Liberalization and Facilitation of Investment in Infrastructure and Its Role in Economic Growth and Regional Integration

Submitted by: Japan
Liberalization and Facilitation of Investment in Infrastructure and Its Role in Economic Growth and Regional Integration

Akio Hosono

Ch.1. Prologue: Some relevant experiences in Japan

- Transport and telecommunications sectors in Japan
Japan’s Railways

- Japan National Railways (JNR) was divided into 7 companies and privatized in 1987 (now JR)
- Liberalization, deregulation and privatization of railways sector in Japan was very successful and considered a model for some European countries which privatized their railways afterwards
- Japanese transport system has attained high rank of competitiveness in the World Competitiveness Report (see for example, WCR 2003 edition next slide and WCR 2008 on tourism: Japanese Transport Infrastructure is the top of the world)

A highly competitive logistics infrastructure in Japan

Usando la altamente desarrollada red de infraestructura, que se enorgullece por su nivel de precisión sin paralelos en otros lugares del mundo, se hace posible el desarrollo estratégico de negocios.

- Ranking de Infraestructura competitiva

<table>
<thead>
<tr>
<th>Area</th>
<th>Rank 1</th>
<th>Rank 2</th>
<th>Rank 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Desarrollo de Infraestructura Ferroviaria</td>
<td>Japón</td>
<td>Suiza</td>
<td>Francia</td>
</tr>
<tr>
<td>Total de Pasajeros Transportados Via Aerea</td>
<td>EEUU</td>
<td>Japón</td>
<td>Reino Unido</td>
</tr>
<tr>
<td>Total de Carga Aerea</td>
<td>EEUU</td>
<td>Japón</td>
<td>Corea</td>
</tr>
</tbody>
</table>

### Vertical separation or competitive access?

**Vertical separation or competitive access?** Vertically separating the ownership of track and trains may permit active or potential competition among rail operators (Thompson 1997). Under this option operators need not be subject to detailed regulatory scrutiny, as competition creates strong incentives to be efficient and responsive to the needs of shippers and a growing entrepreneurial economy. But separation can create coordination problems, undermine economies of scope, and impose other unnecessary transaction costs.

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**Table 4.1 Market Structure and Ownership Options in Railroads, Various Countries, 2001**

<table>
<thead>
<tr>
<th>Structural change</th>
<th>Private ownership</th>
<th>Partnerships: concessions or franchises awarded</th>
<th>Private ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monolithic</td>
<td>China, Russia, and India (ministries), MAV, SRT, MZ, others (SOEs)</td>
<td>Argentina (18), Brazil (9), Mexico (5), Peru (3), Guatemala, Bolivia (2), Panama, Côte d'Ivoire/Burkina Faso, Cameroon, Congo (Brazzaville), Malawi, Madagascar, Jordan</td>
<td>New Zealand, Fernor (Chile), CVRD (Brazil), At&amp;SF (Chile)</td>
</tr>
<tr>
<td>Competitive access</td>
<td>Amtrak, VI, Japan Freight, CN</td>
<td>Mexico City suburb, CONCOR (India)</td>
<td>U.S. Class I, CN, and CP East-West-Central, Japan Railways</td>
</tr>
<tr>
<td>Vertical separation</td>
<td>E.U. and Chile Passenger, Baroverket</td>
<td>Swedish suburb, FEPASA (Chile), LHS line (Poland)</td>
<td>U.K. franchises and EWS, Polish and Romanian freight</td>
</tr>
</tbody>
</table>

*Note:* MAV (Hungarian State Railways), SRT (State Railways of Thailand), MZ (Monorail Railways), CN (Canadian National), E.U. (European Union), CP (Canadian Pacific), East-West-Central Japan Railways (East Japan Railways, West Japan Railways, and Central Japan Railways), EWS (England Wales and Scotland).

