JICA’s experience in utilising the PFI in its assistance on investment climate reforms

Session II-1: Use of the PFI in support of investment climate reforms

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Overview of JICA’s approach for investment climate reforms

JICA’s contribution to “OECD Investment for Development” and utilisation of the OECD Policy Framework for Investment (PFI)

Cases on utilising the PFI in JICA’s ODA – Cambodia and others
Birth of New JICA in October 2008

The integration will enable New JICA to be more strategic, effective and responsive in implementing ODA.

*Greater effectiveness, efficiency and impact with 3S (Speed Up, Scale up and Spread Out)*

*Excluding those to remain under the auspices of MOFA for diplomatic reasons.*
JICA’s approach to trade and investment promotion

**Business environment improvement for trade and investment**
- Policy and regulation reform
- Intellectual property rights, standardisation and accreditation
- Infrastructure: economic infrastructure (transport and energy), customs system, special economic zone

**Capacity development for trade promotion**
- Capacity development of trade promotion agency
- Strengthening private sector’s competitiveness
- Capacity development on international rules (WTO/FTA/EPA)

**Capacity development for investment promotion**
- Capacity development of investment promotion agency
- Investment promotion information service and networking

- Private sector-led economic growth
- Response to Monterrey Consensus to achieve MDGs
JICA’s approach: assisting private sector partnership

<table>
<thead>
<tr>
<th>Business environment improvement</th>
<th>Software: investment/trade policy &amp; regulation reform, customs reform etc.</th>
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<tbody>
<tr>
<td></td>
<td>Hardware: supporting infrastructure (port, railway, industrial park etc.) by ODA</td>
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<td>Industrial human resource development</td>
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<td>PPP infrastructure</td>
<td>Infrastructure development and management (example - power: planning &amp; distribution by ODA / IPP by Private etc.)</td>
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<td>ODA funded port/water facility management</td>
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<td>New Frontier</td>
<td>CSR: community support, Basic Human Needs etc.</td>
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<td>BOP business support: survey, Microfinance</td>
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<td>Scale up of ODA project by private sector</td>
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</tbody>
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Asia: main region for JICA’s AfT

JICA’s Aid for Trade by Region (2007)

Loans
- Asia: 81%
- Africa: 14%
- Middle East: 4%
- Oceania: 1%

Technical Cooperation and Grant Aid
- Asia: 46%
- Africa: 23%
- Middle East: 8%
- America: 16%
- Oceania: 4%
- Europe: 2%
- World: 1%
Regional Integration

GRDP* per capita in GMS Countries and Regions

*GRDP: Gross Regional Domestic Product

Time Distance Between GMS Countries

Source: Univ. of Tokyo

(A) A Few Years Ago

(B) After CBTI/CBTA Completion

Japan International Cooperation Agency
Travel Time between the Two Cities

Cambodia side

0.0 2.0 4.0 6.0 8.0 10.0 12.0 14.0
201X
2006
2001
Cambodia A
Mekong Crossing
Cambodia B
Border
Viet Nam Side

2 bottlenecks remaining

Neak Loeung Ferry Terminal

Cambodia A
Mekong Crossing
Cambodia B
Border
Viet Nam Side

<table>
<thead>
<tr>
<th>Year</th>
<th>Cambodia A</th>
<th>Mekong Crossing</th>
<th>Cambodia B</th>
<th>Border</th>
<th>Viet Nam Side</th>
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<td>2001</td>
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<td>2006</td>
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0.0 2.0 4.0 6.0 8.0 10.0 12.0 14.0
(Hours)
### JICA in support of investment policy reform / promotion in ASEAN (example)

<table>
<thead>
<tr>
<th>Country</th>
<th>Position</th>
<th>Projects/Programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>Investment promotion policy advisor (BKPM)</td>
<td>Study on Improvement of Investment Policy (2006)</td>
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<td></td>
<td></td>
<td>SEZ Development Master Plan Survey (forthcoming)</td>
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<td></td>
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<td>Project for Strengthening Intellectual Property Rights Protection</td>
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<tr>
<td>Cambodia</td>
<td>Investment Promotion Advisor (CDC)</td>
<td>Study on the Institutional Strengthening of Investment Promotion (2009-10)</td>
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<td></td>
<td>Project for Enhancing the Investment-related Services of CDC (forthcoming)</td>
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<tr>
<td>Laos</td>
<td>Investment Promotion Advisor</td>
<td></td>
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<tr>
<td>Philippines</td>
<td>Investment Advisor (BOI) (Support for preparation of Philippine Investment Promotion Plan: PIPP)</td>
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<tr>
<td>Vietnam</td>
<td>Investment climate improvement advisor</td>
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<tr>
<td></td>
<td>Project for Strengthening of FDI Promotion (FIA)</td>
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</table>
JICA’s contribution to “OECD Investment for Development Initiative” and its affiliated regional projects

