

# Public-Private Partnerships

## New Partnerships that Support Economic Growth

The demand for sustainable development and infrastructure development in developing countries is enormous, and it is difficult to respond to this demand with ODA alone. Private sector funding now accounts for a much larger proportion of the funds entering developing countries from advanced nations than does ODA\*. Under such circumstances, there are hopes for even more effective development support through collaboration with private-sector activities.

Traditionally, ODA has served as a catalyst for private sector funding in developing countries. Recently, however, due to intensifying global competition and a lowering of trade and investment barriers, corporations are more actively expanding their trade and investment in developing countries and are focusing their attention on new activities, including public-private partnership (PPP) infrastructure projects, base of the pyramid (BOP) businesses, and corporate social responsibility (CSR) activities. These efforts have allowed private sector businesses in developing countries to produce successful development results, including creating employment opportunities, cultivating human resources, and improving technologies.

Nevertheless, there remain many barriers hindering corporations from carrying out these activities on their own. For example, corporate activities in developing countries require a developed business and investment environment in terms of both institutional and hard infrastructure aspects, including well-established legal structures, human resource development, and peripheral infrastructure development. Accordingly, there are areas where it is difficult for private sector to carry out activities by themselves, creating room for collaboration with ODA.

In April 2008, the Government of Japan announced "Public-Private Cooperation for Accelerated Growth". Recognizing the importance of private-sector growth in reducing poverty in developing countries, the policy aims to construct productive partnerships between the public and private sectors and accelerate growth by sharing important foreign policy objectives and working to address these in concert. Furthermore, the New Growth Strategy released in June 2010 also recognizes the importance of utilizing ODA in the overseas deployment of integrated infrastructure systems. In light of these circumstances, it would be ideal for both developing countries and Japan if ODA and private-sector activities led to constructing productive partnerships, intensifying the effects of development in developing countries, and accelerating the pace of growth.

### Preparatory Survey for PPP Infrastructure Projects Public-Private Partnerships to Address Infrastructure Projects in Developing Countries

There is a growing trend in developing countries toward incorporating the energy of the private sector into infrastructure projects that have traditionally been carried out as public projects in the areas of construction, management, and maintenance. Based on a proper division of roles between the public and private sector, public-private partnerships (PPP) are implemented in order to engender greater effects and efficiency in these projects. This has led to the advent of a public-private collaboration mechanism to address development issues in developing countries. Against this backdrop, JICA is working to form PPP infrastructure projects based on support via Loan Aid and private sector investment finance.

In PPP infrastructure projects, it is imperative that surveys are carried out as a collaborative effort between the public and private sectors from the initial planning stage based on the awareness of the various related parties, including project owners and sponsors. For this reason, JICA began the Preparatory Survey for PPP Infrastructure projects, a scheme for formulating project plans based on proposals from the private sector. Proposals with concepts for project formulation are widely solicited from private corporations, and JICA entrusts the organization with the selected proposal to conduct a preparatory survey as a feasibility study for project formulation. During 2010 two public calls for proposals were made, and of the responses received, nine proposals were selected from the first round and two from the second, for a total of 11 projects.

#### Preparatory Survey for PPP Infrastructure: Selected Projects

Country	Survey Name
<b>1st public call for proposal on March 31, 2010</b>	
Indonesia	Application of Waste water Reclaiming in Southern Bali water supply system
Indonesia	West JAVA Regional Solid Waste Treatment and Final Disposal
Malaysia	Creation of the Best Optimized Water Infrastructure PPP in Major Urban Areas
Philippines	PPP Project for Development of a connector road in Manila
Viet Nam	Utility Management of Environment-Friendly Industrial Parks
Viet Nam	Long Thanh International Airport Development Project
Viet Nam	PPP Duong River Water Supply System Project
Viet Nam	Song Hau 1 Coal Fired Power Plant Project and its related common infrastructures
Viet Nam	Urban Development with Above-and Under-Ground Combined Structures at Ben Thanh Station Area in Ho Chi Minh City
<b>2nd public call for proposal on November 12, 2010</b>	
Viet Nam	Yen Xa Wastewater Treatment Plant in Hanoi
Viet Nam	Phap Van-Cau Gie Expressway Project

\* Concerning the flow of funds from Japan to developing countries, private-sector fund totals amount to approximately three-times those of ODA (Source: December 28, 2010 press release by the Ministry of Foreign Affairs, "The Flow of Funds from Japan to Developing Countries in 2009").

