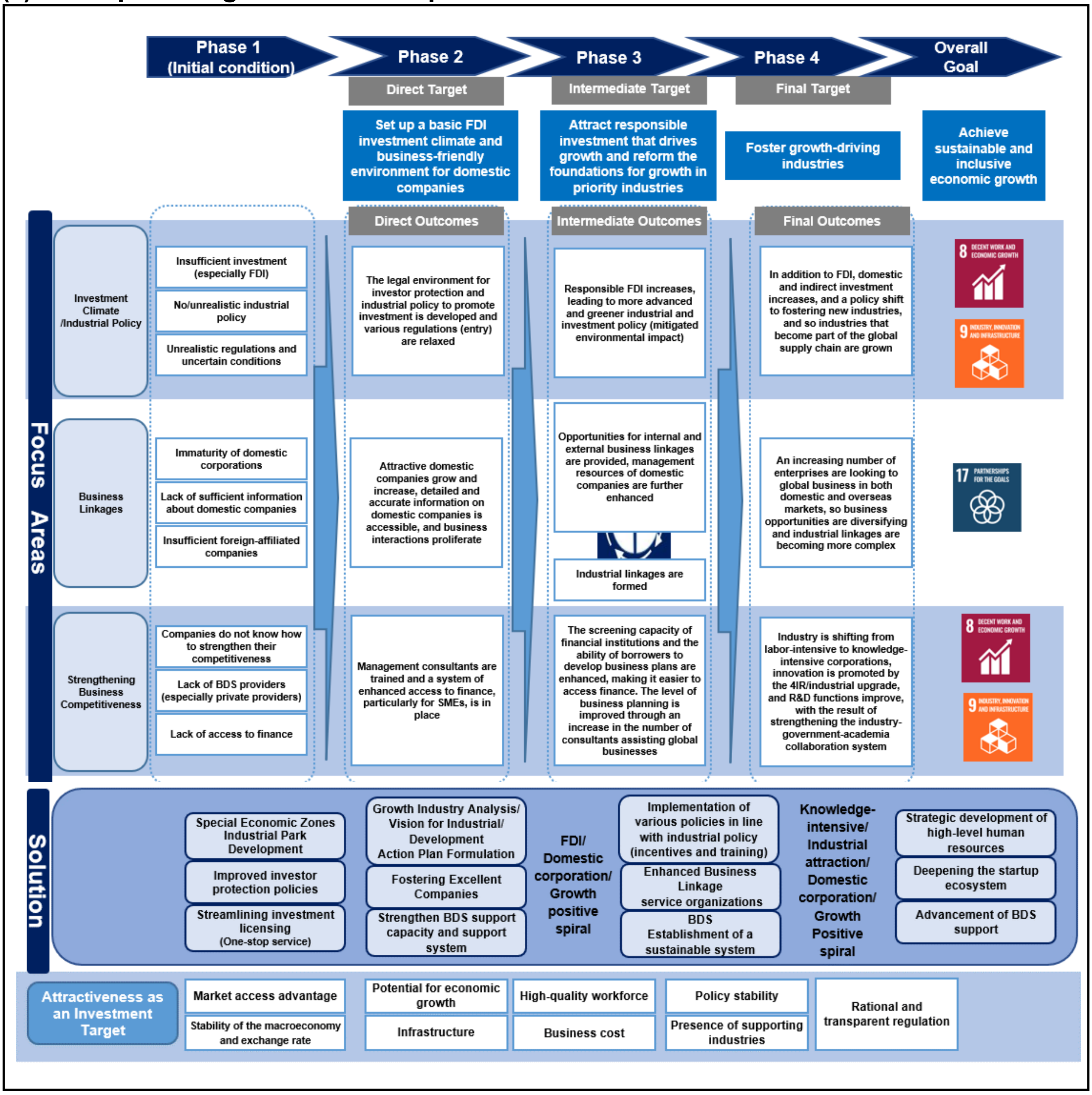


Figure 3.3 Conceptual diagram of a strategy scenario

3.2 Rationale for the Scenario

The three main focus areas (Investment Climate/Industrial Policy, Business Linkages, and Strengthening Business Competitiveness) are interrelated, and improve in a positive spiral.

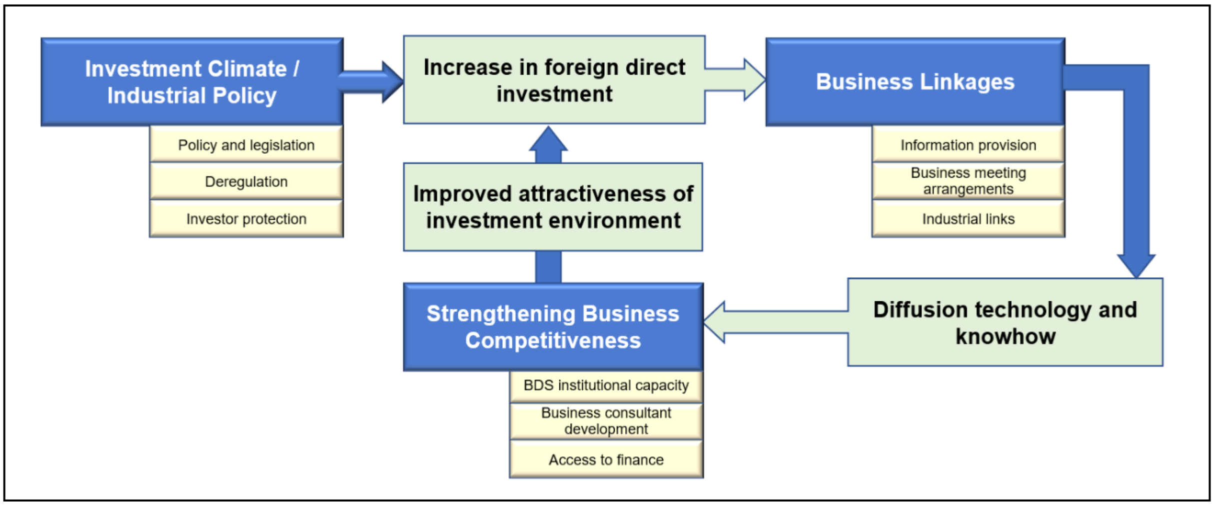


Figure 3.4 Relationship between focus areas and positive spirals

Trade with foreign companies and FDI can be increased by the government limiting excessive industrial protection, opening up markets, and creating an investment climate to attract foreign companies. By promoting linkages between foreign and domestic enterprises that have entered the market, the transfer of technology and expertise will occur more frequently, thereby raising the competitiveness of domestic enterprises.

