



Investment Promotion ***- Practical implications from JICA's experience in Zambia and others -***

3rd High Level Forum for the Phase II of Policy Dialogue of Industrial Development in Ethiopia

Toru Homma

Senior Advisor on Private Sector Development
Japan International Cooperation Agency (JICA)

Homma.Toru@jica.go.jp

Addis Ababa, 16 January 2013

Japan International Cooperation Agency



Contents

1. Introduction: investment promotion
2. Some examples: Zambia with JICA
3. Some examples: Other countries
4. Summary of the JICA's Investment Promotion Basic Study in Ethiopia
5. Summary and implications for Ethiopia

1. Introduction: investment promotion

- Investment promotion - why investment should be promoted?

Financial flow; Investment for Development; FDI's spill over effect; necessity for growth

- Investment promotion - what about investment climate improvement / doing business?

Doing Business Report (2003-); WDR (2005)

- Investment promotion - is country promotion

- Investment promotion - quantity & quality of investment

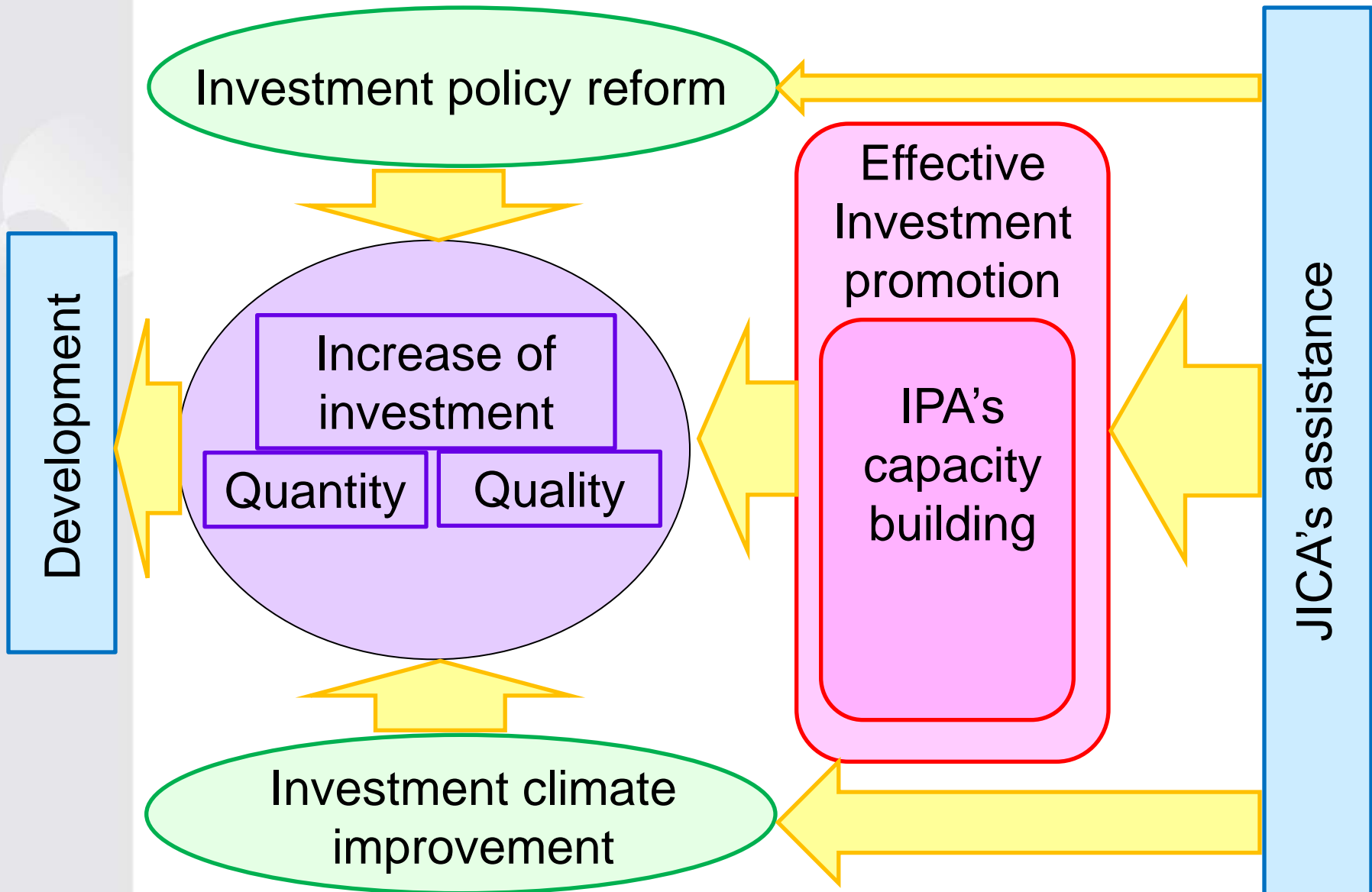
- Investment promotion - Investment Promotion Agency (IPA)

