

# Public-Private Partnerships

## New Partnerships that Support Social and Economic Growth

It is difficult to meet the capital demands for social and infrastructure development in developing countries with their governments' limited budgets and ODA support from other countries alone. In fact, private sector now accounts for a large proportion of the financial flows entering developing countries from developed countries. The private sector have been expanding its trading and investment activities in developing countries and are focusing on new fields, including Public-Private Partnership (PPP) based infrastructure projects, and BOP/inclusive businesses etc.

These efforts have contributed to creating employment opportunities, human resources development, and improving technologies. In addition, the outstanding technologies and business ideas of Japanese companies are making big contributions to solving socioeconomic problems in developing countries.

JICA provides wide-ranging support schemes to produce better developmental results efficiently and effectively through further collaboration between the activities of the private sector.

### ● Private-Sector Investment Finance

#### Economic and Social Development Support in Developing Countries through Partnerships with the Private Sector

Of the Loan Aid assistance provided by JICA, Private-Sector Investment Finance (PSIF) is a scheme supporting development projects in developing countries by Japanese and other countries' private enterprises. Through the provision of loans and equity, PSIF supports businesses with positive impacts on socioeconomic development in developing countries, such as PPP infrastructure projects, BOP businesses, and business expansions of SMEs abroad. Furthermore, by introducing technologies and know-how of private companies and coordinating with local governments, JICA makes efforts to reduce various risks associated with projects and to further increase development outcomes through coordination

with other JICA schemes, such as Technical Cooperation etc.

In fiscal 2013, following the full resumption of Private-Sector Investment Finance, JICA concluded a loan agreement regarding the Project on Domestic Human Resources Development in Indonesia, which is the first overseas investment project in Indonesia. In April 2014, JICA also concluded a joint-venture agreement for the development project on Myanmar's first special economic zone [→ see the Case Study below].

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

In recent years, there has been a growing trend in developing countries toward incorporating the expertise of the private sector into infrastructure projects. Based on a proper demarcation of roles and risks between the public and private sectors, public-private partnerships are implemented in order to engender greater benefits and efficiency in these projects. JICA also provides a survey scheme for the formulation of PPP infrastructure projects that are intended to be carried out under the Private-Sector Investment Finance or Japanese ODA Loan assistance.

This scheme is designed to discover and establish favorable PPP infrastructure projects at the upstream stage, based on the cooperation between the public and private sectors. JICA entrusts necessary surveys to private companies that have submitted excellent proposals. This system is implemented in accordance with the Japan Revitalization Strategy, the Infrastructure Systems Export Strategy, the Strategy on Global Health Diplomacy, and other policies.

Eleven proposals were selected from two calls for proposals in fiscal 2013. These proposals include projects to construct extensive infrastructure and power projects, utilization of smart-

#### Case Study

### Myanmar: Private-Sector Investment Finance; The Thilawa Special Economic Zone (Class-A Area) Development Project

#### Supporting the Development of Myanmar's First Special Economic Zone (SEZ)

On April 23, 2014, JICA concluded a joint venture agreement regarding the development project for Myanmar's first special economic zone, which will be established in Myanmar as the first project after the resumption of Private-Sector Investment Finance. In this project, JICA will also finance MJ Thilawa Development Ltd., and the financing will be used for the development of an industrial park and sales and operation businesses. This project covers approximately 400 hectares of the early development area in the Thilawa SEZ near Yangon, Myanmar.

Under the Thein Sein administration, Myanmar is making rapid progress toward democratization and a market economy.

Due to focusing on attracting foreign direct investment, the Myanmar government is actively working not only on amending laws related to investment but also on the development of SEZs. In particular, the Thilawa SEZ, located in the Yangon metropolitan area, has some advantages, such as a sufficient labor supply and better access to markets. Therefore, the government has expressed its intention to promote its development in a quick and preferential manner.

Japanese companies are highly interested in Myanmar, and they are now involved in intense competition with firms from other countries for the market of Myanmar. On the other hand, despite their interest in investment in Myanmar,

improvement of the investment environment has been a major issue in the country, since many foreign companies are concerned not only about incomplete infrastructure, such as electricity, but also non-fully developed economy-related legal system.

This project will be the Myanmar's first large-scale SEZ development. To carry out the project, it is necessary for the Project Developer to receive various forms of support from the Myanmar government in both hard and soft aspects. In addition to financial aid through capital injection, JICA is expected to join the project as an investor and also play a role in facilitating coordination between the developer and the Myanmar government.