Known as the East Asian Miracle, the 23 East Asian countries have achieved a much higher growth in GNP per capita of 5.5% between 1965 and 1991 than other regions due to the development of basic conditions such as helpful investment environments and industrial policies.

(1) Investment Climate / Industrial Policy

With the globalization of the world economy, trade and FDI play a more important role in economic growth as trade and investment promotion is expected to expand markets, introduce more capital, new technologies and management expertise, boost income and employment, and strengthen the activities of domestic private companies. The cooperation related to the trade and investment of developing countries is positioned as a typical growth-oriented cooperation aimed at economic growth.

China, India, Viet Nam, and Bangladesh have achieved high economic growth rates since the 1980s, as they have focused on exporting industrial products and services and have aimed to enter the global value chain with through policies such as improving the investment environment and promoting trade and FDI. Alongside these efforts, there is an expectation to realize "responsible investment," which concerns the environment, society, and human rights by revising the legal system, developing human resources, business cooperation, and fostering organizations to support business.

International frameworks such as the Aid for Trade (AfT) and the Policy Framework for Investment (PFI) have been formed, led by international organizations such as the WTO and the OECD. Within these frameworks, almost all donors undertake projects to help improve the investment climate and industry. Developing on its PFI, the OECD has recently launched the FDI Qualities Initiative[13], which encourages “quality investment” that benefits the host country.

Japan’s ODA has actively provided comprehensive support for infrastructure development, institutional development, and human resource development that help to promote trade and investment. JICA has also provided technical cooperation, ODA loans (including development policy loans), and grants as follows: capacity development in investment policies and institutional administrative functions; business environment reform such as infrastructure development, promotion of trade and reduction of impediments to trade; and strengthening business competitiveness. As a result, the East Asian region, including ASEAN and China, have demonstrated remarkable economic growth and poverty reduction.

For example, JICA’s technical cooperation project in Bangladesh, “Project for Promoting Investment and Enhancing Industrial Competitiveness,” was implemented with the aim of “contributing to industrial upgrading and diversification” by promoting FDI, enhancing domestic industrial competitiveness, and advocating for the formation of linkages between the two. The project resulted in the following achievements: formulation of Automobile Industry Development Policy improvement of the investment climate identified in public-private economic dialogue; and implementation of efficient investment licensing procedures in Economic Zones (provision and operation of one-stop services).

(2) Business Linkages

The World Bank also reports in “Foreign Direct Investment, Backward Linkages, and Productivity Spillovers (2020)” that linkages between FDI firms and domestic enterprises have a domino effect on improving productivity, for the following reasons. First, FDI firms place tough demands on domestic firms in terms of quality and cost-effectiveness, which can be resolved smoothly through linkages. Second, FDI companies can easily share information on product specifications and production processes. It also facilitates information feedback from domestic companies to FDI companies. Third, it will make it easier for domestic companies to actively receive support and assistance for technology diffusion from FDI companies.

UNCTAD has also reported that business linkages are one of the best ways for SMEs to lift their competitiveness and acquire a series of key missing assets, such as access to international markets, finance, technology, management skills, and expertise (UNCTAD 2001, 2005), and it has conducted several business linkage-building programs.

In Malaysia, UNCTAD worked with SMIDEC, Malaysian Investment Development Authority (MIDA), and the like to reinforce business linkages in the 1990s, resulting in several successful examples of SME development arising from partnership with Multinational Corporations (MNCs).

[13] https://www.oecd.org/investment/sustainable-investment/ In the same initiative, indicators for “quality investment” (2019, with a particular focus on four areas: productivity and innovation, employment quality and human resources development, gender equality and low-carbon growth). The initiative has developed and published a toolkit (2020), a donor guide (2022), etc.

In Singapore, business linkages have helped to promote technology transfer in domestic companies and improve their productivity when an extensive network of SMEs was developed to provide mechanical parts and services to MNCs in key industries. By helping domestic enterprises to raise their capacity, the project has succeeded in establishing supplier relationships with major MNCs.

JICA provides opportunities to create business linkages via cooperation with support organizations that have a network with enterprises to help local companies in developing countries establish relationships with foreign-affiliated companies, including Japanese ones. The Japan Center projects implemented in various countries focus on strengthening the management resources of domestic businesses and providing business opportunities for them. For example, JICA have organized business meetings in collaboration with the Organization for Small & Medium Enterprises and Regional Innovation, JAPAN (SMEs Support, JAPAN).

(3) Strengthening Business Competitiveness

One of the effects of the above investment promotion activities is the transfer of advanced technology and expertise from foreign companies to domestic ones through joint development between companies and technical guidance from foreign businesses. The enhanced competitiveness of these enterprises and the resulting growth encourage job creation and higher incomes, and the rise in consumption drives economic growth. Sustainable growth in the private sector contributes to achieving SDGs Goal 8 (Promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all).