*Source: Thompson (2001a).*
Vertical separation or competitive access? (continued)

A rail operator cannot offer reliable high-speed passenger service, for example, unless track is well maintained and made available by the infrastructure monopolist. In a vertically integrated railroad, track and rail operations are typically overseen by different departments. But because these departments are parts of the same corporate entity, they coordinate their actions to ensure consistency with corporate strategies and goals. Although their interests might not be perfectly harmonized, they are free of narrowly opportunistic behavior.

Figure 4.3 Performance of Class I U.S. Railroads, 1964–2000

Index: 1981 = 100

Staggers Act, passed October 1980


World Bank (2004)
Japan’s Railways, including Shinkansen (Bullet train)

- Shinkansen: High level of safety: No fatal accidents for more than 40 years of its operation
- Very fast, punctual and frequent as well as competitive (in comparison with other modes of transport)
- Railways in general, including Shinkansen are very eco-friendly (emission of CO2 is less than 1/9 of cars)

Telecommunication

- Nippon Telephone and Telegraph (NTT) was privatized in 1985
- A series of liberalization and deregulation measures were introduced
- New private companies entered in the market
- Services have been substantially improved
- Investment in R&D in telecommunication sector accelerated (Next slide is an example)
International comparison of cost of broad band (Infraestructura de punta en tecnología de la información y las comunicaciones)

Ya reconocida como referencia en el mundo, la red de información y comunicaciones de alta /ultra velocidad de Japón se expandirá aún más en el futuro.

Comparación internacional de Tarifas de banda ancha (costos por 100kbp; Julio 2003)

Top 20 economies (ranked by total subscriber number) as at 31 December 2005

Total fixed broadband subscribers, penetration rate, broadband as a percentage of all Internet subscribers and price per 100kbit/s in USD.

<table>
<thead>
<tr>
<th>Economy</th>
<th>Total Broadband Subscribers (2006)</th>
<th>Penetration (per 100 Internet subscribers)</th>
<th>As % of Internet Subscribers</th>
<th>Price in USD per 100kbit/s</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. United States</td>
<td>40,391</td>
<td>16.6</td>
<td>79.0</td>
<td>$0.49</td>
</tr>
<tr>
<td>2. China</td>
<td>37,040</td>
<td>22.9</td>
<td>51.2</td>
<td>$1.43</td>
</tr>
<tr>
<td>3. Japan</td>
<td>22,600</td>
<td>17.5</td>
<td>66.0</td>
<td>$0.09</td>
</tr>
<tr>
<td>4. Korea (Rep.)</td>
<td>15,020</td>
<td>26.2</td>
<td>108.0</td>
<td>$0.38</td>
</tr>
<tr>
<td>5. Germany</td>
<td>10,886</td>
<td>12.9</td>
<td>51.4</td>
<td>$0.51</td>
</tr>
<tr>
<td>6. United Kingdom</td>
<td>9,959</td>
<td>16.0</td>
<td>65.3</td>
<td>$0.63</td>
</tr>
<tr>
<td>7. France</td>
<td>9,465</td>
<td>15.6</td>
<td>75.3</td>
<td>$0.36</td>
</tr>
<tr>
<td>8. Italy</td>
<td>6,220</td>
<td>11.7</td>
<td>38.5</td>
<td>$0.20</td>
</tr>
<tr>
<td>9. Canada</td>
<td>6,067</td>
<td>20.8</td>
<td>90.1</td>
<td>$1.01</td>
</tr>
<tr>
<td>10. Spain</td>
<td>4,543</td>
<td>11.7</td>
<td>90.0</td>
<td>$4.84</td>
</tr>
<tr>
<td>11. Taiwan, China</td>
<td>4,402</td>
<td>22.1</td>
<td>61.2</td>
<td>$0.18</td>
</tr>
<tr>
<td>12. Netherlands</td>
<td>4,060</td>
<td>25.2</td>
<td>56.6</td>
<td>$0.84</td>
</tr>
<tr>
<td>13. Brazil</td>
<td>3,040</td>
<td>1.8</td>
<td>41.8</td>
<td>$1.08</td>
</tr>
<tr>
<td>14. Mexico</td>
<td>2,045</td>
<td>2.2</td>
<td>58.0</td>
<td>$6.25</td>
</tr>
<tr>
<td>15. Australia</td>
<td>2,022</td>
<td>10.4</td>
<td>35.2</td>
<td>$3.45</td>
</tr>
<tr>
<td>16. Belgium</td>
<td>1,948</td>
<td>19.1</td>
<td>90.2</td>
<td>$1.21</td>
</tr>
<tr>
<td>17. Sweden</td>
<td>1,830</td>
<td>20.3</td>
<td>55.8</td>
<td>$0.23</td>
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<tr>
<td>18. Switzerland</td>
<td>1,725</td>
<td>23.1</td>
<td>71.8</td>
<td>$1.58</td>
</tr>
<tr>
<td>19. Hong Kong, China</td>
<td>1,675</td>
<td>23.6</td>
<td>62.6</td>
<td>$0.63</td>
</tr>
<tr>
<td>20. Turkey</td>
<td>1,690</td>
<td>7.2</td>
<td>70.6</td>
<td>$10.52</td>
</tr>
</tbody>
</table>

