

# Quality Infrastructure Investment Global Standards and New Finance

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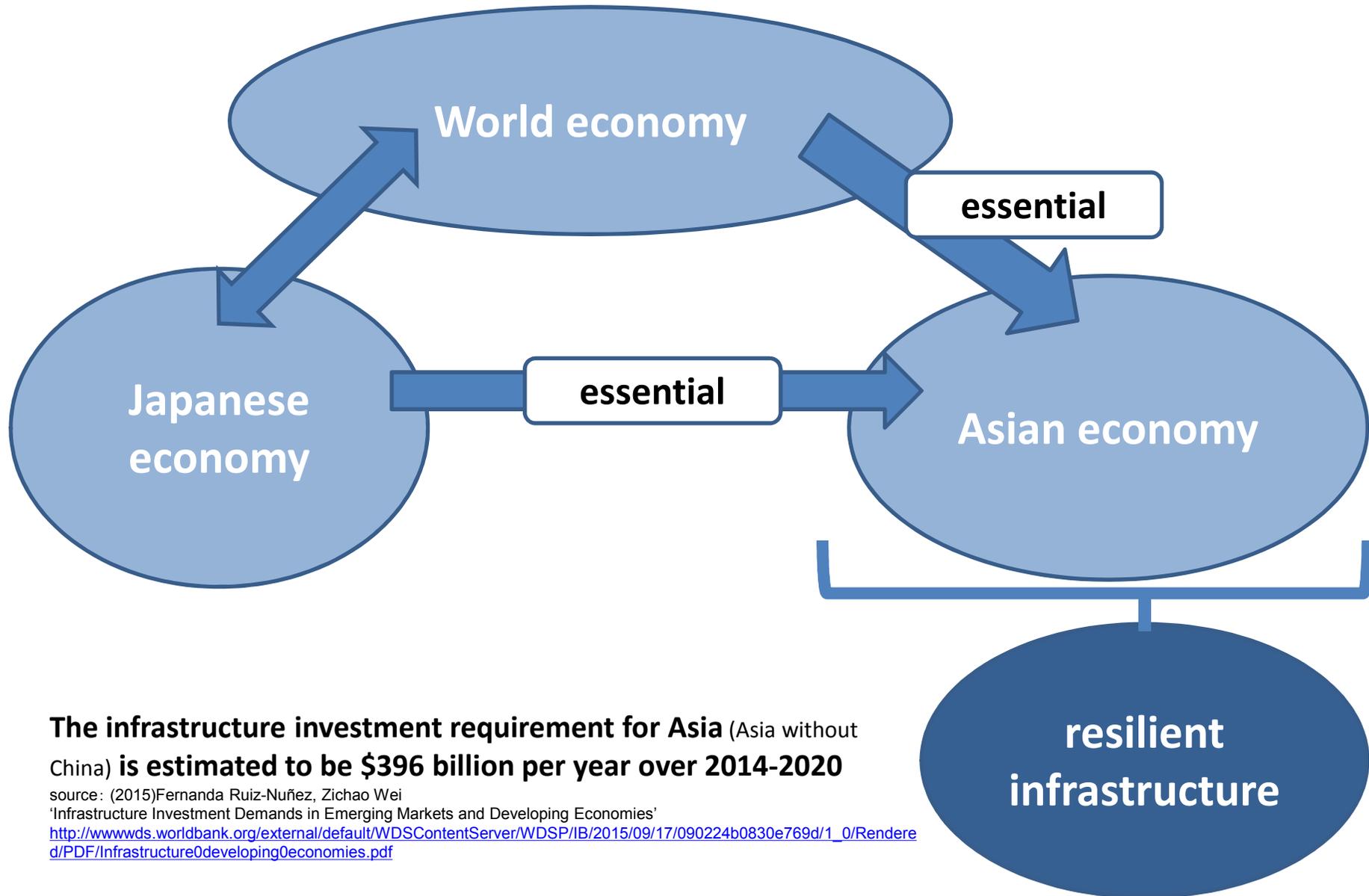
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# Asia: “Growth Center” of the world economy

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*Developing resilient infrastructure is essential for the world economic growth*



**The infrastructure investment requirement for Asia (Asia without China) is estimated to be \$396 billion per year over 2014-2020**

source: (2015)Fernanda Ruiz-Nuñez, Zichao Wei  
'Infrastructure Investment Demands in Emerging Markets and Developing Economies'  
[http://www.wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2015/09/17/090224b0830e769d/1\\_0/Rendere d/PDF/Infrastructure0developing0economies.pdf](http://www.wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2015/09/17/090224b0830e769d/1_0/Rendere d/PDF/Infrastructure0developing0economies.pdf)



### **“Partnership for Quality Infrastructure”** (May 2015)

➔ Providing, in collaboration with the Asian Development Bank (ADB), approximately \$110 billion for quality infrastructure investment in Asia from 2016 to 2020.

### **“Expanded Partnership for Quality Infrastructure”** (May 2016)

➔ Aiming to provide financing of approximately \$200 billion from 2017 to 2021 to be allocated to infrastructure projects across the world.

