



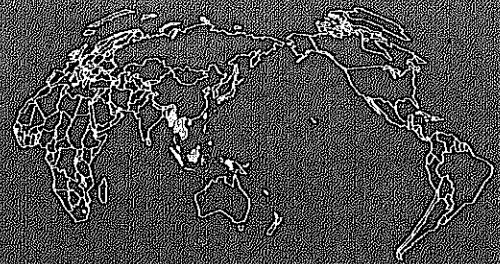
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## Part II • JICA's Regional Activities

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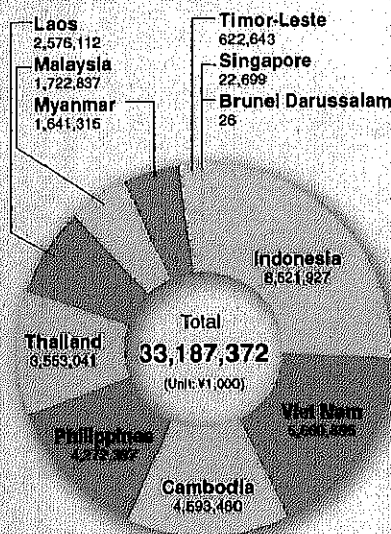
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# Southeast Asia



## Pillars of Aid Promote Comprehensive Cooperation toward ASEAN Integration

■ Cooperation results by country in Southeast Asia (FY2006)



\* This is the total amount of bilateral cooperation. The amount of cooperation provided to Asia including cooperation that covers a group of countries is 54,091,326 thousands of yen.

The Southeast Asian region consists of 11 countries: 10 member states of the Association of Southeast Asian Nations (ASEAN) and Timor-Leste, which achieved independence in 2002. ASEAN, which was formed in 1967 with the aims of achieving economic growth and regional peace, is made up of six original members—Indonesia, the Philippines, Malaysia, Singapore, and Thailand, which are the founding signatories, and Brunei Darussalam, which joined in 1986—and four new members—Viet Nam, Cambodia, Laos, and Myanmar, which joined later. While the original members of ASEAN have reached a certain level of development, the new members are behind in development. Thus, the correction of regional disparities and the development of regional economies are important tasks.

ASEAN signed the ASEAN Free Trade Area (AFTA) to promote regional market integration in 1992. As a result, the goal of setting the regional tax rate at 5% or lower was achieved earlier than expected in 2002. ASEAN Vision 2020, which was adopted in 1997 included a resolution to build an ASEAN Community by 2020. In 2003, it was agreed that the Community would be built based on the three communities in politics and security, economy, and society and culture as pillars. In 2004, the examination of an ASEAN charter was decided, further promoting

ASEAN integration.

Japan specifies a focus on Asia as one of the three pillars of its postwar diplomacy. Southeast Asia has had a close relationship with Japan since ancient times in terms of politics, economy, and culture. In terms of economy including trade and investment, Southeast Asia is one of Japan's most important interdependent partners, and the importance of the region has been increasing in the politics and security area, including sea lanes.

Japan has provided ¥12 trillion in support since 1956, placing Southeast Asia as the priority region in its ODA. JICA's technical cooperation provided for the region accounts for 30% of its total aid value and is being implemented according to the degree of development of individual countries, thus contributing to the development of the countries as well as the whole region. JICA currently identifies three priority issues in its assistance for ASEAN: (1) support for regional integration (centered on cooperation for strengthening international competitiveness and correcting the inter-regional disparities); (2) assistance for poverty reduction based on the perspective of human security; and (3) response to cross-border issues. Various types of assistance are being provided while responding to South-South cooperation.

## Current State of Development

Movements for institutionalizing regional economic integration have been accelerating in Southeast Asia; for example, the ASEAN plus three (Japan, China and Republic of Korea) framework after 1997, the East Asia Summit held in 2005, and an increase in conclusions of bilateral free trade agreements. In response, ASEAN has actively shifted toward regional integration, including consideration of an ASEAN charter, building an ASEAN Community by 2020, and adopting an East Asian Community initiative, among others.