Necessity for IPA's capacity dev.; IPA's function

- Investment promotion – JICA's approach

Other country's case including Zambia

Major approaches for investment promotion



What should be considered for investment promotion and facilitation ?

Policy Framework for Investment (PFI), developed by OECD with Japan's initiative, suggests:

1. Business environment and investment promotion: *Does the government have a strategy for developing a sound, broad-based business environment and within this strategy, what role is given to investment promotion and facilitation measures?*
2. Investment promotion agency (IPA): *Has the government established an investment promotion agency (IPA)? To what extent has the structure, mission, and legal status of the IPA been informed by, and benchmarked against, international good practices?*
3. Monitoring IPA performance: *Is the IPA adequately funded and is its performance in terms of attracting investment regularly reviewed? What indicators have been established for monitoring the performance of the agency?*

What should be considered for investment promotion and facilitation ?

4. Streamlining administrative procedures: *How has the government sought to streamline administrative procedures to quicken and to reduce the cost of establishing a new investment? In its capacity as a facilitator for investors, does the IPA take full advantage of information on the problems encountered from established investors?*
5. IPA dialogue mechanisms: *To what extent does the IPA promote and maintain dialogue mechanisms with investors? Does the government consult with the IPA on matters having an impact on investment?*
6. Costs and benefits of investment incentives: *What mechanisms has the government established for the evaluation of the costs and benefits of investment incentives, their appropriate duration, their transparency, and their impact on the economic interests of other countries?*

What should be considered for investment promotion and facilitation ?

7. Promotion of investment linkages: *What steps has the government taken to promote investment linkages between businesses, especially between foreign affiliates and local enterprises? What measures has the government put in place to address the specific investment obstacles faced by SMEs?*
8. Drawing on international expertise: *Has the government made use of international and regional initiatives aimed at building investment promotion expertise, such as those offered by the World Bank and other intergovernmental organisations? Has the IPA joined regional and international networks?*
9. Information exchange networks: *To what extent has the government taken advantage of information exchange networks for promoting investment?*

Investment Promotion Agency (IPA)?

4 Roles for an IPA

- Advocacy within government to seek necessary approvals or urge the removal of obstacles to investment;
- Image building to promote the country as an investment destination;
- Investor servicing or facilitation to help solve problems faced by existing or potential investors; and
- Targeting or investment generation by actively seeking out investors based on national development plans or other criteria

Source: OECD, IFC

IPAs in Africa? examples

Botswana: BEDIA	Kenya: KIA	Rwanda: RDB
D.R.Congo: ANAPI	Malawi: MIPA	Senegal: APIX
Egypt: GAFI	Mauritius: BOI	Tanzania: TIC
Ethiopia: EIA	Mozambique: CPI	Uganda: UIA
Ghana: GIPC	Nigeria: NIPC	Zambia: ZDA

2. Zambia

A case on cooperation in investment promotion

Started with a concept "Triangle of Hope"

Presidential Initiative to promote TOH inspired by JICA Malaysian consultant; 12 Taskforce* / Action Agenda created under Presidential / Cabinet Office

Government Will



***12 Taskforces:**
Edu, Health, Tourism, Agri, Cotton, Finance, Aircargo, Streamlining, ICT, MFEZ, Mining, MSME)

Streamlining Public Administration

ZDA & other organisations: investment application process/manual, one-stop service/e-government, monitoring, after care service, client charter, guidebook, tracer study etc.