World Bank (2004)
Broadband Penetration in Japan

Ch. 2. Infrastructure and Development

- Strong association between infrastructure investment and growth (See the following slides regarding roads, telephone and electricity)
- A number of studies have confirmed the significant impact of infrastructure on output
- Other studies found that public expenditure on transport and communications significantly raises economic growth (ADB, JBIC and WB (2005), p. 79)

Association between infrastructure and income growth

![Graph showing the association between log paved roads per 100 km² and log income per capita. The graph includes data points for East Asia, excluding Pacific Island States, Pacific Island States, and all middle and low income countries.](image-url)
Chart 3. Trends in GDP Per Capita in East Asia and Sub-Saharan Africa


Chart 4. Trends in East Asia's Trade Volume, Trade Volume Ratio to GDP, and Amount of Direct Investment Received


Note: Based on the actual figures from East Asia: Indonesia, Malaysia, the Philippines, Thailand, the Republic of Korea, Hong Kong, and Singapore.
Infrastructure helps development, and "inclusive development"

Infrastructure helps connect the growth to the sharing of benefits, thereby making the development more inclusive.

Inclusive development equals Economic Growth plus Sharing the Benefits of Growth to reduce Poverty. ADB, JBIC and WB (2005) p.73; as demonstrated by experiences in East Asia.

(100 million people)

(Note) Impoverished population: Number of people who live on less than $1 per day.
Source of data: World Development Indicators Total except East Asia and Oceania
Economic development in East Asia has typically been inclusive. Within countries it has benefited the poor, as well as non-poor. Integration between and within countries has fostered high economic growth overall, and the fruits have generally been shared. Inclusive development has brought political cohesion and social stability through mutual interdependence. Infrastructure has underpinned that interdependence, and has played an essential role in making development inclusive. ADB, JBIC and WB (2005), p.73
Ch.3. Infrastructure and regional integration

Regional integration is a high priority for large swathes of East Asia and the Pacific, and has been responsible for much of the region’s economic success. Growth in Japan, the newly-industrializing countries, and now China, have successively led growth in the rest of the region.

In between, the Greater Mekong Subregion has great opportunities for integration of transport, water resource management, energy and telecommunications. And as China emerges as the growth engine of the region, connecting with its markets becomes a high priority. Regional integration is an economic matter of realizing economies of scale, spreading risk and exploiting comparative advantage.

Cited from ADB, JBIC and WB (2005), Connecting East Asia

Infrastructure, logistics and regional integration

Superior logistics and low transport costs have been an important part of East Asia’s outward orientated growth. This is particularly so in the region’s most impressive long-term performers – Singapore, Taiwan (China), Hong Kong (China), Japan, Korea; but also in a number of developing countries – Malaysia, Thailand, China and the Philippines. (Figure 2.2)

And continuous logistics improvements will be required to increase the prosperity that many East Asian countries have enjoyed from trade, and bring prosperity to more of East Asia’s citizens. As countries move progressively into more complex and higher-value manufacturing, and greater integration into global production chains, logistics requirements become more sophisticated. There is a premium on short transit times, certainty of delivery schedules, careful handling of goods, certification and standardization of product quality, and security from theft.