As for Millennium Development Goals (MDGs), some indicators have been achieved at this point such as poverty reduction in Thailand and Viet Nam, thus showing steady progress toward the achievement of goals by 2015. On the other hand, other indicators including the infant death rate in Cambodia, poverty in Laos, and primary education in Myanmar have worsened. Some areas show slow progress such as primary education in Indonesia

and the Philippines, thus calling for continuous efforts.

Development issues in Southeast Asia spread over many fields including poverty, health and hygiene, environment, energy and food security, IT, and regional security in addition to economic integration and system reforms in relation to currency and finance. A particularly serious factor that may impede ASEAN integration is the disparities in income and development between the six original members of ASEAN and the four new members. Indicators such as the absolute poverty standards, maternal death rates, and GDPs of the new members and Timor-Leste are significantly worse than those of the original members and the human development indicators (HDI) are below 100th among the world's 177 countries. Among the four new members, the international competitiveness of Cambodia, Laos and Myanmar, but not Viet Nam, is weak in general, and there is a concern that the economic disparities may widen with the upcoming regional trade

liberalization. There are also some countries such as Indonesia and the Philippines that have serious poverty issues in some areas, which have become a factor for instability in the region.

Other regional issues cross borders including nontraditional security problems such as terrorism, piracy and cross-border crimes, avian flu and other newly emerged infectious diseases, and environmental problems, all of which are serious threats to the political and social stability that is the basis for economic growth.

In response to those issues in the ASEAN region, based on

the East Asian Community initiative announced by Prime Minister Koizumi in 2002, Japan-ASEAN Tokyo Declaration and the Japan-ASEAN Plan of Action adopted at Japan-ASEAN Commemorative Summit in 2003, Japan has announced the following three priority aid areas: (1) regional integration; (2) strengthening international competitiveness; and (3) cross-border issues. As the poverty issue still persists in the countries of the region, JICA also places importance on the solution of poverty from the perspective of human security.

## Addressing Priority Issues in JICA Programs

### Strengthening International Competitiveness and Support for Regional Integration .....

Japan's ODA has been actively supporting the development of economic infrastructure that forms the basis for economic growth, playing a major role in the establishment of infrastructure for economic growth mainly in the original member states of ASEAN. The most important task for the future is to further facilitate regionwide sustainable economic growth and to coordinate and promote interregional and cross-border economic activities.

Currently the population of ASEAN plus Japan, China, and the Republic of Korea is approximately two billion. Though the intraregional trade share based on the regional trade agreements is approximately 15%, it exceeds 50% as the actual economic activities, showing a high integration level similar to EU and North American Free Trade Agreement (NAFTA). Stability in Southeast Asia leading to sustainable economic growth and promotion of economic partnership between Japan and Southeast Asia, which is one of the most politically and economically important regions for Japan, have a great significance for Japan.

For example, JICA's cooperation emphasizes support for regional integration centered on assistance for strengthening international competitiveness and assistance for correcting regional disparities.

In more developed countries such as Thailand and Malaysia, JICA provides intellectual assistance such as policy support, institution-building, and human resources development in order to strengthen international competitiveness. For example, in the Institutional Capacity Building on Infrastructure Finance in Malaysia, cooperation for institution-building and human resources development with an aim to improve risk management and analysis skills in finance was extended to Bank Pembangunan Dan Infrastruktur Malaysia Berhad (BPIMB), which is a Malaysian governmental financial institution, based on a proposal from the private sector. As a result, the financing capacity of BPIMB improved and the project was highly praised by Malaysia. One of the factors that contributed to the project success is the active utilization of know-how obtained by experts who have extensive practical experience in private and governmental financial institutions.

In Indonesia, the Philippines, and Viet Nam, comprehensive assistance has been provided for the development of economic and social infrastructure, policy-making and institution-building, and human resources development. In these countries, promoting sustainable growth led by the private sector is one of the priority issues. To that end, intellectual assistance such as establishment

of policies and institutions related to trade and investment and the development of human resources as well as infrastructure development, maintenance, and management.