### **“G7 Ise-Shima Principles for Promoting Quality Infrastructure Investment”** (May 2016)

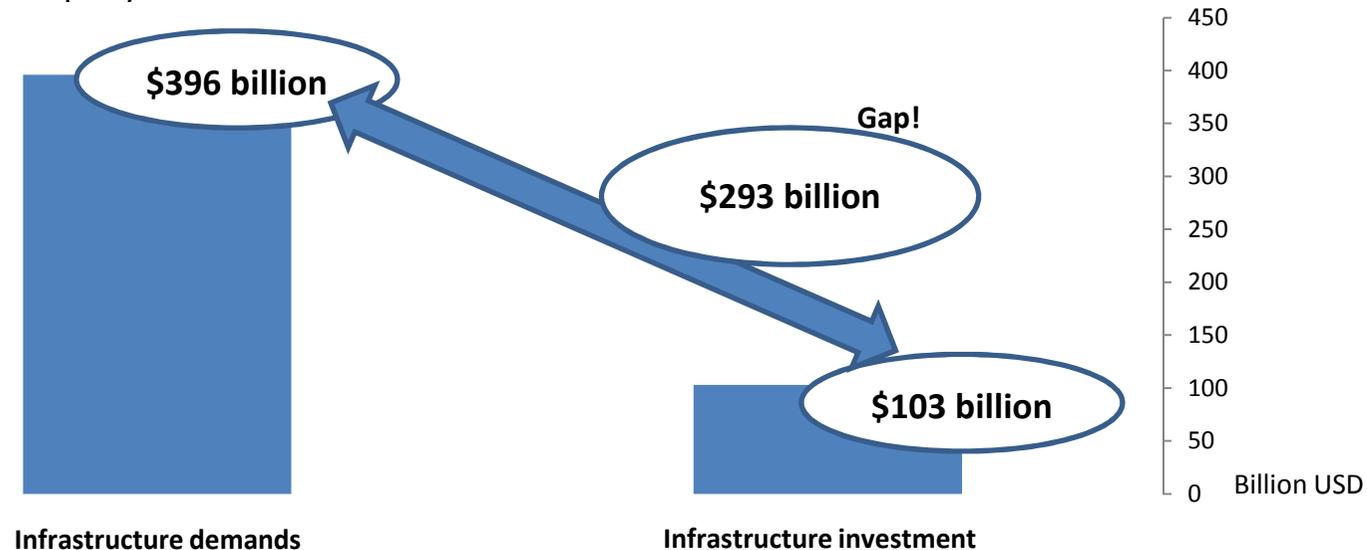
➔ Defining the principles for promoting quality infrastructure investment.

### **“Free and Open Indo-Pacific Strategy”** (August 2016)

➔ Promoting stability and prosperity of the region by strengthening the connectivity between Asia and Africa through two free and open seas: the Pacific and the Indian Oceans.

## 1 Lack of Investment in Infrastructure

**Demands and investment in infrastructure in Asia** (excluding China)  
(per year over 2014-2020)



source: (2015)Fernanda Ruiz-Nuñez, Zichao Wei  
'Infrastructure Investment Demands in Emerging Markets and Developing Economies'  
[http://www.wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2015/09/17/090224b0830e769d/1\\_0/Rendered/PDF/Infrastructure0developing0economies.pdf](http://www.wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2015/09/17/090224b0830e769d/1_0/Rendered/PDF/Infrastructure0developing0economies.pdf)

## 2 Quality of Infrastructure



- Poor quality infrastructure tends to be of no use soon after the completion. And therefore, its life-cycle cost is high.
- Infrastructure projects without sufficient preliminary survey tend to hit a setback.
- Infrastructure without sufficient level of safety and environmental consideration would impede economic growth rather than promote it.

## 1 Increase the flow of funds into infrastructure

*An approach to increase both public funds and private funds is required*



### International rules need to be reconsidered to increase the supply of public funds

- Is the DAC (Development Assistance Committee) list of ODA recipients suited to the current situation?

→ Many Asian countries with rapid economic growth are expected to “graduate” from the list in near future.

- Is the OECD Export Credits Arrangement being able to accommodate the need of funds in developing countries for their infrastructure?

- Isn't the flow of funds from countries not bound by international rules causing adverse effect on developing countries?

→ Flow of funds without considering financial situations of recipients and infrastructure development without considering environmental and social impact on recipients impede economic growth of recipients rather than promote it.

→ The excessively concessional funds from countries not bound by the OECD Export Credits Arrangement have impact on regional and global trade.

### There needs to be more use of public funds to mobilize private funds

- Alleviating the risk of investment in developing countries for private sector by using public funds.

→ Supporting the movement in DAC to count more public funds which mobilize private investment in developing countries as ODA.

***OECD, as an international rulemaking body, has an important role to play in these issues!***

## 2 Infrastructure should be high-quality

*In order to contribute to economic growth, infrastructure should be high-quality. The supply side of infrastructure is being diversified with some of the emerging economies becoming donors. The international community should share standards of quality infrastructure.*



### Standards that Japan considers important

#### **Safety, Reliability, Resilience, Economic efficiency in view of life-cycle cost**

- Quality infrastructure ensures safety, reliable operation and resilience against natural disasters. These factors make quality infrastructure economically efficient in the long term.

#### **Social and Environmental consideration**

- Infrastructure development without social and environmental consideration would cause negative impact on economic growth of recipients rather than promote it.

#### **Local job creation and transfer of expertise and know-how to recipients**

- In order to contribute to sustainable growth of recipients' economies, infrastructure investment should seek local job creation and transfer of expertise and know-how to recipients.

#### **Alignment with economic and development strategies of recipients**

#### **Consideration for financial situations of recipients**

- Appropriate terms and conditions of loans should be set in accordance with OECD rules taking into account repayment abilities of recipients.

● *OECD plays an important role in making international standards to promote quality infrastructure investment.*

➔ Japan would strengthen its cooperation with OECD in promoting quality infrastructure investment.

● *In addition to quantity and quality, speed is also an important factor in infrastructure development.*

➔ The Government of Japan(GOJ) is working hard to curtail the period required for infrastructure development. The GOJ would like to share experiences and work together with the international community including OECD on this issue as well.

