

Japan's initiatives for promoting “Quality Infrastructure Investment”

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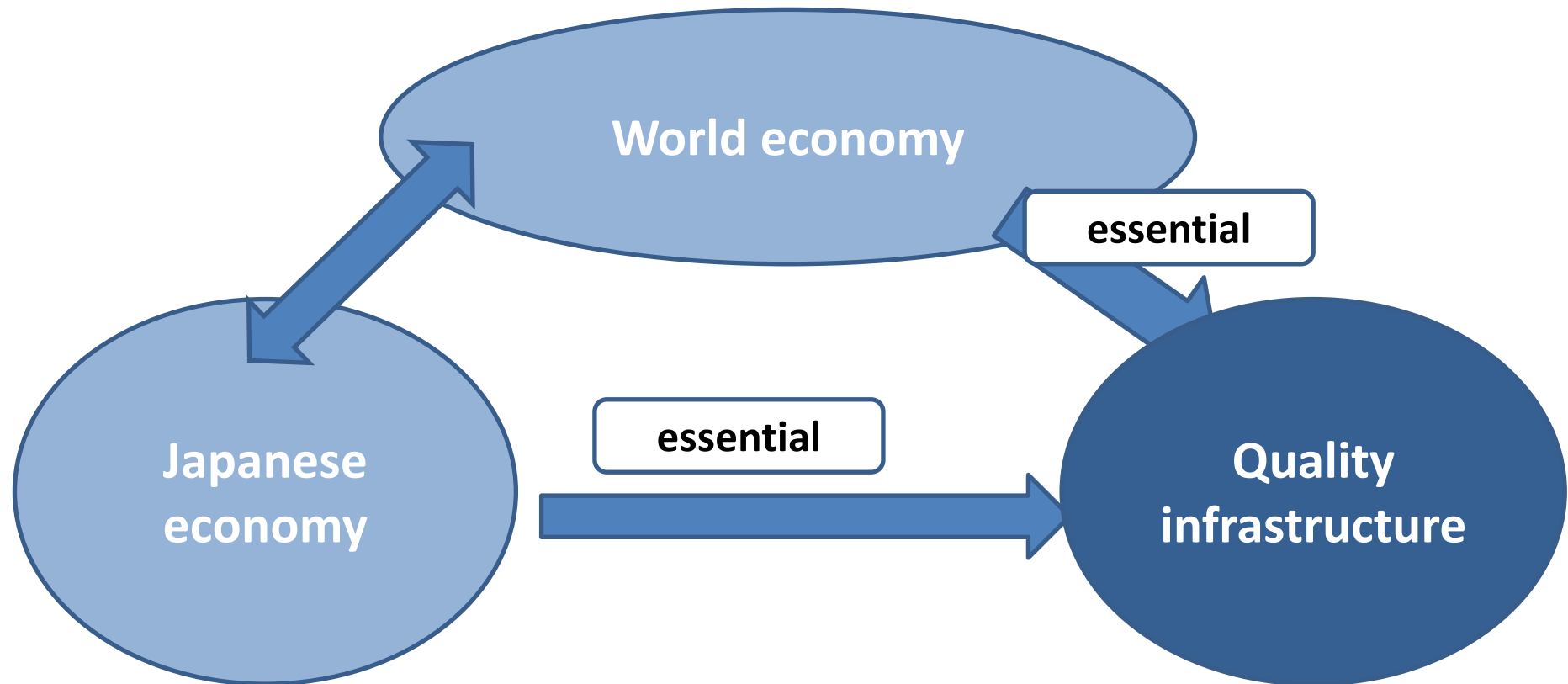
UN General Assembly High-Level Side Event:

Promoting Quality Infrastructure Investment

19 September 2017

Quality infrastructure is essential for world economic growth

- ✓ Quality infrastructure form the foundations of a nation's economic growth.
- ✓ Strengthening the connectivity between nations and regions, as fountains of world 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 for quality infrastructure

➔ **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.