In this regard, JICA has provided cooperation for training and human resources development in trade in Indonesia and the Philippines. For example, in Indonesia, assistance was provided for strengthening the functions of local trade training and promotion centers established at several local cities so that the centers can provide trade-related training, market information, and trade promotion services to small and medium-sized enterprises in local areas.

For the new ASEAN members, development of laws that are the basis for national security and development of human resources who are involved in legal enforcement are prominent issues in addition to Mekong region development and promotion of good governance, economy, and industrial promotion. In response, JICA has supported Viet Nam and Cambodia in formulating draft laws and developing legal professionals. For example, in Cambodia, cooperation for drafting civil laws and codes of civil procedure was provided and the establishment and management of a training school for lawyers were supported in the Legal and Judicial Cooperation for the Bar Association of the Kingdom of Cambodia. In the project, Japanese experts provided assistance for developing curriculum to foster lawyers and improving instructors' teaching skills, and as a result, a system to produce 50 to 60 new lawyers annually was developed. The Project for Improvement of Training on Civil Matters at the Royal School for Judges and Prosecutors of the Royal Academy for Judicial Professions has also been implemented to foster not only lawyers but also judges and prosecutors, providing comprehensive support for developing three legal professionals.

### Cooperation for Poverty Reduction .....

Southeast Asia shows steady economic growth as a whole, whereas problems such as income disparities as compared to developed countries and disparities within the region or each country have become pronounced. The new ASEAN members in particular have a large poverty group consisting of the socially vulnerable and minority ethnic groups, calling for solutions as a region.

In order to solve these problems, JICA identifies cooperation for poverty reduction based on the perspective of human security as the second priority issue, and addresses (1) rural development and community development (agriculture and rural development, regional health, good governance, safety net, employ-

ment, and local infrastructure) and (2) support for the socially vulnerable.

For example, in Laos, taking into account a sustained high infant death rate, a public health program is underway with the aim of strengthening management of health services for children. In the ongoing Project for Strengthening Health Services for Children (KIDSMILE Project), county hospitals and health centers work to make patient-friendly hospitals and improve children's consultation rates, and thus many hospitals have improved.

In Viet Nam, medical services in rural areas were not sufficient, forcing many patients to go to central hospitals in urban areas only to receive inadequate care. In response, JICA in cooperation with Viet Nam has carried out the Assistance Program for Functional Enhancement of Healthcare Institutions. This program supports the enhancement of functions and capacities of central hospitals, with the purpose of providing detailed guidance and training from the central to local hospitals, and establishing a referral system to which patients' medical records can be referred and severe patients can be transferred from local to central hospitals. So far, the central hospitals and local hospitals in Hanoi (north), Hue (central) and Ho Chi Minh (south) have been enhanced, contributing greatly to improved medical services mainly in the south. Currently three hospital directors meet regularly to share information and knowledge of central hospitals. In this way, while their ownerships are brought out to the maximum, the medical services of the whole country can be improved.

As such, JICA implements various kinds of cooperation in fields such as education and regional development while respecting the viewpoints of residents.

### Response to Cross-border Issues .....

JICA's third priority task is to respond to cross-border issues. JICA addresses various issues extending throughout ASEAN such as (1) measures against terrorism and piracy; (2) peacebuilding and reconstruction (in Mindanao, Aceh, Myanmar border area, etc.); (3) environmental conservation; (4) rehabilitation and reconstruction from the earthquake and tsunami disaster, and disaster prevention including building tsunami early warning systems; (5) infectious disease control (HIV/AIDS, avian flu, SARS, etc.); and (6) drug control.

For example, for measures against terrorism and piracy, JICA has provided the Training Course on Maritime Law Enforcement targeting 10 Asian countries for the last five years. The training course incorporates overnight on-board training on Japan Coast Guard patrol boat and international law lectures, contributing to the acquisition of knowledge and skills regarding maritime safety and maritime crime investigation as well as the establishment of a regional network. Other cooperation plans include support for immigration control, aviation security, and customs from the viewpoint of counter-terrorism.