ADB, JBIC and WB (2005)
Figure 2.3: Interdependence of auto manufacturing within ASEAN

Source: Nomura Research Institute, Ltd. (2004).

ADB, JBIC and WB (2005)

Figure 2.2: In the most open economies of the region, logistics costs are typically much lower

Trade openness and accessibility, East Asia
Infrastructure is important for regional integration and regional integration and cooperation is important for competitive infrastructure.

The case for regional infrastructure coordination, of course, is broader than just trade alone. Regional infrastructure coordination can play an important role in lowering infrastructure costs. It has been estimated, for instance, that a full-trade energy scenario within the Greater Mekong Subregion would save the member states more than ten billion dollars over a 20 year period when compared with the other extreme of individual national self-sufficiency (Crousillat, 1998). Interconnection would also significantly reduce future project related environmental impacts throughout the subregion.

ADB, JBIC and WB (2005)

Ch.4. Infra-gap in East Asia and Latin America

- **Infra-gap**: Gap between the supply and demand for infrastructure
- **Estimates of demand**: Investment and maintenance needs in East Asia 2006-2010 exceed annually US$200 billion (White paper on ODA of Japan 2006)
Investment and maintenance needs, East Asia 2006-2010

<table>
<thead>
<tr>
<th></th>
<th>Investment</th>
<th>US$ million Maintenance</th>
<th>Total</th>
<th>Investment</th>
<th>percent GDP Maintenance</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity</td>
<td>63,446</td>
<td>25,744</td>
<td>89,190</td>
<td>2.4</td>
<td>1</td>
<td>3.4</td>
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<tr>
<td>Telecom</td>
<td>13,800</td>
<td>10,571</td>
<td>24,171</td>
<td>0.5</td>
<td>0.4</td>
<td>0.9</td>
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<tr>
<td>Roads</td>
<td>20,175</td>
<td>10,805</td>
<td>34,102</td>
<td>0.9</td>
<td>0.4</td>
<td>1.3</td>
</tr>
<tr>
<td>Rails</td>
<td>1,170</td>
<td>1,598</td>
<td>2,768</td>
<td>0</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Water</td>
<td>2,571</td>
<td>5,228</td>
<td>7,799</td>
<td>0.1</td>
<td>0.2</td>
<td>0.3</td>
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<tr>
<td>Sanitation</td>
<td>2,887</td>
<td>4,131</td>
<td>7,017</td>
<td>0.1</td>
<td>0.2</td>
<td>0.3</td>
</tr>
<tr>
<td>Total</td>
<td>107,049</td>
<td>57,996</td>
<td>165,047</td>
<td>4</td>
<td>2.3</td>
<td>6.3</td>
</tr>
</tbody>
</table>

ADB, JBIC and WB (2005)

Since the 1980s many developing and transition economies have implemented far-reaching restructuring, privatization, and regulatory reforms in key infrastructure sectors. Although experiences have varied considerably by country and sector, most of these first generation reforms have generated several of the expected social benefits of market liberalization and private enterprise, including enhanced productivity and cost-effectiveness, higher-quality output, greater responsiveness to consumer and business needs, and increased investment driven by market incentives rather than bureaucratic preferences. Policymakers in these countries deserve praise for their forthright privatization of utility industries and commitment to imposing market discipline.

World Bank (2004)
3. Private sector investment in infrastructure in developing countries

- Since the economic and currency crisis occurred in Asia in 1997, private-sector-led infrastructure development declined from the end of the decade of 90s, and funds available to developing countries for infrastructure development were insufficient.

