

Bolstering India's Business Environment for Inclusive and Sustainable Growth

India's economy is growing faster than any other in the world. We asked Sakamoto Takema, chief representative of the India Office of the Japan International Cooperation Agency (JICA), about the role JICA plays in supporting this rapid development.

According to “Global Economic Prospects,” a report published by the World Bank in June, Indian economic growth for the 2015 financial year is expected to reach 7.5 percent, placing India at the top of the World Bank's growth chart of major economies for the first time. The Asian Development Bank's latest “Outlook” report of July 2015 gives a similarly bright growth forecast. In terms of PPP (purchasing power parity), India's GDP was estimated at 7,390 billion U.S. dollars in 2014 (World Bank data), making it the third largest national economy in the world. As International Monetary Fund Managing Director Christine Lagarde said in a speech last March, India is a “bright spot” in a “cloudy” global economy.

Meanwhile, the “World Population Prospects” report published by the United Nations in July states that the

population of India will grow from the present level of 1.3 billion to an expected 1.4 billion by 2022, overtaking China as the world's most populous country, and will continue rising to 1.5 billion by 2030 and to 1.7 billion by 2050.

“Young people twenty-five and under comprise over half of the Indian population. This means we can expect both the abundant labor force and the number of consumers to increase,” says Sakamoto Takema, chief representative of the India Office of JICA. “Inflation has been managed with a declining tendency for several years — it is currently single digit — which indicates that the government's management of the economy is sound. To be sure, there are still various challenges, but one could say that the international community sees India's potential for economic growth as outstanding and even the greatest in the world.”

Increasing the pace of trade and investment by foreign companies will be essential for India's sustainable economic growth, but foreign companies face a diversity of challenges in conducting business in India. The World Bank publication “Doing Business” ranks countries annually according to the ease of conducting business. In assigning rankings, the report analyzes regulations applicable to business firms over their entire life cycle, including those governing start-ups, operations, trading

across borders, paying taxes and resolving insolvency. In the most recent edition, released in October of 2014, India was ranked 142nd out of 189 countries. Singapore ranked first, New Zealand second, Hong Kong third and Japan twenty-ninth.

“To stimulate business activities among private companies and translate that business into sustainable economic growth, India needs to resolve infrastructure inadequacies and improve a variety of regulations,” says Sakamoto. “In order to do this, it will be important for the public sector, including the government itself, to improve the business environment making it more effective and efficient. JICA is actively supporting such efforts.”

JICA has been supporting development projects in India in cooperation with a variety of entities, including the Government of Japan, the Government of India, the Japan External Trade Organization (JETRO), the Japan Bank for International Cooperation (JBIC), as well as chambers of commerce, business firms, local governments and NGOs in both countries. Specifically, JICA has been extending ODA loans and other forms of financial assistance to support the construction of transportation, electric power, water and other components of basic infrastructure needed for the improvement of both the business environment and living standards.

To promote a more rational and streamlined regulatory framework, including procurement and contract management procedures which conform with international standards, JICA is dispatching experts from Japan, accepting Indian participants in JICA's training courses and providing other forms of technical cooperation to India.

“Economic growth will help create and expand job opportunities, thus raising people's standard of living,” says Sakamoto. “JICA is therefore providing support to stimulate economic growth. At the same time, JICA is helping to reduce social vulnerability through projects aimed at benefiting the economically disadvantaged. JICA has been attempting to provide support to build a framework through which the benefits of economic growth can be shared widely in society. We're putting in special effort in the area



Sakamoto Takema, chief representative of the India Office of the Japan International Cooperation Agency (JICA) (center), meets with members of a self-help group supported by JICA in Tamil Nadu state, July 2015.

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A July 2014 graduation ceremony for students of the Visionary SME Program, part of the Champions for Societal Manufacturing" (CSM) Project



CSM Project Chief Advisor and University of Tsukuba Professor Emeritus Shiba Shoji lectures trainees on the Project's Middle Managers Course.

of inclusive development, which makes it possible for people to gain fair access to opportunities to participate in and benefit from economic development."