Triangle of Hope (TOH)

Phase 1 (2006-09) policy driven;
Phase 2 (2009-12) capacity development

Private Sector Participation

Involvement PS in TOH process; Targeted investment promotion missions (Malaysia, India, SA, Japan); diversified sector investment attraction, sector/project profiles etc.

Zambia

A case on cooperation in investment promotion

- Objectives: **Improvement of business climate** conducive for investment (laws & regulations) and capacity development of the Government with private sector in **investment promotion**.
- Phase I (2006-2009): policy driven, Phase II (2009-2012) “Zambia Investment Promotion Project (ZIPPP) - TOH”): Capacity building
- Coordinated and monitored by **Presidential Office** and implemented by **Zambia Development Agency** under Ministry of Commerce, Trade & Industry and JICA in cooperation with relevant ministries
- South-south (Asia-Africa) cooperation using Malaysian and other Asian experience and expertise on investment promotion



*Dato' J.
Jegathesan,
Former Deputy
DG of MIDA*

Zambia: Investment Promotion

Project activities: *shifted to very practical on-the-ground activities in the middle of the Phase 2*

1. ZDA's capacity to provide quality services with relevant organizations
 - 1-1. Prepare subsector profiles with line ministries' officials
 - 1-2. Establish a operation monitoring system
 - 1-3. Establish an investment monitoring system
 - 1-4. Prepare and utilize investment promotion tool kits
 - 1-5. Prepare user-friendly manuals for investors
 - 1-6. Receive feedbacks from private sector investors
2. ZDA's capacity for investment promotion missions
 - 2-1. Accumulate hands-on experiences through missions
 - 2-2. Follow up investment ideas/projects formulated in the missions
3. Smooth implementation of TOH Action Agenda



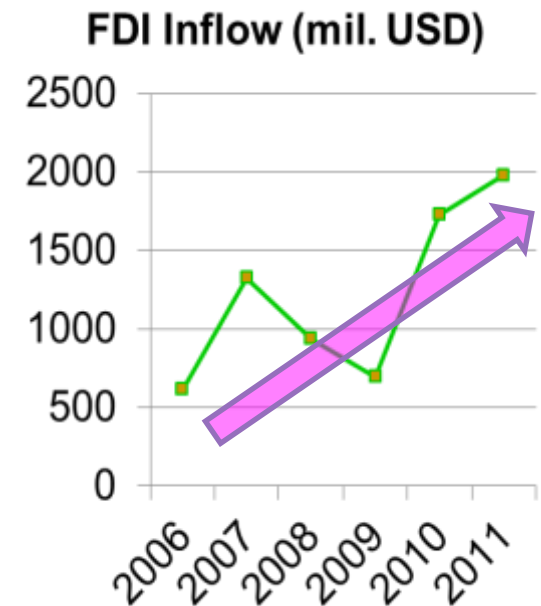
Source: JICA (2011)

Targeted
investment
promotion
mission/seminars

Zambia: Investment Promotion

Achievements and contributions

- **Successful projects** include: Africa's almost first mobile phone factory; a large-scale university invested by Malaysian investors; a hospital project invested by an Indian medical enterprise group etc. (diversification; knowledge-based industries are prioritized)
- **Contributions include:**
 - ✓ **Capacity of ZDA** as IPA is **enhanced** and **services** for investors are **improved** (aftercare, targeted ...)
 - ✓ **Doing business** results improved: became the **world No. 7 reformers** and positioned at **7th in Sub-Saharan Africa in DB ranking** (2011)
 - ✓ **Increase of FDI inflow** (see right: 2011 become 4 times bigger than that of 2006)
 - ✓ **Diversification of investment** towards non-traditional sector such as education and health; contribution to economic transformation