As direct support for the internationalization of enterprises, information support, networking support (support for exhibitions and business meetings, business matching), risk management support such as trade insurance, and financial support are actively implemented. To strengthen the capacity of institutions that support enterprises, there is a need to provide both financial and non-financial assistance. Therefore, assistance to train management consultants who provide BDS and strengthen SMEs' access to finance are provided. In Indonesia, a system of SME Management Consultants (*Shindan-shi*) and human resource development has been established to boost the capacity of human resources supporting SMEs. Also in Viet Nam, capacity building of institutions supporting SMEs has been carried out.

Private sector development in JICA has focused on strengthening the capacity of BDS institutions that contribute to strengthening business competitiveness and on the training of consultants who provide support to enterprises, excluding the capacity building for financial institutions. Although the Governance and Peacebuilding Department is directly in charge of strengthening the capacity of financial institutions at JICA, it would be effective to work closely with BDS institutions on these initiatives and provide coordinated support to improve their access to finance.

4. Implementation Directions

4.1 Basic Policy for Strategy Development

(1) Basic policy

- Based on the fact that the growth of enterprises is a source of job creation and enrichment of people's lives and is still the key to a country's economic development, the focus is to create a positive spiral among a) linkages between domestic and foreign enterprises, including b) investment, and c) strengthening business competitiveness.
- The above strategy will be implemented mainly in the Asian region, where there are many emerging and middle-income countries that have strong economic relations with Japan.
- In line with the situation in each country (phase of economic development, political and economic system, relationship with Japan, etc.), a combination of support will be provided to improve the investment environment, expand industrial policy, promote inter-business linkages, and reinforce business competitiveness.
- In view of the Strategy's objective of inclusive economic growth, programs have to mainstream gender and disability issues.

(2) Prioritizing regions/countries

The priority and sub-priority countries in the Asian region under this Strategy will be selected for each region based on the economic scale, income level (precondition that their GDP per capita is below 7,000 USD), the number of Japanese companies operating there, and the presence of cooperative assets such as the Japan Center.

For priority countries, multi-layered support that combines several approaches that are also related to other donors' cooperation will be planned. The specific contents of the program will be considered based on the context of the state of economic development as represented by GDP per capita indicators.

Table 4.1 Priority and sub-priority countries

	Southeast Asia	East and Central Asia	South Asia
Priority country	Indonesia Philippines Viet Nam Cambodia	Mongolia	Bangladesh India
Sub-priority country	Laos	Uzbekistan Kyrgyzstan	Pakistan

Table 4.2 List of reference indicators

	Economic scale: GDP (Million USD)	Number of Japanese-owned business locations	GDP/person (USD)	Japan Center Installation and cooperation
	> 300,000	> 200	7,000>X >1,000	
Malaysia	372,701	1,210	11,371	
Kazakhstan	190,814	36	10,041	(●)
Thailand	505,982	5,856	7,233	
Mongolia	15,098	156	4,535	●
Indonesia	1,186,093	2,046	4,292	
Viet Nam	362,637	2,306	3,694	●
Philippines	394,086	1,377	3,549	
India	3,173,398	4,790	2,277	
Bangladesh	416,265	254	2,503	
Cambodia	26,961	434	1,591	●
Myanmar	65,068	546	1,187	●
Pakistan.	346,343	96	1,538	
Laos	18,827	171	2,551	●
Uzbekistan	69,239	33	1,983	●
Kyrgyzstan	8,543	15	1,276	●
Sri Lanka	84,519	107	3,815	
Nepal	36,289	51	1,223	
Maldives	4,889	15	8,995	
Bhutan	2,315	1	-	
East Timor	1,959	4	1,458	
Tajikistan	8,746	3	897	
Turkmenistan	45,231	6	-	

(Source: World Bank (GDP, GDP/person) 2021; Ministry of Foreign Affairs (Number of Japanese business locations) 2021).

(3) Details of cooperation

The Strategy will involve development cooperation in three focus areas: Investment Climate/ Industrial Policy, Business linkages, and Strengthening Business Competitiveness.

In developing cooperation based on this strategy, JICA will work with Global Agendas in related areas, such as: Urban and Regional Development, Transportation, Resources and Energy, as well as business environment development corresponding to soft infrastructure such as legal and judicial development under the Cluster Strategy for Realizing the Rule of Law; customs functions improvement under the Cluster Strategy for Strengthening Connectivity through Customs Modernization Support strategy); and industrial human resource development and technology development under the Cluster Strategy for Strengthening Leading Universities. JICA will collaborate with efforts in related fields to achieve impact for JICA as a whole.

It will also fully take into account the policies and findings of the relevant global agenda to ensure that the content of cooperation helps to promote responsible investment from a business and human rights perspective, while considering and realizing gender needs and the participation of people with disabilities in order to achieve inclusive economic growth.

The content of cooperation according to the development phase of each country's private sector is as follows. Note, however, that since some countries are at different phases in each of the three focus areas, this is only a conceptual organization and is only a guide to the specific content and direction of support, and that the cooperation content can be effective even at the preceding or following phase, depending on the situation in the country concerned. Specific examples are given for each phase, with the intention of making it easier to recall the phases for each country and issue area.

<Phase 1: Improving the basic business environment>

In countries in the first phase, the project supports the selection and implementation of appropriate policies for improving the industrial and business environment by the destination government to make the basic FDI investment climate and business environment friendlier for domestic enterprises. The term "industrial policy" here includes measures and regulations aimed at spurring competition within priority industries from resource allocation strategies among the industries of the country concerned, as well as policies for the strategic use of industrial organizations. In terms of "improving the business environment," the project promotes initiatives such as the development of laws, licensing systems, incentives, and regulations that can promote investment, and provides information on the country's business environment that is essential for making investment decisions.