As for rehabilitation and reconstruction from earthquakes and tsunami disaster and disaster prevention, Japan has implemented consistent cooperation in disaster prevention in accordance with each phase of the disaster, which was specified in the Initiative for Disaster Reduction through ODA, which Japan announced at the UN World Conference on Disaster Reduction in 2005. Specifically, such cooperation includes: (1) integration of disaster prevention into development policies; (2) rapid and appropri-



Cooperation in modernizing the old fire-fighting system which operates the same way it did in the Soviet era (Viet Nam) Photo by Katsumi Yoshida

ate assistance in the immediate aftermath of disaster; and (3) cooperation that extends from reconstruction to sustainable development.

JICA continues sustainable reconstruction assistance for the disaster caused by the Great Sumatra Earthquake and Indian Ocean Tsunami that occurred in December 2004. As part of the assistance, experts in cadastre repair were dispatched to Indonesia to help repair land patents damaged by the tsunami. One third of the documents have been repaired, and technical transfer for local people to complete the repair work is underway. Also being repaired is the human-waste treatment plant that has a capacity to treat the waste produced by 100,000 people, which is twice as much as the pre-disaster capacity. As a result, hygiene and the environment in the affected areas have improved. In addition, direct assistance for securing victims' incomes and rehabilitating communities has been provided in the form of 12 community reconstruction projects through the local NGOs, including provision of materials and equipment for building fishing boats; assistance for livestock raising, vegetable cultivation, sewing, and pastry cooking; establishment of micro finance; and mental care for PTSD (post traumatic stress disorder) and trauma.

### Response to South-South Cooperation .....

The original ASEAN members have been working to transfer the knowledge and know-how gained from Japan to other Southeast Asian countries as well as to Africa and the Middle East. JICA implements various projects in the forms of training and dispatch of experts jointly with individual countries with the aim of spreading outcomes of JICA activities through this technical cooperation from a southern country to another southern country (South-South cooperation). South-South cooperation excels in that a developing country can transfer know-how they developed after receiving it from Japan to another developing country and that both developing countries teach and learn from each other, leading to the development of both countries.

Currently training participants are received in Singapore, Thailand, and Malaysia under this system, and in fiscal 2005, 58 training courses were provided in seven countries in the region. For example, training in the fields necessary for industrial development (productivity improvement, ICT technology utilization, entrepreneur cultivation, etc.) are provided for Cambodia and Laos jointly with JICA.

There are cases where technicians and experts are dispatched from Southeast Asia to other regions as JICA experts and are working actively. For example, based on the experience and



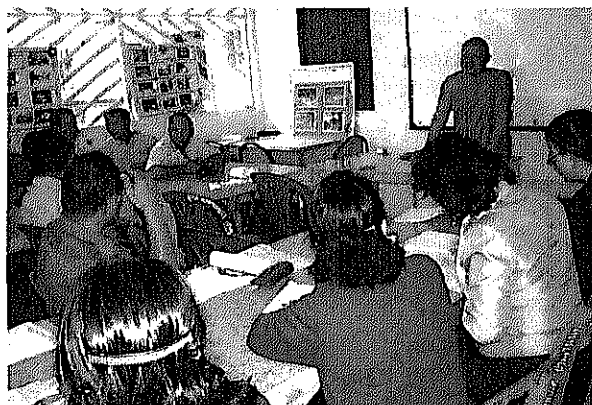
know-how of Malaysia that achieved the promotion of trade investment, a Malaysian expert dispatched to Zambia suggested an idea that was received enthusiastically by the Zambian government. As a result, a Japan-Malaysia cooperation framework was established to provide intellectual-type technical cooperation projects such as reduction of administrative cost and streamlining of administrative procedures, data preparation for investors, and technical advice for establishing an investment environment, with the aim of promoting trade investment from Asia to Zambia.

Other examples include technical transfer by an Indonesian expert in rice cultivation in a rice cultivation promotion project in Papua New Guinea, and participation of a Philippine expert in aquafarming in an aquafarming development study in Malawi. Including the above, six experts from Southeast Asia are currently involved with technical cooperation in regions outside Asia, utilizing knowledge and know-how they gained in JICA's technical cooperation projects.