- In Latin America, infrastructure development by the private sector after peaking in 1998, declined to the level of less than one third of the peak in 2002.

World Bank (2004)
Figure 2  Private Investment in Infrastructure in Developing and Transition Countries Peaked in 1997

Billions of 2001 U.S. dollars


Figure 1.13: Private sector investment in infrastructure (US$ billion)

Table 1.1  Private Investment in Infrastructure in Developing and Transition Economies, by Sector, 1990–2001
(billions of 2001 U.S. dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>Telecommunications</th>
<th>Electricity</th>
<th>Transportation</th>
<th>Water</th>
<th>Gas</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>6.2</td>
<td>1.2</td>
<td>10.3</td>
<td>—</td>
<td></td>
<td>17.8</td>
</tr>
<tr>
<td>1991</td>
<td>13.2</td>
<td>1.7</td>
<td>3.3</td>
<td>0.1</td>
<td></td>
<td>18.2</td>
</tr>
<tr>
<td>1992</td>
<td>7.5</td>
<td>3.3</td>
<td>4.6</td>
<td>2.0</td>
<td>4.0</td>
<td>27.4</td>
</tr>
<tr>
<td>1993</td>
<td>10.9</td>
<td>11.1</td>
<td>5.7</td>
<td>7.9</td>
<td>4.6</td>
<td>40.2</td>
</tr>
<tr>
<td>1994</td>
<td>20.3</td>
<td>15.2</td>
<td>8.9</td>
<td>0.5</td>
<td>1.8</td>
<td>50.7</td>
</tr>
<tr>
<td>1995</td>
<td>20.1</td>
<td>20.9</td>
<td>12.0</td>
<td>1.8</td>
<td>4.1</td>
<td>58.9</td>
</tr>
<tr>
<td>1996</td>
<td>29.7</td>
<td>30.6</td>
<td>17.4</td>
<td>1.9</td>
<td>3.0</td>
<td>82.6</td>
</tr>
<tr>
<td>1997</td>
<td>45.4</td>
<td>48.7</td>
<td>21.7</td>
<td>9.3</td>
<td>3.3</td>
<td>128.8</td>
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<tr>
<td>1998</td>
<td>57.3</td>
<td>24.6</td>
<td>18.4</td>
<td>2.4</td>
<td>6.5</td>
<td>109.2</td>
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<tr>
<td>1999</td>
<td>43.3</td>
<td>14.4</td>
<td>8.9</td>
<td>6.9</td>
<td>3.7</td>
<td>77.2</td>
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<td>2000</td>
<td>45.5</td>
<td>26.4</td>
<td>11.6</td>
<td>4.8</td>
<td>2.3</td>
<td>90.4</td>
</tr>
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<td>2001</td>
<td>31.7</td>
<td>10.0</td>
<td>12.4</td>
<td>2.2</td>
<td>1.2</td>
<td>57.5</td>
</tr>
<tr>
<td>Total</td>
<td>231.6</td>
<td>213.4</td>
<td>125.2</td>
<td>29.8</td>
<td>34.5</td>
<td>754.5</td>
</tr>
</tbody>
</table>


Figure 1.1  Latin America and the Caribbean Has Led Developing Regions in Private Investment in Infrastructure, 1990–2001

Total Private Investment = US $754 billion
(in 2001 US $ billion)

Source: Harris (2003).
Private sector investment in infrastructure in East Asia is concentrated in a small number of countries.
Table 3.6  Private Investment in Electricity by Region, 1990–99
(billions of 2001 U.S. dollars)