To initiate the above-mentioned cooperation, it is essential fto establish a strong commitment by the recipient government to develop laws and regulations and formulate industry policies that promote investment, as well as launch initiatives to bring together relevant ministries and agencies. JICA encourages proactive efforts by governments to improve the investment climate through issue-specific training and dispatch of investment climate advisors. Furthermore, JICA encourages proactive government efforts to enhance the investment climate through issue-specific training and the dispatch of investment climate advisors. JICA will also push for the development of a basic environment by advocating for the development of hard infrastructure, such as special economic zones and industrial parks, through financial cooperation schemes.

In the first-phase countries, efforts to establish links have only just begun, and it will be necessary to encourage companies to enter these countries in conjunction with the aforementioned efforts to develop special economic zones and establish industrial parks, and to first disseminate information on the investment climate and business conditions in these countries concerned in cooperation with JETRO and various other actors.

Examples of cooperation at this phase

- JICA has dispatched experts (Investment Promotion Advisers, etc.) to investment-related organizations in several countries, including Uzbekistan and Pakistan, to help formulate policies to promote FDI (investment dialogue, advice on investment promotion policies) and strengthen the capacity and systems to promote investment (holding investment seminars and workshops, developing websites, producing guidebooks, etc.). Cooperation has been developed in areas such as the formulation of policies to encourage FDI (investment dialogues, advice on investment promotion policies) and the reinforcement of the capacity and systems for promoting investment (holding investment seminars and workshops, preparation of websites, guides etc.).
- In Bangladesh, since 2015, a comprehensive approach has been taken for the Economic Zone in Araihazar, including the following items that led to the start of operations as a Bangladesh Special Economic Zone (BSEZ) in February 2023.
  - Supporting the development of peripheral infrastructure through Japanese ODA Loans
  - Providing financing (two-step loans) to enterprises entering the zone
  - Investing in infrastructure development projects through the PPP method
  - Establishing one-stop service functions, business environment improvement and investment promotion through the “Investment Promotion and Industrial Competitiveness Enhancement Project”
  - Investment in operating companies in Economic Zones through Private Sector Investment Finance (PSIF)

<Phase 2: Implementing investment and industry development initiatives>

At the phase where efforts to improve the investment business environment and industrial policy have progressed, technical cooperation projects or Technical Cooperation for Development Planning will be implemented in a more in-depth manner, with target areas and sectors that will lead to improving the investment and business environment. Specific measures will be tested and implemented within the cooperation period, with the aim of achieving policy and institutionalization. These projects will also seek to involve Japanese companies in specific industrial fields and to establish concrete links between businesses. In the focus countries, synergistic effects of technical and financial cooperation will be aimed at, for example, developing special economic zones through financial cooperation, building hard infrastructure such as industrial parks, and operational support aimed at improving the efficiency and transparency of special economic zones and industrial parks.

In this phase, analysis and efforts will be undertaken to improve access to finance for businesses, especially small and medium-sized enterprises (SMEs), which will be an important factor in strengthening their competitiveness. This will be done by improving their capacity to prepare business and financial plans, boosting the screening capacity of local financial institutions, and various other issues (collateral, company information, financial capacity, etc.). In addition, through financial cooperation, funds will be provided to local financial institutions in the form of two-step loans, with the aim of building the capacity of financial institutions and the business of the recipient enterprises.

In terms of linkage formulation, efforts will be made to improve the capacity of local agencies to create opportunities for business-to-business exchanges between local and overseas companies, including Japanese ones, to spur good business opportunities, and to provide information on companies in both directions. Linkages should be initiated by the companies themselves, with minimal arbitrary intervention by donors and BDS agencies, and with lateral support to facilitate the building of trust-based relationships between companies. For example, a company database encompassing companies in the target country is useful information for investment decisions, and so should be developed at an early phase.

In countries where it operates, the Japan Center will act as a linkage-building base, and in other countries, the Japan Center will cooperate with counterpart organizations that perform similar functions, mainly through project counterparts. In terms of establishing linkages with Japanese companies, in addition to cooperating with JICA's Private Sector Partnership Program, the Japan Center will proactively build relationships and cooperate with various actors in Japan, such as JETRO offices in each region, the SMRJ, regional financial institutions, local authorities, and universities.

Examples of cooperation during this phase

- In India, the "Sustainable Global Business Breakthrough Ecosystem Project" focuses on the growth and increase of attractive domestic enterprises.
  Under the "Project for Enhancement of Industrial Competitiveness through Industrial Human Resource Development and Supply & Value Chains Development" in the Philippines, JICA is conducting several pilot projects in the automotive and related industries to develop effective models for industrial human resource development and supply/value chain enhancement in collaboration with foreign companies.

<Phase 3: Enabling the ecosystem to function for promoting investment and industry>

At the phase where domestic enterprises have grown and foreign investment has been attracted, technical cooperation will be continued to realize measures that spur industrial and investment based on a coherent industrial policy. Strategic use of development policy loans will also be considered. During this phase, as further industrial advancement is required, opportunities for sharing knowledge and solving problems will be provided through issue-specific training to address new problems. Policy support will also be given to contribute to the 4IR and industrial diversification.

Companies will need to respond to new management issues such as the use of IoT and AI technologies in manufacturing processes, DX promotion (including entry to the e-commerce market), and ESG management. To this end, cooperation will be developed to improve the ability of BDS organizations to handle emerging issues. In addition, as it is expected that more advanced information, technology, and expertise will be acquired through further business linkages, additional strengthening of business linkage service organizations will be promoted.

Examples of cooperation during this phase

- The “Project for Automotive Industry Development” in Indonesia is working to match local companies with system integrators who develop and operate systems to upgrade the manufacturing industry.
- In Viet Nam, the “Project for SME Promotion and Industrial Development” focuses on organizing CEO business meetings in collaboration with the SMRJ to reinforce links between Japanese and local companies.

<Cross-cutting initiatives>.

Enhancing business support service organizations responsible for strengthening business competitiveness could be a major component of cooperation, especially in the first and second phases. In implementing this, the main component will be Japanese-style management and *Kaizen*, which are Japan’s strengths, and models will be created. This area overlaps with the work of the Africa Kaizen Initiative strategy.

