The Asia Foundation

The Economic Governance Index and Investment Promotion in Asia

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Outline

1. The Asia Foundation
2. EGI Video (8 minutes)
3. EGI Definition, History and Goals
4. EGI in Asia Foundation Programs
5. EGI and Trade and Investment Issues
6. Overview of EGI Methodology *(if there is time)*
The Asia Foundation

- Promotes peaceful, prosperous, just and open Asia-Pacific region,
- Non-profit, non-governmental organization organized in 1954,
- 18 offices across Asia, San Francisco HQ,
- Key program areas:
  - *Economic reform and development*,
  - *Governance, law and civil society*,
  - *Women’s empowerment*,
  - *Environment*, and
  - *International relations*. 
Key TAF ERD Tools

- Economic Governance Index (EGI)
- Research and surveys
- Public-Private Dialogue for Reform
- Regulatory Impact Assessment
- One-Stop Shops
- Strengthened Local Fiscal Management
TAF EGI Video
The **Economic Governance Index (EGI)** is a *country-specific* index for measuring the quality of *economic governance* across *sub-national* units (provinces, districts, municipalities, cities).
1 Philippines: Cities Governance Index 2002-2004

2 Indonesia: Cities and Regencies Index, since 2001.

3 Vietnam: Provincial Competitiveness Index, since 2005.

4 Cambodia: Provincial Business Environment Scorecard, since 2006.


6 India: Tamil Nadu District Economic Environment Index, since 2009 (implemented by IFMR).

7 Bangladesh: Economic Governance Index, since 2009.

8 Malaysia: Business Environment Index, by 2011.
EGI Goals

1. To enable aggregate voice of MSMEs.
   • Representative sample, avoids selection bias.

2. Measures economic GOVERNANCE, not development.
   • Allows comparison of sub-national units on equal basis.

3. Measures performance of districts against best-governance practices in the country
   • Not an idealized, and perhaps unattainable notion of good governance.

4. Identifies actionable policies to local and national leaders.
EGI in Asia Foundation Programs

- Local Governments
- Dialogue for Reform
- National Government
- Business Community
- Accountability
Recent literature suggests links between trade facilitation measures and prevailing business environment (Duval & Utokthan, 2009; Hoekman, 2008).
**EGI and Trade Issues**

- EGI provides clear metrics on the sub-national business environment.
  - Infrastructure
  - Start-up and transaction costs
  - Enables tracking of progress over time

- Mix-and-Match Components:
  - firms’ investment location decisions.
  - Access to finance,
  - trade facilitation.
Governments of Cambodia, Indonesia, Vietnam have adopted EGI as instrument to monitor progress in provincial economic governance.

Provincial governments in Vietnam and Cambodia have progressed into customized diagnostic analyses, resulting in important specific reform initiatives by provincial governments.

In Bangladesh the Commerce Minister outlined a series of EGI-based reforms, including licensing, access to information, and reaching out to women entrepreneurs.
EGI as part of broader governance

- The government of Indonesia is interested in measuring local government performance more comprehensively;
- TAF is working with World Bank to construct a “Local Governance Performance Measure” which will include components on fiscal performance, financial management, and service delivery, in addition to the EGI;
- This broader indicator will be linked to the intergovernmental fiscal transfer mechanism.
EGI and incentives for good governance at local level

EGI helps provide an incentive for good local governance by:

- Giving the electorate a benchmark by which to judge the performance of their district leadership, and
- Giving the central government a tool with which to assess and incentivize performance.
KPPOD Awards Ceremony
Overview of EGI Methodology

Indicators include both firm survey perceptions and “hard” data from published sources.

Collection

Sub-Index 1

Construction

Sub-Index 2

Calibration

Sub-Index 10

Weights

EGI
EGI construction: Selection of Sub-Indices

1. Entry costs,
2. Access to land and security of tenure,
3. Transparency,
4. Time costs of regulatory compliance,
5. Informal charges,
6. Participation,
7. Law and order,
8. Tax administration,
9. Dispute resolution, and
10. Local infrastructure.
EGI Construction: Bangladesh
Sub-Index Dimensions

Sub-Index 2:
Land Access and Security of Tenure

Dimension 1:
Access to Land

- Indicator 1: % of firms with a registered Dalil (land title)

Dimension 2:
Security of Tenure

- Indicator 2: % of firms saying it was difficult/very difficult to register Dalil
- Indicator 3: % of firms rating expropriation risk high or very high
- Indicator 4: % of firms that deem rental contract changes a risk
EGI Construction: Final Sub-Indices

Cambodia 2006 Land Access and Property Rights Sub-Index

- Kampong Cham
- Kampong Chhnang
- Battambang
- Kandal
- Sihanoukville
- Kampot
- Phnom Penh
- Kampong Chhnang
- Kampong Cham
- Siem Reap
- Banteay Meanchey

Land Access and Property Rights Sub-Index (2 Dimensions)

Soft Data
Hard Data
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For further detailed information on Economic Governance Index, including country reports, methodology and country data, see EGI page at www.asiafoundation.org
Thank You!

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