South-South cooperation for teaching and learning from each other and promoting the establishment of networks among participants has also been implemented in the forms of seminars, etc. In some countries in the region, economic disparities and differences in ethnicity and religion are complexly intertwined, leading to conflicts. Under such situations, as an activity for promoting reconciliation between opposing groups in the conflicted areas, JICA held a peacebuilding seminar in Malaysia in January 2006. Parties directly or indirectly involved with peacebuilding

and conflict resolution from Aceh in Indonesia, Mindanao in the Philippines, southern Thailand, and Malaysia attended this seminar. They exchanged experiences and knowledge about peacebuilding in their own countries, and discussed measures for promoting peaceful and sustainable conflict resolution. Based on the knowledge and ideas obtained at this seminar, participants developed specific action plans for peacebuilding in their own countries, and some of the plans have been steadily implemented.

In this way, JICA will strengthen the Japan-ASEAN network based on regional integration through the South-South cooperation framework.



A Thai monk provides training for leaders in HIV/AIDS control in Laos. Thailand's experience in national countermeasure are transferred to neighboring countries. (Thailand)

## Front Line Malaysia

### Technical Cooperation for Organizational Development and Operation of the Maritime Security Agency

#### Tackling Piracy Control in the Malacca Strait

##### Malacca Strait as marine artery

The Malacca Strait, which has the world's largest amount of sea vessel traffic, is a marine artery connecting Asia, the Middle East, and Europe. Japan is the most frequent user of the Malacca Strait, and 80% of the petroleum imported to Japan is transported via the strait, which serves as an important lifeline for Asian countries, including Japan.

At the same time, this area is prone to rampant piracy. The pirate attack on the Japanese tugboat *Idaten* in March 2005 is still fresh in our memory. According to the International Maritime Bureau of the International Chamber of Commerce headquartered in the UK, nearly half of all cases of piracy and armed robbery in the world occur in the Southeast Asian waters, including the Malacca Strait. It has been recently pointed out that these may be not merely be piracy incidents but could possibly be considered terrorism.

##### Dispatch experts to MMEA

However, Malaysia, which administers the Malacca Strait, had no unified organization like the Japan Coast Guard in charge of all maritime incidents and accidents. A number of government agencies had to deal with piracy, smuggling, and illegal operations within each jurisdiction. The Malaysian government, considering that control to be inefficient and ineffective, officially established the Malaysian Maritime Enforcement Agency (MMEA), a maritime security agency modeled after the Japan Coast Guard, in 2005. The agency started operations in November 2005.

In parallel with this action, JICA has been dispatching experts to the Malaysian government since July 2004, providing technical cooperation for the organizational development and operation of MMEA.

MMEA was launched to provide security for the Malacca Strait in coop-

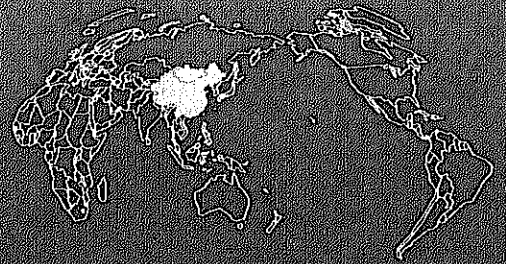
eration with Japan. It reminds us of the Japan Coast Guard, which was established following the advice of the US Coast Guard in 1948, three years after the end of World War II. From now on, MMEA will serve as the base for maritime security in Southeast Asia, thus contributing to maritime security in the Southeast Asian waters while coordinating with its neighboring countries.

(JICA Malaysia Office)



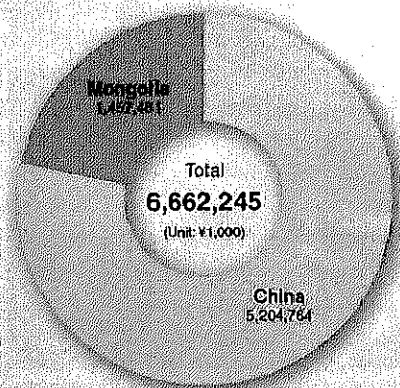
Port Klang on the west bank of the Malaysian Peninsula where vessels crossing the Malacca Strait dock

# East Asia



## Pillars of Aid Understanding Aid Needs of China and Assistance for Mongolia

■ Cooperation results by country in East Asia (FY2005)



\* This is the total amount of bilateral cooperation. The amount of cooperation provided to Asia including cooperation that covers a group of countries is 54,091,326 thousands of yen.