Stimulating innovation, including start-ups, is an important issue at every phase. Efforts to develop start-ups by providing acceleration services, financial support, strengthening intellectual property protection, and allowing special exceptions to existing laws and regulations will have a significant effect. These will be pursued in line with the policy organized in JICA’s “Support for Building a Start-up Ecosystem for Creating Innovation” strategy.

4.2 Activities for Maximizing Development Impacts

To maximize the impact of this strategy and achieve final outcomes, the Strategy should be disseminated, deepened, and expanded.

(1) Dissemination of the Strategy (human resource development, networking)

Human resource development will be undertaken to promote understanding of the basic scenario or elements of the Strategy and to expand the number of actors involved in implementing it. Specifically, opportunities for sharing knowledge and fostering networks will be created among government officials involved in policy formulation during Knowledge Co-creation Program that will focus on promoting investment and forming industrial strategy. In addition, long-term training (a program called “Investment and Industry Promotion in Asia”) will target personnel who in the medium to long term can become key players in business linkages between Japan and the country or region concerned. In addition, capacity-building training (private sector development) takes place regularly with personnel with work experience in the private sector to provide them with basic knowledge and the latest trends in the field of international cooperation.

(2) Deepening the Strategy (knowledge co-creation and experience sharing)

JICA aims to deepen knowledge co-creation with other donors and to conduct and publish research with JICA Ogata Sadako Research Institute for Peace and Development (JICA Ogata Research Institute), considering the experience gained from cooperation in this field and linking it to better practices.

The Donor Committee for Enterprise Development (DCED), a community of donor stakeholders in the field of private sector development, was formed more than 40 years ago, and JICA has been an official member and active participant in it since FY2017. In particular, JICA contributes to the Business Environment Reform Working Group (BEWG) by engaging in surveys and research and by speaking at seminars based on JICA's experience.

JICA Ogata Research Institute is conducting the "Research Project on the Japanese Experience of Industrial Development and Development Cooperation: Analysis of Translative Adaptation Processes"[14] (2019-2024), and as a part of it, a book titled *Policy Learning for Industrial Development and the Role of Development Cooperation*[15] (2022) was published. The book discusses the role Japanese policy support played in the structural transformation and its contribution with regard to industrial policies, which are key to industrialization, through multi-country case studies, as well as new trends and challenges in industrialization and the implications for Japanese policy support. The study will be further supported by a book, Introducing Foreign Models for Development: Japanese Experience and Cooperation in the Age of New Technology (Springer), to be published in 2023.

(3) Platform expansion (partnerships, business linkages)

In developing the private sector, efforts will be made to expand partnerships with other donors. JICA is actively exchanging information with major donors, including the following organizations, and is working to achieve synergies in developing cooperation in each country.

[14] https://www.jica.go.jp/jica-ri/research/strategies/20190724-20240331.html
[15] https://www.jica.go.jp/jica-ri/publication/booksandreports/20220210_01.html

Table 4.3 Key donor focus areas

Institution	Focus area
World Bank / International Finance Corporation (WBG/IFC)	• Private sector funding for infrastructure development, including construction, transport, energy-related infrastructure and SEZs • Transferable investments and loans to commercial enterprises.
Asian Development Bank (ADB)	• Bond issuance and equity investment in Asia and the Pacific, provision of guarantees, organizational capacity building, and technical cooperation for economic inclusion and sustainable growth.
International Trade Centre (ITC)	• Support for value-chain development with a focus on supporting SMEs, promotion of green and inclusive trade, support for e-commerce, advocacy for intra-regional value-chain integration
International Labour Organization (ILO)	• Enterprises (employers) to establish labor rights, safety, and labor standards, promote measures, introduce technology, and introduce business training, including that for productivity improvements
United Nations Industrial Development Organization (UNIDO)	• Support for the formation of clusters for agri-processing and manufacturing industries. • Support for the introduction of an industry integration policy framework on growth industries
Foreign, Commonwealth and Development Office (FCDO), UK	• Business environment development, excluding industrial policy • Direct funding for companies participating in the implementation program
German Agency for International Cooperation (GIZ)	• High-level advice on industrial and economic policy • Greening of industrial parks, sustainability guarantees, renewable energy.
United States Agency for International Development (USAID)	• Promoting trade between the two countries, expanding markets for US goods, PPPs

(Based on DFID's Manufacturing Portfolio Review 25 June 2019: Other Donors' Approach to Manufacturing and ADB, ITC website[16])

A survey of member agencies conducted by DCED in 2022 identified climate change and green growth, women's economic empowerment, digitalization, responsible business, private sector partnerships, mobilizing private finance, and private-sector development in fragile environments as issues of concern to each agency.[17] The aim is to increase the impact on these issues through learning and collaboration among donors.

[16] ADB: Asian Development Bank Private Sector Operations Brochure 2022 (https://www.adb.org/sites/default/files/publication/82403/adb-psod-brochure-2022.pdf),.
ITC: https://intracen.org/our-work

[17] DCED 2022, Findings of the 2022 DCED Member Survey (https://www.enterprise-development.org/wp-content/uploads/2022-Member-Survey-Summary-Results-22Apr22.pdf)

In addition, the Japan Center will expand its use as a base for platform activities to function as a base for linking diverse actors with private companies, BDS organizations, financial institutions, universities, and other educational institutions. Furthermore, efforts will be made to promote information exchange and interaction between private companies and other stakeholders in Japan and the target countries in other JICA-supported projects underway so that they can serve as a substantial platform.

Regarding business development, partnerships with the private sector can create new value that cannot be achieved by the public sector alone, so JICA will actively work on building collaborative relationships. Specifically, with a view to forging links with the private sector in mind, information is shared closely with organizations with platform functions, such as the Ministry of Economy, Trade and Industry, JETRO, SMRJ and the Chamber of Commerce and Industry, with the aim of further expanding partnerships by combining the resources of both parties.