Rendering of the Thilawa Special Economic Zone (SEZ)



technology, a wind-power generation project that is expected to contribute to climate change measures, projects in new fields that include a hospital development project that responds to medical needs of people in the community, and water-supply improvement projects in cooperation with Japanese local governments. Through these projects, it is expected that the excellent technologies and know-how of efficient service delivery by Japanese companies will be disseminated internationally.

However, there are many challenges related to PPP infrastructure projects in Asian countries. These challenges include difficulties in securing project viability, insufficient recognition of proper role-sharing and risk allocation (lack of host government support) among the public and private sectors, and inauguration risk due to factors such as delays in construction of related facilities. Therefore, not only providing support for realization and establishment of favorable projects at the upstream stage, JICA is also promoting comprehensive efforts for crystallizing PPP projects by enlightening counterpart country officers on the PPP system, assisting introduction of appropriate PPP policies and institutions, and strengthening implementation capacities [ → see the Case Study on page 23].

### ● Preparatory Surveys for BOP Business Promotion

#### A New Approach for Enhancing Development Impact in Partnership with Private Businesses

BOP/Inclusive Business is a business model aimed at finding new market opportunities by targeting the low-income segment of the population (i.e. the Base Of the Pyramid), which is defined as the populace with an income below \$3,000 per year based on purchasing power parity, as consumers, employers, or business partners. BOP business is also in the spotlight as a business model that can contribute to solving socio-developmental issues in developing countries through business activities.

JICA entrusts surveys on development of business models, project planning, and ideas for collaboration with JICA projects, to private companies that have made excellent BOP business proposals. Twenty-one proposals were selected from two calls for proposals in fiscal 2013. Of the completed surveys to date, seven proposals have already started as of the end of 2013. At the same time, some collaborative approaches with JICA projects have also been realized in various forms [ → see the Case Study below].

JICA also conducted the study with the following three objectives: (1) analyze cases of JICA BOP surveys and identify key success factors in BOP businesses; (2) introduce an assessment framework to measure developmental effects through BOP businesses; and (3) define measures to address issues associated with BOP business financing. For dissemination and further improvement of JICA's assistance, open seminars were held to share the study results.

### ● Collaboration Program with the Private Sector for Disseminating Japanese Technology

#### Boosting the Dissemination of "Japanese Model" that Contributes to the Growth of Developing Countries

The dissemination of "Japanese Model," with advanced high competitiveness, is regarded as a priority issue in some policies advocated by the Japanese government, such as the "Japan Revitalization Strategy" and the "Infrastructure Systems Export Strategy." As an effort to solve technology issues in developing countries and boost the dissemination of "Japanese Model," JICA initiated a new program titled "Collaboration Program with the Private Sector for Disseminating Japanese Technology for the Social and Economic Development of Developing Countries" in fiscal 2013.

This program aims to facilitate the understanding of excellent products, technologies, and systems of Japanese companies as well as to consider the possibility of applying them in developing countries. In this program, training sessions in Japan or counterpart countries will be provided primarily for government officials from developing countries. By soliciting project proposals from private companies, JICA bears the expenses up to ¥20 million for projects selected. Subsequently, the companies will take the initiative to provide training programs or seminars.

There were 71 proposals in the first call for proposals in August 2013, and 14 were selected. These proposals include not only projects regarding overseas expansion of individual products or technologies but also Japan's distinctive systems, such as its postal service and dietitian licensing. In addition, some projects were related to international deployment of complex systems such as Intelligent Transport Systems (ITS) and disaster management information system.

#### Case Study

### Uganda: BOP Business Promotion; Saraya Co. Ltd., Creating a New Business Model for Alcohol Sanitizing Products

#### From the Hand-Washing Project to a Local Production for Local Consumption Business

Saraya, a company based in Osaka, joined UNESCO's Hand-Washing Project for One Million People in Uganda in 2010. By selling its alcohol sanitizing products, Saraya has carried out this project in Uganda, where water supply is scarce and the importance of hand-washing is barely

recognized even at medical institutions.

Since January 2012, when sanitizers were fully introduced, Saraya has been engaged in various approaches in model hospitals in the country, utilizing the Preparatory Survey for BOP Business Promotion system. These approaches include educational activities in the hospitals, surveys on product acceptance, establishment of a business model that manages the collection of local low-level materials through production

and sale as well as development of business planning.

In one of the model hospitals for educational activity, Japan Overseas Cooperation Volunteers (JOCVs) have included hand-washing in an activity called 5S: seiri (arrangement), seiton (organization), seiso (cleaning), seiketsu (cleanliness), and shitsuke (bringing up), which promotes order and zero-waste. The pilot project conducted by Saraya contributed to an educational and promotional activity that facilitates infection control measures in cooperation with JOCVs.



A nurse sanitizing her hands before examining patients in Uganda