Japan's ODA to China has supported China in promoting its open and reform policy for over 20 years since the launch of the policy at the end of the 1970s, greatly contributing to its remarkable economic development. However, situations surrounding the ODA to China have drastically changed. China's aid needs have changed due to its rapid economic growth and changes in socioeconomic structure. Improvement in aid effectiveness and efficiency is warranted under Japan's severe economic and financial conditions. As such, the Japanese Ministry of Foreign Affairs (MOFA) issued the China Economic Cooperation Plan in October 2001.

In March 2006, the Chinese government formulated another five-year plan aiming at a balanced society. Based on the five-year plan, JICA is working to understand China's aid needs in detail. In line with the China Economic Cooperation Plan, JICA implements cooperation with a focus on the following four priorities, while paying attention to Japan's support for activities carried out by the private sector and the progress of multilateral cooperation.

- 1) Cooperation towards resolving environmental and other global issues
- 2) Assistance for open and reform policy
- 3) Promotion of mutual understanding
- 4) Assistance for poverty alleviation

Mongolia's economy fell into chaos due to the breakdown of the COMECON system in 1991. However, the economy has stabilized gradually since 1995 by means of rigid economic stabilization policies and aid from other countries, including Japan. Support for Mongolia, which is in the process of promoting its transition to a market economy, is based on Japan's Country Assistance Program for Mongolia issued by the MOFA in November 2004. JICA's cooperation is conducted in line with this Program, which identifies the following four priority areas.

- 1) Support for institution-building and human resources development necessary for promoting a market economy
- 2) Support for rural development
- 3) Support for environmental conservation
- 4) Support for the development of infrastructure to promote economic activity

## Current State of Development

### China—Aiming at a Balanced Society .....

China has successfully maintained high economic growth over a long period of time, with an average rate of real economic growth of over 9% per year for the last two decades. Real GDP per capita, which was US\$225 in 1978, reached US\$1,490 in 2004. Since China joined the World Trade Organization (WTO) in December 2001, it has increasingly more impact on the world economy. The total volume of China's trade has reached US\$ 1.4 trillion, more than twice that at its entry into WTO, which makes it the third in the world. In its relation with Japan, China is the largest trade partner.

On the other hand, the activity report of the government of China issued in March 2006 pointed out that many contradictions and problems must be solved in order to build a balanced society. Such problems include environmental contamination, mass consumption of resources and energy, expanded disparities between urban and rural areas or among areas. The Economic Survey of China 2005, conducted by the Organisation for Economic Cooperation and Development (OECD) also indicated these points, calling for establishment of a legal framework in the economic area and improvement of governance such as solid enforcement.

### Mongolia—Solutions to Issues Involving Transition to a Market Economy Urgently Required .....

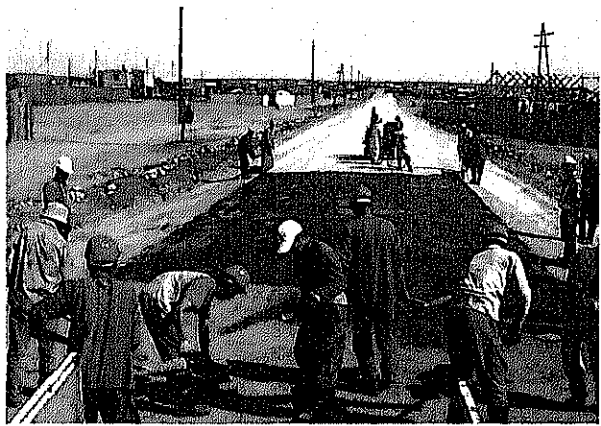
Though the average rate of GDP growth of Mongolia was 2.7% per year between 1995 and 2002, it increased to 5.5% in 2003 and jumped to 10.6% in 2004. Based on this situation, all international organizations and donor countries recognize that the



An expert working on research and development in nursery and afforestation technologies well suited for the local natural conditions and giving technical guidance in afforestation to the residents (The Model Afforestation Project in Sichuan in China)

reform groundwork toward transition to a market economy has been completed.