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>East Asia and Pacific</td>
<td>0.1</td>
<td>0.5</td>
<td>5</td>
<td>6.2</td>
<td>7.8</td>
<td>7.9</td>
<td>12</td>
<td>15.1</td>
<td>5.6</td>
<td>1.6</td>
<td>3.9</td>
<td>2.9</td>
<td>68.6</td>
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<td>Europe and Central Asia</td>
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<td>—</td>
<td>1.1</td>
<td>—</td>
<td>1.4</td>
<td>3.7</td>
<td>3.5</td>
<td>2.3</td>
<td>0.6</td>
<td>0.7</td>
<td>4.6</td>
<td>1.1</td>
<td>19.1</td>
</tr>
<tr>
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<td>—</td>
<td>2.7</td>
<td>3.6</td>
<td>3.1</td>
<td>6.3</td>
<td>9.8</td>
<td>23.2</td>
<td>14.9</td>
<td>8.1</td>
<td>13.1</td>
<td>3.8</td>
<td>89.5</td>
</tr>
<tr>
<td>Middle East and North Africa</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>0.2</td>
<td>—</td>
<td>0.2</td>
<td>1.7</td>
<td>—</td>
<td>1</td>
<td>0.2</td>
<td>0.8</td>
<td>4.1</td>
<td></td>
</tr>
<tr>
<td>South Asia</td>
<td>0.2</td>
<td>0.8</td>
<td>0</td>
<td>1.3</td>
<td>2.5</td>
<td>3</td>
<td>4.6</td>
<td>1.7</td>
<td>1.6</td>
<td>2.5</td>
<td>3</td>
<td>0.9</td>
<td>22.1</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
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<td>—</td>
<td>—</td>
<td>0.1</td>
<td>0</td>
<td>0.5</td>
<td>0.8</td>
<td>0.5</td>
<td>0.5</td>
<td>0.7</td>
<td>3.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1.4</td>
<td>1.3</td>
<td>8.8</td>
<td>11.1</td>
<td>15.1</td>
<td>20.9</td>
<td>30.6</td>
<td>44.5</td>
<td>23.5</td>
<td>14.4</td>
<td>24.8</td>
<td>10.2</td>
<td>206.6</td>
</tr>
</tbody>
</table>


Figure 3.7  Types of Private Investment in Electricity, by Region, 1990–2001

Billions of 2001 U.S. dollars

Decline of private sector investment discussed

- The decline of the private sector infrastructure investment and increasing infra-gap was discussed at the WB/IMF Joint Development Committee in September 2003
- World Bank’s Infrastructure Action Plan was presented (World Bank’s new approach to infrastructure) in this meeting
- World Bank (2004), Reforming Infrastructure: Privatization, Regulation and Competition

Policy debates on second generation challenges (World Bank (2004))

- Balancing economic efficiency and social equity.
- Fostering as much competition as possible given the changing technological and economic characteristics of these sectors.
- Adapting regulation to address emerging problems, changing circumstances, and new information in regulated infrastructure sectors.
- Protecting consumers, responding to their concerns, and soliciting their participation in the regulatory process.
Ch.5. Important factors for infrastructure development and private sector investment

- **Coordination**

  Coordination is about the State’s ability to generate strategic vision, and its ability to turn that vision into reality. It requires making trade-offs between multiple objectives, particularly when multiple actors are involved. And it’s important who makes those trade-offs, and how leadership and participation get balanced in that process.

A broadly successful East Asia model of coordination: “Flying Geese” theory

The “Flying Geese” explanation of economic development in East Asia essentially says that the flying geese in the lead (i.e. the most successful economies) transmit their success to the geese flying just behind them, and so on down the line. The transmission can be simply through successful geese demanding the exports of other geese, or by making investments in them. Or it can be through the strategies and institutions of the successful geese inspiring the other geese.

One could argue that the infrastructure strategies of East Asia’s developing countries today were inspired to some degree by the approach of five of the region’s developed economies in a previous era: by Hong Kong (China), Japan, Korea, Singapore, and Taiwan (China), as well as by one of the more successful developing countries, Malaysia. Of course, in each case, that approach has been heavily adapted to country circumstance, and there have been many other influences, but an inspiration can still be discerned.