In the past ten years from FY2003 to FY2014, JICA has extended approximately 2,400 billion yen in ODA loans to India, and around seventy projects facilitated by JICA are underway in the country to enhance economic growth and the living environment. Of the multiple projects that JICA supports in India, the following three projects are representative of the variety of ways JICA is contributing to India's economic growth.

Training Top Management in Manufacturing

The main driver of the Indian economy at present is the services industry, led by information technology. And while manufacturing accounts for the lion's share of job creation, the pace of manufacturing industry growth has been sluggish. In the belief that strengthening the manufacturing industry will be the key to achieving sustainable economic development, the Government of India has been moving ahead with policies aimed at promoting investment and developing human resource capacity with a view to enhancing competitiveness in the manufacturing industry. The government's aim is to boost the manufacturing industry's contribution to GDP from 16 percent at present to 25 percent by 2022, at the same time creating some 100 million jobs.

JICA has been pursuing a variety of projects to help India develop its manu-

facturing industry. One of these is JICA's technical cooperation project "Visionary Leaders for Manufacturing" (VLFM), which was launched in 2007. Another project intended to follow up on the Visionary Leaders project now underway is the "Champions for Societal Manufacturing" (CSM) Project. The 'common aim of both VLFM and CSM projects is to transfer to India's business leaders the essence of Japanese manufacturing and to establish an Indian way of management which will transform the nation's manufacturing sector.

Chief advisor for the project is University of Tsukuba Professor Emeritus Shiba Shoji, who taught for fifteen years at the Sloan School of Management, Massachusetts Institute of Technology and has also worked tirelessly to promote Total Quality Management (TQM) in Hungary, France and the United States. The VLFM project and the CSM project are being implemented with comprehensive cooperation from industry, government and academia, including such institutions as the Indian Ministry of Commerce and Industry, the Confederation of Indian Industry (CII), the Indian Institute of Technology Kanpur & Madras (IIT Kanpur & IIT Madras) and the Indian Institute of Management Calcutta (IIM Calcutta).

Five programs are presently offered through the project, including the Senior Managers Course, the Middle Managers Course, the Visionary CEO Course, the Visionary SME Program and the Village Buddha program. (The Village Buddha program covers development of person-

nel training programs for manufacturers engaged in business ventures intended to build a society which will benefit villages in a comprehensive way.) The goal is to train leaders in the Indian manufacturing industry by laying stress on group work and field training (including training in Japan) rather than on lectures. So far, the project has over 1,800 graduates, including plant supervisors and top managers in India's manufacturing industry.

"The changes which this technical cooperation project has brought to the workplace in India's manufacturing industry have been highly rated by India's business community, by the government and by Indian educational institutions such as IIT and IIM," says Sakamoto. "The Government of India is presently assembling a number of learned figures who, together with JICA, will be discussing ways to develop the project even more extensively. Private companies too are showing a strong willingness to join these training programs. The VLFM and CSM projects have been transforming thinking toward a more efficient management way."

The Delhi-Mumbai Industrial Corridor

JICA is also providing various forms of support relating to the infrastructure necessary for sustainable economic growth in India. One of these is the Delhi-Mumbai Industrial Corridor (DMIC). The DMIC entails the construction of a freight railway line of about 1,500 kilometers connecting Delhi and Mumbai



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Development of infrastructure such as this bridge in the southern Indian state of Tamil Nadu has been expedited by the Tamil Nadu Investment Promotion Program Loan, a 13 billion yen ODA loan agreement executed between the Government of India and JICA in 2013.

and the development alongside the railway of infrastructure such as industrial parks, logistics bases and power plants, mainly through private investment. The DMIC will extend over some 150 to 200 kilometers on both sides of the dedicated freight rail line, taking in six states and accounting for 14 percent of India's total area and 17 percent (173 million) of India's total population. By making the DMIC area a base for manufacturing, the Government of India hopes it will provide more jobs for younger workers. Japanese automakers first concentrated in the Delhi area. Since Japanese companies plan to increase exports of finished cars and imports of parts, they have an acute need for rail and road links between the inland region around Delhi and the city of Mumbai, which is the biggest port in India and can serve as an import-export base.