However, while the macro economy is in good shape, finance and trade areas show deficit trends. Also, nearly 30% of the population lives in absolute poverty (i.e., living on less than US\$1 a day) and the gap between rich and poor has grown prominent. The expansion of regional disparities between the capital and rural areas need to be solved. In addition, urgent solutions are required for numerous issues such as enforcing and expanding services in the economic infrastructure sector (transportation, traffic, etc.) and social infrastructure sector (education, health, etc.) in terms of both quality and quantity, building institutions for a market economy, and developing human resources to support the institutions.



Paving of a community road conducted in a JICA Partnership Program with the participation of the residents (The Development of Life Environment in Baganuur District in Mongolia)

## Addressing Priority Issues in JICA Programs

### China—Global Issues as Well as Promotion of Mutual Understanding

First, environmental issues and the spread of infectious diseases are still very serious in China. These issues can affect Japan beyond national boundaries, requiring response through international cooperation. In addition to measures against acid rain and yellow sand storms, JICA supports measures to prevent global warming and provides policy and technical support to promote a circular economy. JICA also supports the conservation and recovery of a natural environment, the development of human resources who will contribute to sustainable usage of water resources, planning, and technology development.

In order to address infectious diseases, using its experience in contributing to the eradication of polio in China, JICA cooperates in combating tuberculosis, HIV/AIDS, and the SARS epidemic in cooperation with the World Health Organization (WHO).

Secondly, from the perspective of supporting activities carried out by Japan's private sector, it is important to establish a market economy system in compliance with international rules. JICA cooperates in China's efforts to achieve it. Specifically, JICA supports the development of economic laws and corporate-related laws and introduces Japan's experience and current situations and develops human resources in order to establish and disseminate tax systems, intellectual property rights, and technical and compliance standards in accordance with international rules.

Thirdly, to deepen mutual understanding between the peoples of Japan and China forms a basis for a sound, long-term relationship. Through the dispatch of volunteers, promotion of exchange between local governments, the Youth Invitation Program, training of young and middle-level executives in Japan, and assistance to NGO activities, etc., JICA seeks to expand opportunities for the peoples of both countries to interact directly and enhance mutual understanding of culture and society from various aspects.

Finally, in order to alleviate economic disparities between the coast and inland areas and between urban and rural areas, JICA supports the efforts of the Chinese government through development of policies and institutions as well as human resources development with the purpose of improving local governance and self-reliance of the poor. Such assistance not only leads to social sta-

bility, but also contributes to the achievement of the MDGs. JICA provides cooperation that will foster mutual understanding through activities utilizing Japan's experience. Specifically, those activities include support for policies and institutions to establish social safety nets (e.g. improving a rural pension insurance system), rural development using the method of Japanese NGOs, and human resources development for rural development.

### Mongolia—Development of Social Infrastructure Required for Economic Growth

Now that Mongolia has completed the process of building a foundation for reform toward a market economy society, stable economic growth is essential for the future. In the meantime, JICA provides assistance in educational areas, particularly with an emphasis on basic education, primarily to develop human resources who are involved in administration, including strengthening taxation functions, and who will play a leading role in the future of Mongolia. With an aim to activate the private sector, which accounts for 80% of GDP, JICA also places importance on the development of a law enforcement environment to facilitate economic activities, as well as the development of human resources related to the private sector with the help of the Mongol-Japan Human Resource Development Center.