*ADB, JBIC and WB (2005)*
Flying geese theory in East Asia: Strong relationship between trade, investment and infrastructure

In these six economies, political leaders and senior policymakers played a major role in creating the long-term development vision, and the sectoral strategies which flowed from that vision. All these economies had a strong emphasis on export-led growth, high savings and investment levels (sometimes with an FDI focus), and generally balanced social development. Infrastructure strategies were formulated to help achieve those objectives. These strategies usually enjoyed broad consensus amongst the policymaking elites. Policy enjoyed a high degree of predictability.

In each economy, growth was rapid over a period of decades. Sustained periods of high growth helped create the policy consensus behind infrastructure investment to support that growth. Infrastructure investment in these economies was high by international norms, with significant increases in infrastructure stocks across sectors (Figure 3.1). The discipline of needing to remain competitive in export markets and to continue to attract investment, helped inject efficiency into project choice and service delivery.

ADB, JBIC and WB (2005)

Figure 3.1: Infrastructure development in the ‘high-flying geese’. Km, kWh (million), telephone lines (thousands)

Source: Country (1998)
Accountability

- Accountability is a set of institutional tools which reward organizations that perform consistently well for their stakeholders.
- Where invisible hand of competition does not reach, regulation will generally be needed to bring accountability to infrastructure service providers.

ADB, JBIC and WB (2005)

Holding regulators accountable through transparency

Figure 4.3: Measures to enhance transparency

<table>
<thead>
<tr>
<th>Measure</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disclose procedures and decisions</td>
<td>71%</td>
</tr>
<tr>
<td>Disclose benchmarked performance of service operators</td>
<td>47%</td>
</tr>
<tr>
<td>Disclose licences and complaints</td>
<td>42%</td>
</tr>
</tbody>
</table>

Question: “Which actions does your agency take to ensure the promotion of consumer awareness?” Multiple answers allowed.


ADB, JBIC and WB (2005)
Risk management

- Risk management is a set of institutional tools that endeavor risks and rewards commensurate with each other, in order to drive good performance

Flow of private and public fund of infrastructure

ADB, JBIC and WB (2005)
A New Framework for Infrastructure: Coordination, accountability, risk management and development

Figure 1: The “new framework”: Inclusive Development, Coordination, Accountability and Risk Management

Ch.6. Liberalization and facilitation: Key for private sector investment

- Liberalization and facilitation are key for private sector investment, especially in infrastructure, crucial to bridge the “infra-gap” and for “inclusive development”
- Importance of APEC Investment Facilitation Action Plan (IFAP)
A Framework for investment facilitation

- Promote accessibility and transparency in the formulation and administration of investment-related policies
- Enhance stability of investment environments, security of property and protection of investments
- Enhance predictability and consistency in investment-related policies
- Improve the efficiency and effectiveness of investment procedures

A Framework for investment facilitation (continued)

- Build constructive stakeholder relationships
- Utilise new technology to improve investment environments
- Establish monitoring and review mechanisms for investment policies
- Enhance international cooperation

(Principles of APEC Investment Facilitation Action Plan, IFAP)
Ch.7. Epilogue: Japan’s “Development Initiative”, a comprehensive approach

- Proposed by Prime Minister Koizumi (Dec. 2005)
- Japan’s “Development Initiative”: a comprehensive approach which takes into consideration important factors discussed in this presentation: Infrastructure, institutions, trade, investment and development (particularly “inclusive development”)
- See Japan’s ODA White Paper, 2006 and 2007
Japan's New Development Initiative for Trade

3 Pillars:
- **PRODUCE**: Supply-side support in production and processing that benefit those engaged in farming, forestry, fishing, and operation of SMEs and micro-businesses.
- **SELL**: Distribution and export support that directly benefits producers including assisting establishment of marketing channels.
- **BUY**: Duty-free and quota-free access for LDCs, Positive differentiation of LDC products, Response to erosion of preferential margin.