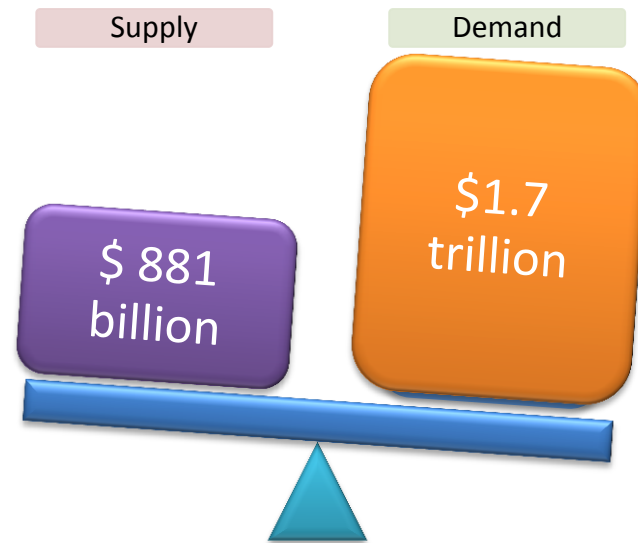
Challenges facing Infrastructure Investment

✧ Demand for infrastructure investment is overwhelming supply...

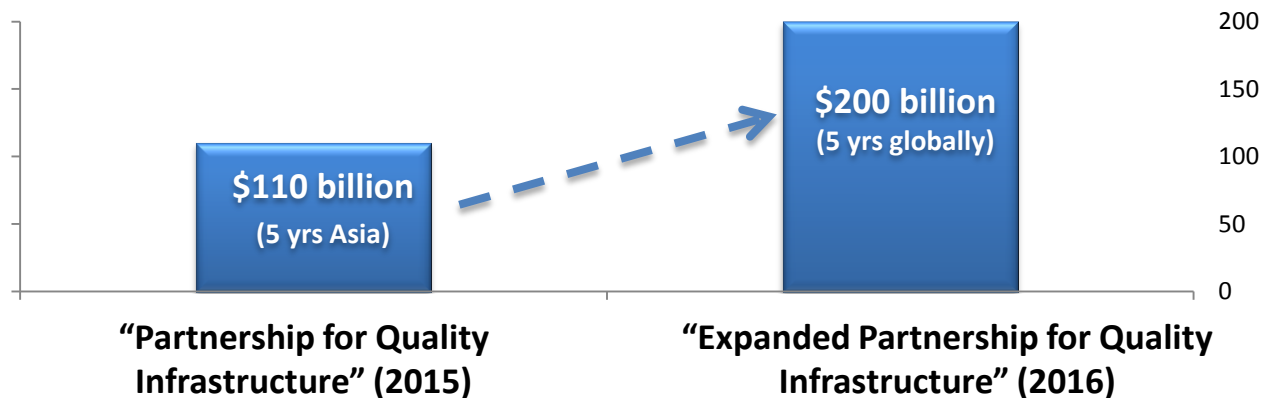
\$819 billion gap per year

Example in Asia

(per year 2014-20 (excluding China), source: ADB)