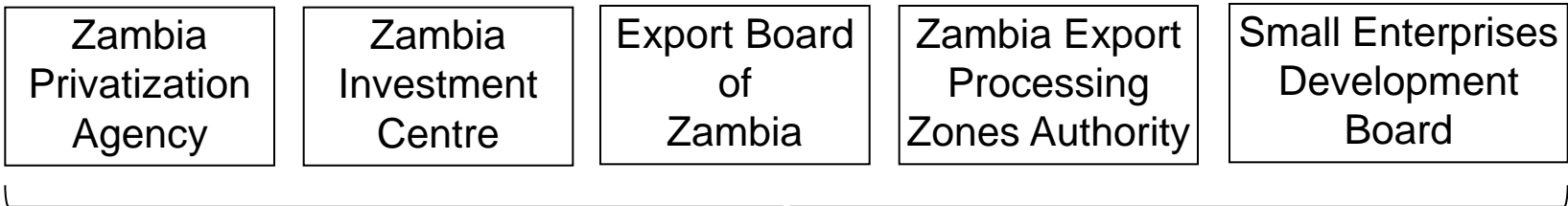


*Source: UNCTAD (2012),
processed by author.*

Source: JICA (2011, 2012).

Zambia Development Agency (ZDA)

Multi-functional one-stop agency



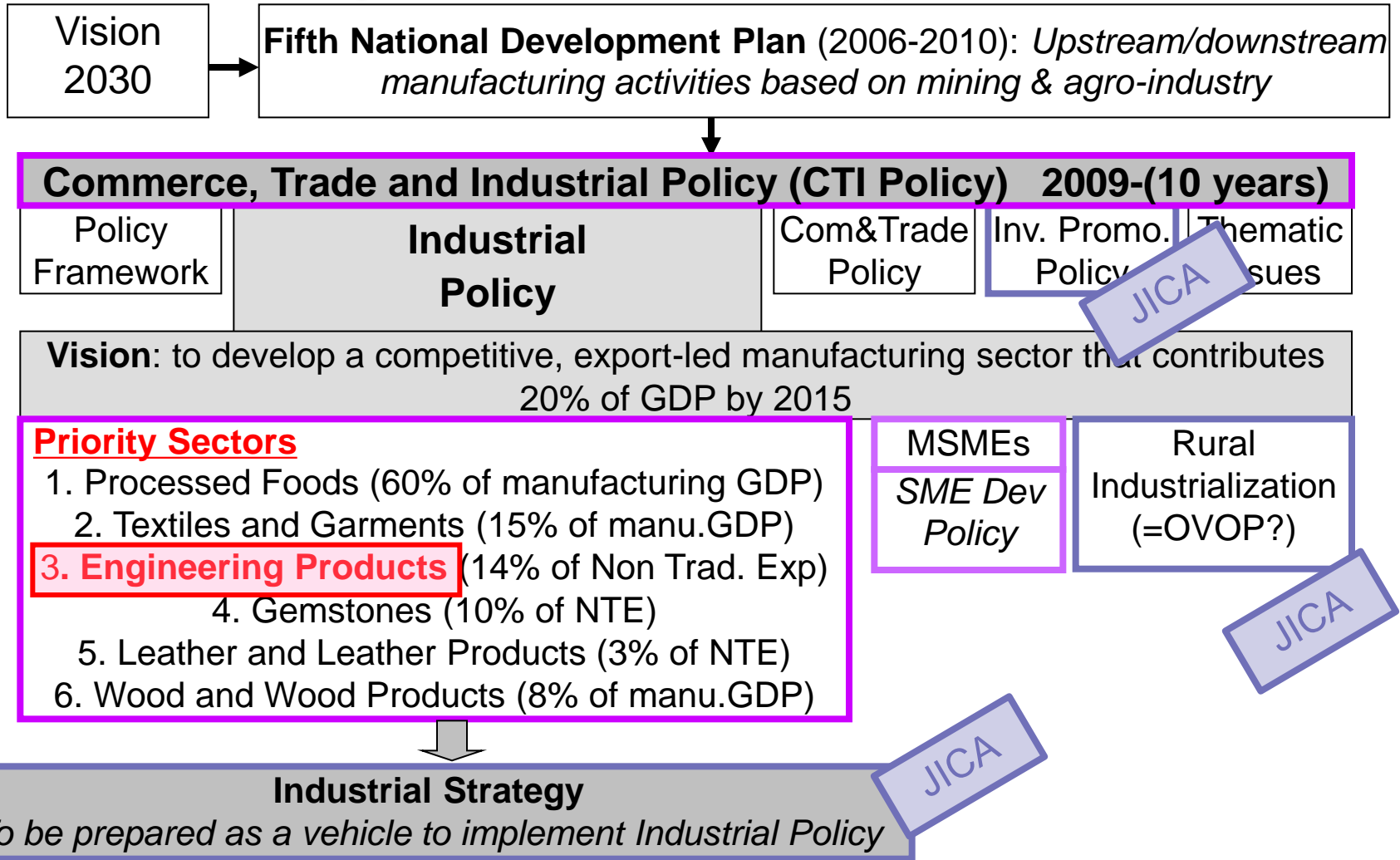
Merged and created **Zambia Development Agency (ZDA)**