**Methods**
- **Knowledge, Technology**
  - Technical cooperation
  - Information exchange among farmers
  - Use of private-sector knowledge
- **Financial Assistance**
  - Concessional loans for infrastructure
  - Grant aid
- **People**
  - Dispatch of experts
  - Acceptance of trainees
- **Systems**
  - Preferential tariffs
  - Trade and investment insurance
  - Coordination with Integrated Framework (IF)

**Village Initiative**
- Comprehensive support for higher living standards and autonomy of regional villages through infrastructure improvement and capacity development

**Enhancement of Agricultural, Forestry, and Fishery Productivity**
- Dissemination of NERICA rice in Africa and promotion of fruits and cash crops
- Agricultural infrastructure improvements, such as farm roads, irrigation systems, and processing facilities
- Assistance in self-supply of plows, hoes, pushcarts and other farming and transport equipment
- Support for organized farming (cooperation among agricultural cooperatives)
- Partnership with international organizations (WFP, CGIAR, FAO, UNDP, etc.) and development of agricultural researchers
- Assistance for LDCs through neighboring countries and through South-South cooperation
- Development of fishing ports and villages and strengthening of aquaculture and sustainable management of marine resources
- Cooperation in the forestry sector, including afforestation, nurturing of seedlings, and forest preservation

**Helping Africa Learn from Asia's Experience**
- Dispatch of Asian Young Overseas Cooperation Volunteers
- Dissemination of experience and good practice of the Asian productivity movement to Africa

**Aid Package for Cotton Producing and Small-Scale Economies**
- Combined package for agricultural diversification, including policy advice, infrastructure improvements, and technical cooperation.

**Assistance for SME and Micro-businesses**
- Product development assistance for processed agricultural, forest and fish products, etc.
- Private-sector assistance through EPSA for Africa

**Assistance with Designation, Introduction of Export Products**
- Direct survey, project research and formulation

**JBIC Policy Recommendations (Bluebook)**
- Policy recommendations on institutional reform for Uganda, Kenya, and Tanzania to promote trade and investment (also scheduled in Ghana)
**SELL (Export)**

Distribution and export support that directly benefits producers including assisting establishment of marketing channels.

**Knowledge, Technology**
- Technical cooperation
- Information exchange among farmers (incl. JA)

**Financial Assistance**
- Concessionary loans for infrastructure
- Grant aid, incl. for grassroots projects

**People**
- Dispatch of experts (coordination with Senior Volunteers)
- Acceptance of trainees

**Systems**
- Partnership with IF
- Trade insurance
- Utilization of 3Js*

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**BUY (Import by Japan)**

Duty free and quota free access for LDCs
- Positive differentiation of LDC products
- Response to erosion of preferential margin

**Knowledge, Technology**
- Technical cooperation
- Partnership with trading firms and NGOs

**People**
- Dispatch of experts (coordination with Senior Volunteers)
- Acceptance of trainees

**Systems**
- Preferential tariffs

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**Duty-Free and Quota-Free Access for LDCs**
- Providing duty free and quota free market access for essentially all products originating from all LDCs

**Response to Erosion of Preferential Margins**
- Hosting of symposiums
- Assistance for South-South trade
- Cooperation in market cultivation and sharing of market information
- Expansion of production and trade through technical cooperation

**Establishing “Development Aid” Brands for LDC Products**
- Positive differentiation of LDC products through partnership with NGOs and the private sector

**Developing New Markets in Japan**
- "One village, one product" initiative
  (Promotion of exports to Japan and other countries through assistance for trade exhibitions of processed farm and fish products from LDCs.)
Development Initiative (continued)

- The Initiative was formulated based on the experiences and knowledge Japan had gathered.
- The Development Initiative is aimed at providing comprehensive assistance in each of three stages of trade, by combining various means such as knowledge and technology, funds, human resources, and institutions, and joining together producers and laborers of developing countries and consumers of both developed and developing countries. (Cited from Japan’s ODA White Paper 2006)

Main references

Main references (continued)

- Japan’s Official Development Assistance White Paper, several issues

Thank you very much

- This presentation is personal, preliminary and not to be cited
- Comments welcome <Hosono.Akio@jica.go.jp>