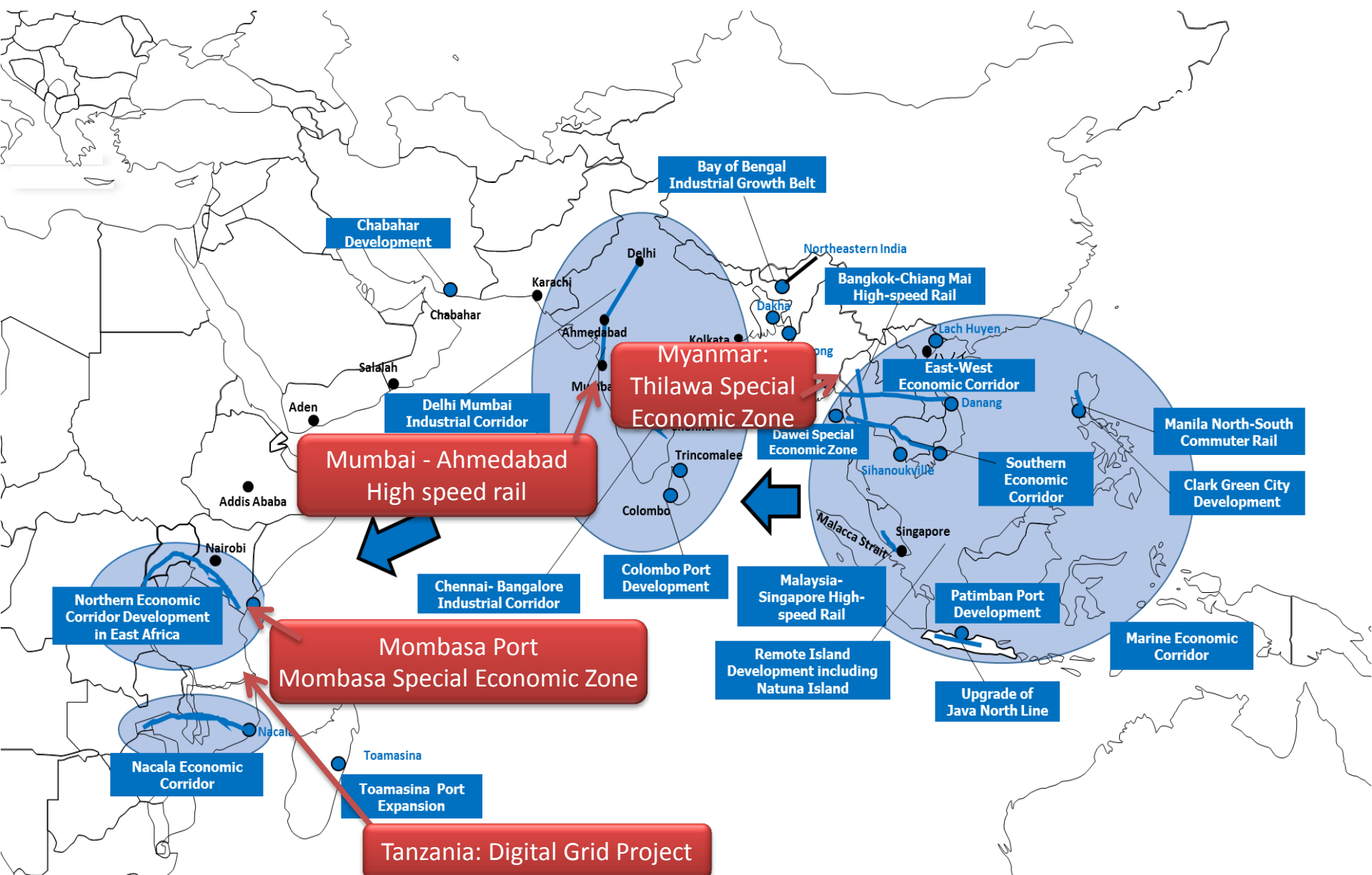


✧ Hence, Japan is implementing robust initiatives to increase investment.



Free and Open Indo-Pacific Strategy

Connectivity for stability and prosperity



Background

- **Largest International Port and Gateway to and from East Africa**
 - ✓ Not only for Kenya but for land-locked nations such as Uganda and Rwanda.
- **Increase in container shipment volume**
 - ✓ 300,000 TEU in 2002 ⇒ Expected to reach 2,600,000 TEU by 2025.



Project Outline

- **Mombasa Port and its surrounding infrastructure development**, including construction of container terminal and provision of cargo equipment, through concessionary yen loans and grants.



Characteristics that make for a “Quality Infrastructure” investment

- ① **Alignment with local development strategies**: in line w/ Kenya’s Vision2030 development plan.
- ③ **High environment/social standards**: environmentally-friendly cranes etc., reducing CO2s.
- ④ **Reduction of life-cycle costs**: corrosion resistant coatings etc., prolonging life of project.
- ⑤ **Contribution to local sustainability**: employment of approx. 1,700 Kenyans; transfer of skills and technology .