- By Act No.11/2006 and operationalised in 2007
- **Vision:** *“To become a world class Agency in the promotion and facilitation of trade and investment for economic development.”*
- **Mission:** *“To promote and facilitate investment, trade, competitiveness and the development of MSMEs by providing comprehensive services in a transparent, innovative and efficient manner.”*



Integration !

Zambia: Commerce, Trade and Industrial Policy and JICA's cooperation



(Source) Elaborated by the author, based on various documents and papers issued by the Government of Zambia, the Ministry of Commerce, Trade and Industry of Zambia and Zambia Development Agency

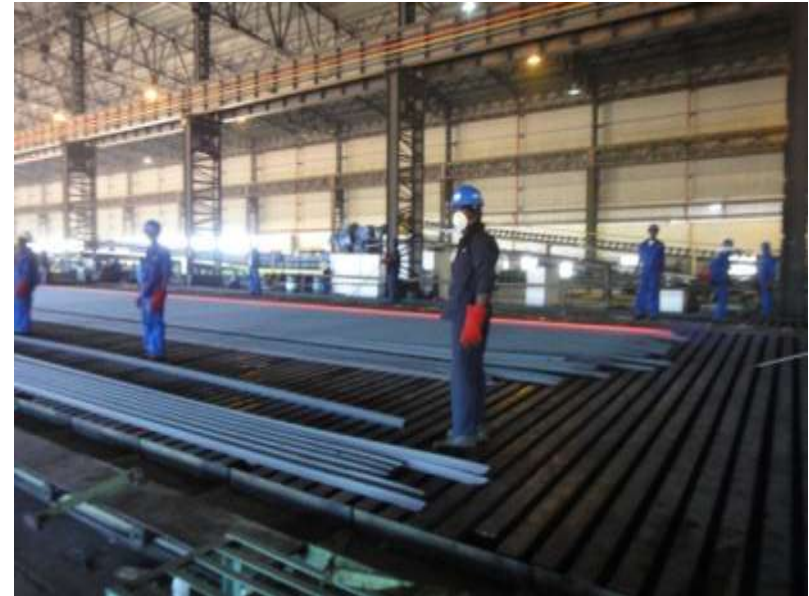
Industrial Strategy for Engineering Products: with JICA's assistance