To support construction of the Dedicated Freight Corridor linking India's biggest economic center of Mumbai with the capital of Delhi, the hub of the development project, JICA has been providing ODA loans so far amounting to over 230 billion yen for the DMIC region. In addition to that for the Dedicated Freight Corridor, a series of plans have been worked out for better infrastructure for industrial complexes, distribution centers and other facilities in the area. When Japanese Minister of Economy, Trade and Industry Miyazawa Yoichi visited India in April of this year, he and Nirmala Sitharaman, the Indian Minister of State

(Independent Charge) for the Ministry of Commerce and Industry, signed a joint statement entitled "Action Agenda for the India-Japan Investment and Trade Promotion and Indo-Pacific Economic Integration." Half of the eleven candidate locations for Japan Industrial Townships described in the statement were within the DMIC.

"Since the Second World War, Japan has achieved economic growth by promoting development in key industrial areas such as the Pacific belt region. Japan's experience of building up these regions to lead growth for the country

as a whole is now being applied in planning and implementing the DMIC," says Sakamoto. "The aim underlying the DMIC is to build a strong economic foundation with an infrastructure that offers an internationally competitive investment environment. Pursued in conjunction with important measures formulated by the Government of India, including the 'Make in India' and 'Skill India' initiatives, construction of infrastructure and industrial complexes in the DMIC region can be expected to pick up speed."

Investment Promotion Program Loans

JICA is also providing support to help improve India's business environment in a comprehensive way. One good example is the Tamil Nadu Investment Promotion Program Loan, a 13 billion yen ODA loan agreement executed between the Government of India and JICA in 2013.

Tamil Nadu is a state in southern India into which Japanese companies have been moving at accelerating pace in recent years. Under the Program Loan, the Tamil Nadu state government and JICA will jointly monitor the key actions to be achieved within a certain period, including (1) improvements in policies, institutions and procedures that will help establish a good climate for investment and (2) efforts to build infrastructure such as roads, electric power, water and sewerage services. Once the

specified target indicators are achieved, JICA will disburse the ODA loans in tranches to support accomplishment of the goals in both these target areas. In setting the key actions relating to these two goal categories, full consideration is being given to the views of private companies establishing operations in the region. Efforts are being made to improve the business environment by identifying any barriers to doing business on the ground and then taking appropriate steps to rectify them. Indeed, business sources have welcomed the efforts, saying that the response of the state government has improved and been speedy since the Program Loan began.

Given the high regard shown for the effectiveness of the Program Loan, nearby states including Karnataka state, have expressed hopes that JICA might provide similar support for them as well.

"We believe it will be worthwhile to consider program loans not just for the southern part of India but also in the DMIC region and elsewhere in the country," says Sakamoto. "Indians have great faith and regard for Japanese technological capabilities and management processes."

Sakamoto relates many instances in which he's been profoundly impressed by the enthusiasm which Indians have shown for development. One example is his experience with his Indian counterparts in a forestry project being supported by JICA in Tamil Nadu state. Under this project, afforestation activities are being combined with efforts through micro-credit to empower women living in farming villages and economically disadvantaged communities in the area. The Indian counterparts involved in the project have told Sakamoto that, rather than relying indefinitely on JICA, they felt they needed to develop and execute an exit policy that would enable them to become self-reliant.

"I was deeply impressed by their expressed determination to provide for their own future rather than just requesting more and more aid," says Sakamoto. "I would like to contribute to make the bonds of trust and friendship between India and Japan grow stronger in the future." □

SAWAJI Osamu, *The Japan Journal*