## Preparatory Surveys for BOP Business Promotion

### A New Approach Utilizing Corporate Business Principles

BOP business is also referred to as “inclusive business”, and is attracting attention as a new approach to resolving issues in developing countries that cannot be addressed by aid agencies alone via corporate business. In recent years, the aid agencies of various countries and multilateral organizations have been actively promoting partnerships with BOP businesses.

The success of BOP business relies on gathering and analyzing information on the actual living situation of the BOP demographics as well as on society and the economy, and then promoting product development and business plan creation based on people’s needs. However, the lack of such information at corporations is a major barrier to their entering the BOP business market. For this reason, JICA has started a public recruitment-type survey structure where proposals for BOP business plans that contribute to solving development issues are widely solicited, and then the organizations of selected proposals are commissioned to gather information on their BOP business and implement a survey for establishing a business plan that includes cooperation with JICA. In August 2010 the first public call was made and 20 projects were selected.

#### Preparatory Survey for BOP Business Promotion: Selected Projects

Country	Survey Name
<b>1st public call for proposal on August 6, 2010</b>	
Indonesia	Hybrid education business in Indonesia
Indonesia	Slag fertilizer in peat bog areas in Indonesia
Cambodia	Social investment for the development of BOP business
Viet Nam	Production of bio ethanol
Bangladesh	Rainwater tanks with microcredit system
Bangladesh	CDM business by introduction of energy micro utility system in rural areas in Bangladesh
India	Safe water supply and establishment of its supply chain for poverty reduction
India	Water purification for poverty reduction in India
India	Commercialization of stationeries for the profit generation of BOP
Sri Lanka	Water supply in non-supply areas
Kenya	Solar lantern
Kenya	Long-lasting insecticidal net for the poor
Tanzania	Jatropha production
Tanzania	Production of solid fuel for households and SMEs
Rwanda	Microbial material for agriculture and public health
Mozambique	Energy conversion
Ghana	Off-grid energy solutions in unelectrified area
Ghana	Nutrient enriched food during weaning period
Ghana	Road maintenance in rural villages by using “DONOU (sandbag)”
Senegal	Village water supply with clean water system in West Africa

## Private Sector Investment Finance

### Private-Sector Corporation Projects in Developing Countries Supported by Private Sector Investment Finance

Of the Loan Aid provided by JICA, an additional pillar to ODA

## Greenhouse Gases Generated by APEC Yokohama were Balanced by JICA’s Certified Emission Reduction (CERs) Acquired from the World Bank Prototype Carbon Fund

JICA used a portion of the CERs acquired from a wind power generation project in the Philippines via the World Bank Prototype Carbon Fund (PCF), which JICA funds using private sector investment finance, in order to balance out (by “carbon offsetting”) a portion of the greenhouse gas emissions generated as a result of holding the November 2010 APEC Ministerial Meeting in Yokohama.

PCF is the world’s first carbon fund and was established through funding from 23 governmental organizations from 10 countries including Japan, as well as from private-sector corporations. The fund was created before institutional frameworks were established to promote the Clean Development Mechanism (CDM), serving as a primer for allowing JICA to use private sector investment finance to fund climate change countermeasures with private-sector funding, as there were high risks involved for private-sector corporations in carrying out projects in developing countries to reduce greenhouse gas emissions on their own.

The actual amounts of greenhouse gas emissions reduced by these projects are distributed among the PCF investors including JICA in the form of “CERs,” thereby contributing to cutting greenhouse gas emissions.

Loans is economic cooperation implemented using private sector investment finance as a form of support for private-sector activities. Various private-sector businesses in developing countries help to vitalize the economies and create employment in their respective countries, and consequently produce development results that lead to improvements in people’s lives. At the same time, these businesses create expectations for further results such as acquiring foreign currency and technology transfers. Nevertheless, due to factors such as their high risk, it is difficult for these businesses to obtain financing from private-sector financial institutions.

The private sector investment finance operations of JICA support private-sector corporations attempting to conduct business in developing countries under these circumstances from the two financial perspectives of “investing” and “financing”. The New Growth Strategy released by the Government of Japan in June 2010 states that, “As for private sector investment loans by the Japan International Cooperation Agency (JICA), in order to provide loans for highly-effective development projects which cannot be financed by existing financial institutions, we will fully study and evaluate the successful and failed cases in the past and establish a risk examination and management system, toward the resumption of this business.” Furthermore, at the December 2010 Ministerial Meeting on the Overseas Deployment of Integrated Infrastructure Systems, a decision was again made to resume the scheme in fiscal 2011. In response to this decision, the necessary procedures for restarting private sector investment finance were concluded by the end of March 2011.