From the viewpoint of investment promotion, strategy-based efforts will be publicized to private enterprises, which are the main actors in FDI, to promote FDI by Japanese and other private businesses.

This Strategy will be pursued in concert with other JICA cluster strategies in the field of private sector development, such as the Africa Kaizen Initiative (AKI) Strategy, Support for Building Startup Ecosystems for Innovation Creation (Next Innovation with Japan; NINJA) Strategy, and Sustainable Tourism Development. For example, JICA will promote innovative activities in the Asian regional ecosystem based on the experience and expertise accumulated through implementing NINJA or horizontally deploy educational material content produced by AKI.

Table 4.4 Efforts to maximize impact

➢ **Dissemination of the Strategy (human resource development and networking)**
● Knowledge Co-creation Program: 6 courses (“Investment Promotion and Business Environment Reform (advanced and general),” “Developed Market Oriented Export Promotion Strategy/Marketing Strategy,” “Local Industry Promotion by Cluster Approach,” “Business Innovation (IoT, AI) in the Fourth Industrial Revolution (4IR),” “Development and Promotion of New Industries through Accelerating Innovation”) ● Long-term training (Investment Promotion and Industrial Development for Asian Region): 10 trainees/year*. ● Capacity-building training (private sector development): 24 persons/year*. *Percentage of female participants to be 50 percent.
➢ **Deepening the Strategy (knowledge creation and sharing)**
● Knowledge sharing and knowledge generation among donors. Participation in DCED (Business Environment Reform Working Group (approx. 6 times/year), contribution to other working groups, etc., dissemination of JICA’s initiatives at annual meetings (once a year), input into surveys, research and policy recommendations, seminar presentations, etc.). ● Research studies (JICA Ogata Research Institute) Publication of articles and books through the Industrial Policy “Research Project on the Japanese Experience of Industrial Development and Development Cooperation: Analysis of Translative Adaptation Processes.”
➢ **Platform expansion (partnerships, business linkages)**
● Information sharing and synergies with donor agencies. ● Expanding partnerships with the private sector. ● Japan Center and other platform functions through business. ● Active exchange of information and collaboration with other organizations with platform functions, such as the Ministry of Economy, Trade and Industry, JETRO, SMRJ, chambers of commerce and industry, universities, and research institutions. ● Mutual resourcing and development with other strategies in the field of private-sector development, such as AKI, NINJA, and sustainable tourism.

5. Strategy Objectives and the Monitoring Framework

5.1 Strategy Outcome Targets and Indicators

Based on the previous discussions and the scenarios of this strategy, the final, intermediate, and direct targets to be achieved were set as follows. The specific final, intermediate, and direct outcomes that will result from achieving the Strategy's objectives are organized by priority issue area for private-sector development in terms of (i) Investment Climate / Industrial Policy, (ii) Business Linkages, and (iii) Strengthening Business Competitiveness.

[Final Target]
Foster growth-driving industries[18]

[Final outcomes]
- (Investment Climate / Industrial Policy) In addition to FDI, domestic and indirect investment increases, and a policy shifts to fostering new industries, so that industries are grown to become a part of the global supply chain.
- (Business Linkages) An increasing number of enterprises are looking to global business in both domestic and overseas markets, so business opportunities are diversifying, and industrial linkages are becoming more complex.
- (Strengthening Business Competitiveness) Industry is shifting from labor-intensive to knowledge-intensive corporations, innovation is promoted by the 4IR/industrial upgrade, and R&D functions improve, with the result of strengthening the industry-government-academia collaboration system.

[Intermediate Target (by 2030)]
Attract responsible investment that drives growth and reform the foundations for growth in priority industries

[Intermediate Outcomes]
- (Investment Climate / Industrial Policy) Responsible FDI increases, leading to more advanced and greener industrial and investment policy (mitigated environmental impact).
- (Business Linkages) Opportunities for internal and external business linkages[19] are provided, management resources of domestic companies are further enhanced, and industrial linkages are formed.

[18] Growth-driving industries refer to industries that are expected to contribute to economic growth in the country and are the focus of promotion in terms of policy.
[19] Business linkages includes not only business matching but also various collaborative activities such as information exchange and joint R&D.

- (Strengthening Business Competitiveness) The screening capacity of financial institutions and the ability of borrowers to develop business plans are enhanced, making it easier to access finance. The level of business planning is improved through an increase in the number of consultants assisting global businesses.

[Direct Target (by 2027)]
Set up a basic FDI investment climate and business-friendly environment for domestic companies

[Direct outcomes]
- (Investment Climate / Industrial Policy) The legal environment for investor protection and industrial policy to promote investment is developed and various regulations (entry) are relaxed.
- (Business Linkages) Attractive domestic companies grow and increase, detailed and accurate information on domestic companies is accessible, and business interactions proliferate.
- (Strengthening Business Competitiveness) Management consultants are trained and a system of enhanced access to finance, particularly for SMEs, is reformed.

5.2 Monitoring Framework

To achieve the outcome targets set out in 5.1, progress on each outcome will be monitored using the Monitoring Table, with reference to "Outcome Targets and Indicators" below.

[Outcome targets and indicators]
Subject to performance evaluation.