- MCTI/ZDA's capacity development on formulating industrial strategy: focusing on Engineering Products as one of the 6 priority sectors
- 1st Half of the Project (2011-12) - CD through drafting a strategy
- Issues: (a) strategy formulation mechanism (WG & Council), (b) Staff CD incl. analysis & ownership creation, (c) Contribution to private sector management resources
- Activities: (1) Survey on current situation, (2) Strategy formulation unit creation, (3) TT on definition & analysis on eng. products, (4) Analysis on market, linkage & technology, (5) Strategy outlining & drafting, (6) Seminar for stakeholders
- Copper fabrication sector and Iron/Steel sector are selected as target sub-sectors
- Created "Industry Strategy for Engineering Products: The Hub of Manufacturing of Engineering Products in the Region"
- 2nd half of the Project (2013): (1) Pre-F/S on Direct Reduced Iron (DRI) production potential, (2) Pilot training & TOT on selected processes on iron and steel
- Collaboration with TOH Project: Promoting investment in engineering sector



Example of Steel Making Company in Zambia

Established in 2010, 3000t/month, Started export to neighboring countries, Preparing for Direct Reduced Iron making (the one which JICA recommended for Ethiopia)



*“Landlocked country?
Land-linked country!”*

Photo: Homma (2011)
Japan International Cooperation Agency

Multi Facility Economic Zones (MFEZ)

- Idea was created under TOH as one of the 12 Taskforces
- “industrial areas for both export orientated and domestic orientated industries, with all the necessary infrastructure provided”
- MFEZ incentives
- Priority sectors: ICT, Health, Education & skills training, Manufacturing, Tourism, Processing (agricultural products, forest products, non-ferrous metals & their products, gemstones) (*Investors Guide Handbook, ZDA (2012)*)
- Lusaka South MFEZ: 2100 ha land; 15 km from Lusaka City and 35 km from the Lusaka International Airport; Government of Zambia, supported by JICA and the Malaysian Kulim Hi-Tech Park (KTPC), is working on a Development Master Plan.

Kaizen in Zambia

QC Circle based: already nationwide: KIZ

- Started in 2009 by dispatching JICA Senior Volunteer to Zambia Manufacturing Association (ZAM): then responsibility moved to ZDA where JICA expert stationed within the TOH Project
- **QC Circle** is featured as the entry point: widespread involvement of manufacturing sector, non-manufacturing sector and public sector
- Annual **Zambia National Kaizen Conference**: started in 2010; 30 teams participated in 3rd Conference in 2012; 4th Conference will be held in 14-15 February 2013



- **Kaizen Institute of Zambia (KIZ)** is established under MCTI
 - ✓ To be moved under the Cabinet Office and operationalised
 - ✓ JICA Project will start in the middle of 2013

[Coffee Break] by the way, Zambia's Champion Product? ZAMBIKES

Zambian bamboo-made bicycle: already exported even to Japan



3. Some examples: Other Countries

Egypt: GAFI

General Authority for Investment and Free Zones

- One Stop Shop (established in 2005) as one of the most advanced model in the world
- 300 officials from 43 gov/pvt organisations
- Providing 96 types of services for 1600 customers/day; in total 3000 services/day
- Clear floor arrangement: GF – information, 1F – registration, 2F – after registration
- Mandated to assist other countries: Nigeria (NIPC), Kenya, Mali, Botswana, Seychelles, Syria etc.
- At the establishing process, thorough analysis was conducted in order to identify what should be covered: 22 ministries, 78 departments, 349 services



COMESA RIA

*Common Market for Eastern and Southern Africa
Regional Investment Agency*



- Unique agency to serve 19 COMESA member countries including Ethiopia and potential investors in this area
- Based in Cairo as the gateway for Europe, Middle East and rest of the world
- Capacity building functions and training programmes (5-10 per year) for less equipped countries on investment promotion
- Various publications and handbooks
- Vehicles for regional integration



Rwanda: RDB

Rwanda Development Board

- Established in 2008 by merging 9 organizations including RIEPA (Rwanda Investment and Export Promotion Agency)
- Super-agency under the Presidential Office: strong political will
- Rwanda as the World Top Reformer (Doing Business 2011): RDB played an important role as One Stop Shop
- Aggressive investment promotion contributed to raising country image as “open for business”
- Practical challenges on administrative procedures
- Long-term reform process: RIPA → RIEPA → RDB