The Sino-Japan NGO Forum co-hosted by JICA office and the China Association for NGO Cooperation: feasibility of cooperation activities of NGOs from both countries and its expansion were confirmed. (China)

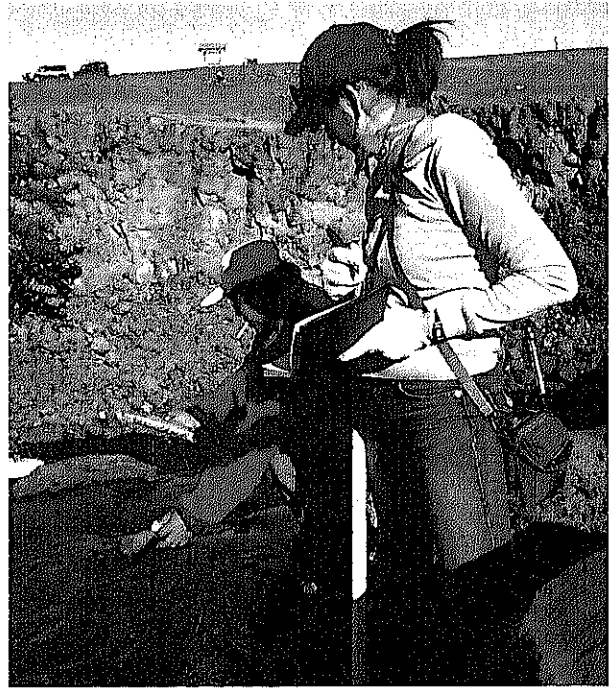


Secondly, in the rural development area, JICA promotes cooperation for reducing disparities between rural areas and the capital primarily by strengthening and supporting the livestock and agriculture sector, which is a key industry.

Thirdly, cooperation associated with environmental conservation is promoted, including measures to manage solid wastes in urban areas and yellow sand storms that adversely affect north-eastern Asia by crossing national boundaries.

Finally, the development of infrastructure forms the basis of Mongolia's economic growth. JICA will promote cooperation for formulating a plan to develop infrastructure in Ulaanbaator, which is experiencing a rapid population concentration.

An expert giving guidance on hydrologic study to a counterpart at Ugii Nuur Lake, which is listed in the Ramsar Convention. (The River Basin Management Model Project for the Conservation of Wetland Ecosystem and its Sustainable Use in Mongolia)



## Front Line China

### Study on the Improvement of the Rural Pension Insurance System

#### Supporting the Correction of Domestic Disparities through Cooperation for Pension Reform

##### Pension system necessary for rural residents

Though social security systems, including pensions, have been developed in urban areas in China, the benefits of such systems have not reached rural residents. Their retirement was not addressed by national social insurance systems, and thus retired persons had to rely on self-subsistent farming or their families.

However, the function of providing for the family has been weakened in recent years even in rural areas due to the aging population and the flight of young people to urban areas. Therefore, it is urgent to develop a pension insurance system that establishes a framework to support retirement of rural residents. With a decision made by the government of China in 1992, the Rural Pension Insurance System was inaugurated throughout the nation. However, due to inadequacies in the system and the implementation system as well as the impact of the Asian financial crisis, the funds failed in many areas and the existing system had to be reformed in 1998.

The Labor and Social Security Department of China, which had taken over the relevant operations since 1998, sought ways to re-establish the system. Since 2002 in particular, it has strengthened efforts for establishing the system, which include guidance and support for test operations of the system in local areas. Against this background, the request for this project was made.

##### Tackle complicated issues related to the Chinese economy and society

The Rural Pension Insurance System, which is the target of this project, is a pension insurance system for rural residents. Rural residents are those who reside in rural villages and are not necessarily those engaged in agriculture. In the project, JICA studies the direction of system development to support the development of the implementation system with regard to system reform and establishment, which the Chinese government has worked on.

It is JICA's first full-scale coop-

eration in the area of pension insurance. This project is by no means an easy task because this area is associated with extremely complicated issues such as the three rural issues (agriculture, rural villages, and farmers), which are the most serious issues in China, the rapidly aging population in the foreseeable future, etc. Nonetheless, it is a quite significant cooperation that responds to issues that may impede China's stable socioeconomic development and benefit rural residents who suffer from economic disparities with urban residents.

(JICA China Office)



Field study at a pilot site (Sichuan Province) of the Rural Pension Insurance System