Table 5.1 Outcome targets and indicators

Outcome Targets and Indicators	(1) Final Target Growth-driving industries are fostered. (With all participating actors). [Indicators] The number of companies, sales amount, investments amount, etc. related to growth-driving industries will increase.
	(2) Intermediate Target (by 2030) Responsible investment that drives growth is attracted and the foundations for growth in priority industries are reformed. (With all participating actors). [Indicator 1] Increase in the number of policy dialogues on FDI (e.g. legislative and institutional development on environment, society, human rights, etc., human resources development, cooperation between companies, investment for the development of business support institutions) within FDI stakeholders (government, foreign investors, domestic SMEs and other domestic innovation ecosystem

	actors) (With all participating actors)[20] [Indicator 2] Specific implementation status of national industrial policy stipulating priority industries. [Indicator 3] Trained local industrial human resources reach 80,000 (target: 50% of female participants) (indicator for JICA projects only). [Indicator 4] Number of industrial human resource development programs in each country and the impact of the results. [Indicator 5] 300 business linkages between developed countries and local companies are achieved by local industrial workers with enhanced capacity. (Indicator for JICA projects only).
	(3) Direct Targets (by 2027) Basic FDI investment climate and business environment for domestic corporates is set up. [Indicator 1] Number of registered companies in each country (domestic/foreign)[21] Increase compared to the base year. [Indicator 2] Number of networking opportunities between companies. [Indicator 3] Number of trained local industrial human resources reaches 50,000 (target: 50% of female participants) (indicator for JICA projects only). [Indicator 4] Number of local corporates whose competitiveness has been enhanced through support services reaches 250 (target: 50% of female ownership participants) (indicator for JICA projects only).

[Monitoring Indicators]
Table 5.2 lists the indicators for monitoring the outcome of the scenarios to achieve the above targets in Table 5.1. It is used to check and verify the logic of the scenarios in the Strategy.

Table 5.2 Monitoring indicators for the scenarios

	(Initial condition).	Intermediate outcome (i)	Intermediate outcome (ii)	Intermediate outcome (iii)	Intermediate outcome (iv)
(4) Inter -mediate Outcomes	<u>(i) (Investment Climate / Industrial Policy)</u> - Insufficient investment - No/unrealistic	- The developed both legislative environment for investor protection and industrial policies to promote	- The governments disseminate FDI guidelines and policies. - Preparations for the meeting on	- Policy dialogue on FDI within FDI stakeholders (e.g. legislative and institutional development	-Responsible FDI increases, leading to more advanced and greener industrial and investment policy

20 Where data collection is possible, also collect headcount data by gender.
21 Where headcount data by gender is available, target value should be set.

	industrial policy - Unrealistic regulations and uncertain condition	investment are reviewed - The preparation of dissemination to FDI stakeholders (e.g. government, foreign investors, domestic SMEs and other domestic innovation ecosystem actors) is started.	policy dialogue within FDI stakeholders are made.	on environment, society, human rights, etc., human resource development, cooperation between companies, investment for the development of business support institutions, etc.).	(mitigated environmental impact).
	<u>(ii) (Business Linkages)</u> - Immaturity of domestic corporations - Lack of sufficient information on domestic companies - Insufficient foreign-affiliated companies	- Development and use of databases on local companies are promoted. - Information on internal and external business linkages is collected.	- The database is used to share information on internal and external business linkages with companies. - The need for business linkages with registered companies is researched and discussed	- Local industrial workers prepare for internal and external business linkages. - Various types of support are provided for business links (business meetings, networking, etc.).	- Opportunities for internal and external business linkages are provided, management resources of domestic companies are further enhanced, and industrial linkages are formed.
	<u>(iii) (Strengthening Business Competitiveness)</u> - Companies do not know how to	- Governments will develop coherent and comprehensive human resource development	- Management capacity-building opportunities are provided for local business	- Companies carry out the enhanced competencies as part of their own operations.	- The screening capacity of financial institutions and the ability of borrowers to

	strengthen their competitiveness - Lack of BDS providers - Lack of access to finance	policies and domestic corporate support frameworks to improve business competitiveness.	owners and global business consultants. - Opportunities for capacity-building on accessing finance for local companies are provided. - The capacity of BDS providers is strengthened.	- Quality services are provided by BDS providers.	develop business plans are enhanced, making it easier to access finance. The level of business planning is improved through an increase in the number of consultants assisting global businesses.
(5) Monitoring Indicators of Inter-mediate Outcomes	(i) (Investment Climate / Industrial Policy)	- Number and content of government policies	- Number of announcement/ communications on FDI policies and guidelines by government	- Number of policy dialogues on FDI within FDI stakeholders	- Develop and update a national industrial policy stipulating priority industry - Results of indicator monitoring on corporate responsibility in FDI.
	(ii) (Business Linkages)	- Number of the database users of local companies[22], - Volume of business linkage information	- Number of business linkages information shared and discussed	- Number of business linkage support services[23]	- Number of business linkages (internal and external) between developed countries and local

[22] Where data collection is possible, also collect headcount data by gender.
[23] Where data collection is possible, also collect data on the number of owners by gender.

					companies achieved by empowered local industrial workers.
	(iii) (Strengthening Business Competitiveness)	- Number and content of government policies	- Number of capacity enhancement opportunities	- Number of implementation cases of the enhanced competencies in its own operations	- Number of industrial human resource development programs in each country.
(6) Direct Outcomes of the Scenario	<u>(i) (Investment Climate / Industrial Policy)</u>	- The knowledge of stakeholders on investor protection legislation and industrial policies to promote investment is strengthened. - Working groups on investor protection legislation are organized by stakeholders.	- The investor protection legislation and industrial policies are discussed by stakeholders. - The policy documents, such as master plans, on investor protection legislation and industrial policies to promote investment are drafted.	- Stakeholders are fully consulted and a consensus is reached on policy documents on investor protection legislation and industrial policy to promote investment.	- The legal environment for investor protection and industrial policy to promote investment is developed and various regulations (entry) are relaxed.
	<u>(ii) (Business Linkages)</u>	- The database of local companies' corporate information is prepared. - Local companies organize their information	- The database of local companies is established. - The database of local companies' corporate information is piloted.	- The database of local companies is operated. - The database of local companies is updated regularly. -	- Attractive domestic companies grow and increase, detailed and accurate information on domestic companies is accessible, and business