Action plans proposed for IPA's capacity building in JICA Cambodia Project

Actions for Investment Information Services



Action 1	Periodical update of investment guidebook
Action 2	Periodical update of website
Action 3	Periodical update of QIP manual for investors
Action 4	Establishment of a library of investment-related information & data

Actions for PR Activities

Action 5	Set-up of units specialized in investment promotion of target countries
Action 6	Improvement of investment seminar management
Action 7	Training of provincial governments on investment promotion

Actions for Investment Consultation and Aftercare Services

Action 8	Upgrading of reception desk (Investors Desk)
Action 9	Introduction of an investment approval tracking system
Action 10	Establishment and capacity development of aftercare service

Actions for Policy Advocacy

Action 11	Formulation of a proposal for investment climate improvement
-----------	--

Actions for Organization and Management

Action 12	Preparation and implementation of organizational reform
Action 13	Preparation of job description & job flow to enhance inv. Promo. function
Action 14	Introduction of task management system for effective provision of service
Action 15	Introduction of annual planning and budgeting mechanism
Action 16	Planning and implementation of training program

4. JICA's Basic Study on Capacity Development for Investment Promotion in Ethiopia

- Period: 5 February – 2 March 2012
- Background: Japanese Government has received an official request in Aug. 2011 by the Ethiopian Government for Technical cooperation for EIA's capacity development for investment promotion.
- Objective: Fact finding
 1. To investigate current policies and the organizational structure of investment promotion in Ethiopia
 2. To collect and analyze the views and opinions of foreign investors and other organizations in Ethiopia and other countries (esp. India, Saudi Arabia and Egypt)
 3. To extract the problems and potentials of the investment climate and promotion facilitation of Ethiopia


Major findings of the Study were ...

(Note: as of March 2012, before Investment Law amendment)

1. Political strong will to attract more investment is there, but not compiled explicitly: *All refers to GTP with ambitious targets, but no specific reference to investment promotion in GTP; Investment Board and NCC play core roles to bring investment as national agenda; associated strategy is necessary*
2. EIA as Investment promotion agency (IPA) is there, but limited role and resources: *Compared with other countries' IPAs, limited role is mandated to EIA in terms of investment promotion; human resources and budget are limited; being under MOI may mislead that EIA has limited sectoral mandate; MOI's sectoral development institutes/directorates have significant roles on investment*
3. Economic and business diplomacy is an unique feature and plays an important role: *On the frontier of investment promotion and with supporting mechanism, economic diplomacy is conducted strategically; systematic capacity building is required*

Major findings of the Study are ... (continued)

(Note: as of March 2012, before Investment Law amendment)

- 
- The flag of Myanmar, featuring three horizontal stripes of green, yellow, and red, with a white star in the center of the yellow stripe.
4. Strong and effective one-stop-shop is necessary for streamlining administrative procedures: *There are strong requests from the private sector for reducing administrative procedure burden. Further elaborated one-stop-shop is expected to be set up, perhaps at EIA.*
 5. Business voices needs to be further carefully listened: *Predictability, prior consultation, real-time information provision, appropriate land provision etc...*
 6. Investment incentives are to be carefully designed: *Prioritization and cost & benefit analysis required*
 7. It needs to wait and see final results of ongoing investment policy reform process carefully: *Including amendment of investment law with one-stop-shop, responsible ministry/office, investment incentive scheme, relationship with regional governments etc.*

5. Summary and implications for Ethiopia

- 3 core elements necessary for investment promotion: (1) Government will, (2) Streamlining public administration, and (3) Private sector participation
- 3 aspects to increase investment: (1) Investment policy, (2) Investment climate, and (3) Investment promotion
- 3 important aspects on IPA: (1) Multiple functions, (2) Positioning of IPA, and (3) Capacity building.
- Investment - Contribution to diversifying investment and deepening economic transformation
- Targeted and tailor-made promotion
- Promote investment = Give welcoming image
- Promote investment = Promote Ethiopia

Amesegenalew

Thank you



JICA's VISION

“Inclusive and Dynamic Development”

www.jica.go.jp