- Promoting usage of the PFI in its implementation of the ODA programmes
- Assisting the implementation of the NEPAD-OECD Africa Investment Initiative utilising JICA’s African country office network
- Held back-to-back events at the Initiative’s 2007 Lusaka and 2005 Entebbe Roundtables
- Participated in the past roundtables as the speakers
Experience and possible usages of PFI in JICA as a bilateral development partner

- The PFI as a tool for…
  - reviewing on current situation surrounding investment support projects
  - assisting related ministry/agency’s capacity building
  - benchmarking to evaluate progress of investment support projects
  - identifying policy area to be highly supported … etc.

- Being promoted inside JICA (video conference seminar, mission, thematic issue guideline etc.)
A Case: Utilising the PFI - Cambodia Investment Promotion Project

Outline of the project

- **Project:** The Study on Institutional Strengthening of Investment Promotion in Cambodia (2009-2010)
- **Cooperation with:** Cambodian Investment Board (CIB) of the Council for the Development of Cambodia (CDC)
- **Scope of Work:** Current situation review, Comparative study with neighbouring countries, Investors analysis, Comparative advantage identification, Pilot projects, Recommendations, Seminar
How was the PFI introduced?

- Agreed by CDC and JICA to make the maximum use of PFI for overall analysis on investment promotion
- Positioned PFI as an important analytical tool
- Preliminary study team visited OECD Investment Division in Paris to discuss the usage of the PFI in prior to the commencement of the project
A Case: Utilising the PFI - Cambodia Investment Promotion Project

How was the PFI utilised?

- Based on the 9 questions in the PFI Chapter 2 and 40 sub-questions set in the PFI User’s Toolkit
- Designed “Questionnaire for Directors, Managers and Staff of CIB (Awareness Survey)” based on PFI
- “Became very persuasive questionnaires and convincing analysis by using internationally-recognised PFI”
- Made assessment in particular based on the 8 sub-questions of the “2.2 Establishing in IPA” and 4 sub-questions of the “2.3 Monitoring IPA Performance”
- Current situation and problems were made clear
- Cambodia’s further interest in utilising the PFI
A Case: Utilising the PFI - Cambodia Investment Promotion Project

What are the results of the project?

- Based on the PFI assessment and other surveys, 16 Action Plans are prepared, including actions on information services, PR activities, consultation / aftercare services, policy advocacy, and organisation.

- Cambodia Investment Guidebook was published and Application Manuals for Qualified Investment Project (QIP) was prepared.

- Project seminars held in Japan attracted investors – inquiries became tripled and actual investments were realised.

- New CDC-JICA Project was agreed to implement some of the 16 Action Plans for capacity building of CDC – to be launched soon.
Other Cases: wider usage in other JICA ODA projects

- **Zambia** Investment Promotion Project - Triangle of Hope: Based on the recommendation by the Zambia-Japan joint evaluation team for the Phase 1, Phase 2 considers to utilise the **PFI as a benchmarking tool**

- Investment Promotion Advisor in a Latin American country: PFI is referenced for designing **TOR for a background survey**

- Projects/advisors in some countries: PFI is referred in their activities

- **Thematic issue guideline** on trade and investment: currently being revised and PFI is to be included as a useful tool
Lessons and Conclusions

- Bilateral ODA’s significant role to catalyze private investment in support of economic growth
- Aid for investment in infrastructure
- Importance of investment policy framework and investment promotion in developing countries...
- … and needs for capacity building, which could be assisted by development partners
- Usefulness of the PFI for dev. partner agencies: effective tools for implementing bilateral ODA and possible collaborations with the OECD
JICA’s VISION

“*Inclusive and Dynamic Development*”

Thank you

*Terima kasih banyak*