		for the database.		Government and industry associations actively disseminate the database with corporate information on local companies internally and externally.	interactions increase.
	(iii) (Strengthening Business Competitiveness)	- Opportunities for enhanced capacity are provided to local management consultants.[24]	- Trained management consultants provide consultancy services to local companies (SMEs). - Trained management consultants identify issues and needs on access to finance from local corporates (SMEs).	- Trained management consultants and public financial institutions hold consultations on improving SME financial access. - Financial institutions prepare for concrete institutional arrangements.	- Management consultants are trained and a system of enhanced access to finance, particularly for SMEs, is reformed.
(7) Monitoring Indicators of Direct Outcomes	(i) (Investment Climate / Industrial Policy)	- Number of people strengthen capacity for policy development.[25]	- Number and content of stakeholder meetings, completion of draft policy documents	- Consensus among stakeholders on policy documents	- Number and content of parts where investor protection legislation and industrial policy regulations to

[24] Where data collection is possible, also collect headcount data by gender.
[25] Where data collection is possible, also collect headcount data by gender.

					promote investment (entry) have been relaxed. - Number of registered companies in each country (domestic/foreign)
	(ii) (Business Linkages)	- Number of local companies cooperate to create a database	- Number of local companies registered in the database.[26]	- Number of the use of company information databases	- Amount of business networking
	(iii) (Strengthening Business Competitiveness)	- Number of people with enhanced capacity required for BDS provision[27]	- Number of supporting companies serving as management consultants - Number of consultations on access to finance.	- Number of consultations between management consultants and financial institutions - Completion of institutional readiness of financial institutions	- Number of participants in training for local industrial workers[28] - Number of companies receiving support services to enhance competitiveness
(8) Solution (Input ⇒ Output)		[Main solutions] - Range of training and technology transfer ⇒ Strengthening of local human	[Main solutions] - Consultative process among local stakeholders ⇒Trust-building and ownership-	[Main solutions] - Practice and operation ⇒ Improvement of the quality of services and activities	[Main solutions] - Accumulation of the results of past activities ⇒ Strengthening of the

[26] Where data collection is possible, also collect data on the number of owners by gender.
[27] Where data collection is possible, also collect headcount data by gender.
[28] Where data collection is possible, also collect headcount data by gender.

		resource capacity - Range of information gathering/preparation ⇒ Expand the impact of activities	building among local stakeholders - Pilot operation ⇒ Leading to a high level of service in the future	- Consensus through stakeholder consultation ⇒ Strengthening of ownership and motivation to achieve	motivation of stakeholders, strengthening of trust among stakeholders, strengthening of the confidence of stakeholders

Details of the Monitoring Indicators in this strategy and details of how they are collected are as follows.

Table 5.3 Monitoring Indicator details and means of collection

Category	Indicators	Means and frequency of collection, collection system, etc.
Final Outcome Indicator	Number of companies, sales amount, investment amount, etc. related to growth-driving industries	- The data is researched and compiled according to the situation in each country, such as the number of registered companies, sales amount, investments amount, etc. published by government agencies and the World Bank etc. - Data is recorded year by year by the Private Sector Development Group.
Intermediate Outcome Indicator 1	Number of policy dialogues on FDI among FDI stakeholders	- Compile and collect information on the number and agendas of FDI stakeholder meetings held by governments (from publicly available information, interviews with other donors, etc.). - Make semi-annual requests to local offices to collect information from the Private Sector Development Group. Record the data gathered by the Private Sector Development Group and totalize at the end of the fiscal year (Where data collection is possible, also collect headcount data by gender).
Intermediate Outcome Indicator 2	Specific implementation status of national industrial policy, stipulating priority industries	- Review industrial policy content in each country. - Information is collected by the Private Sector Development Group via online sources, local JICA offices and counterparts, etc. and compiled annually.

Intermediate Outcome indicator 3	Number of trained industrial human resources in each country	- Aggregate the number of participants in training sessions, including remote training. - Where data collection is possible, also collect data on the number of owners by gender. - Record data quarterly by the Private Sector Development Group and totalize at the end of the year.
Intermediate Outcome Indicator 4	Number of industrial human resource development programs in each country and the impact of the results	- Aggregate the number of industrial human resources programs recognized by public authorities in each country. - Information is collected by the Private Sector Development Group through online and local JICA offices. Data is recorded and compiled annually.
Intermediate Outcome Indicator 5	Number of business linkages between developed countries and local companies are achieved by local industrial workers with enhanced capacity	- The number of business linkages between local stakeholder companies and developed-country companies whose capacities have been strengthened through participation in training, including remote training and participation in JICA project activities. - Have the Private Sector Development Group record data quarterly and totalize at the end of the year.
Direct Outcome Indicator 1	Number of registered companies in each country (domestic/foreign)	- The data are researched and compiled according to the number of registered companies based on the situation in each country, published by government agencies and the World Bank etc. - Have the Private Sector Development Group record data quarterly and totalize year by year. - Where possible, also collect data on the number of owners by gender.
Direct Outcome Indicator 2	Number of networking opportunities among companies	- Compile the number of networking opportunities among companies from the organizations that manage local business databases. - Have the Private Sector Development Group record data quarterly and totalize at the end of the year.
Direct Outcome Indicator 3	Number of trained local industrial	- Aggregate the number of participants in trainings including distance trainings.

	human resources in each country	- Where data collection is possible, also collect data on the number of owners by gender. - Have the Private Sector Development Group record data quarterly and totalize at the end of the year.
Direct Outcome Indicator 4	Number of local companies whose competitiveness has been enhanced through support services	- Aggregate the number of companies that have received support services through activities and events including JICA projects. - Where data collection is possible, also collect data on the number of owners by gender. - Have the Private Sector Development Group record data quarterly and totalize at the end of the year.

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