Background

- **Increased demand for mass and frequent intercity transport in India**
 - ✓ Enhancing connectivity between the largest Metropolis Mumbai and the growing city of Ahmedabad.



Project Outline

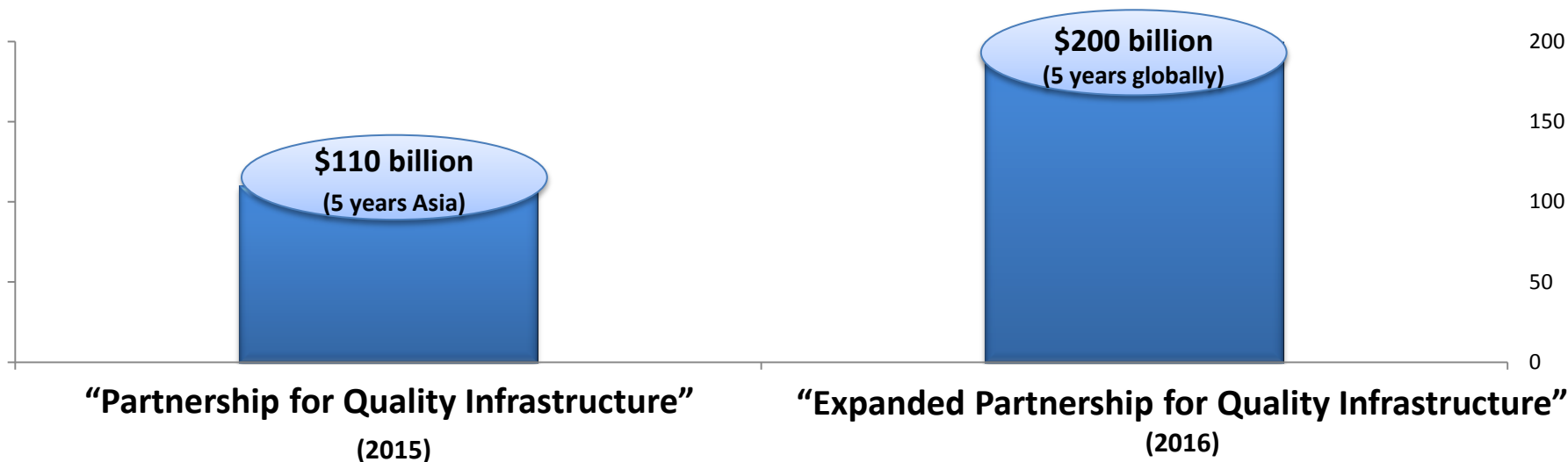
- **The establishment of India's first high-speed intercity rail system**, by introducing Japan's Shinkansen (bullet train) through, concessionary ODA loans and technological cooperation.



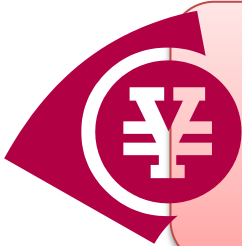
Characteristics that make for a “Quality Infrastructure” investment

- ① **Alignment with local development strategies:** JPN/India Joint Feasibility Study in 2015
- ② **Safety:** Japan's Shinkansen system has recorded no fatalities since its introduction in 1964.
- ③ **Contribution to local sustainability:**
 - ✓ **Promotion of local procurement and employment** through the “**Make in India**” concept.
 - ✓ **Transfer of technology and know-how** through the **establishment of training center.**

✧ *Through Japan's recent initiatives...*



Japan's concessional loans doubled to 2 trillion yen since 2015.



Concessional Yen Loans:

- ✓ access to large sums of financing for economic and social infrastructure projects
- ✓ on terms more favorable than market (lower rates and longer repayment periods).



✧ However, public funds alone are not sufficient to meet needs.

➔ **Need to increase both public funds and private funds**

✧ How?

➔ **Utilize public participation & capital to mobilize private sector**

~ Alleviate risk for private investment in developing countries.

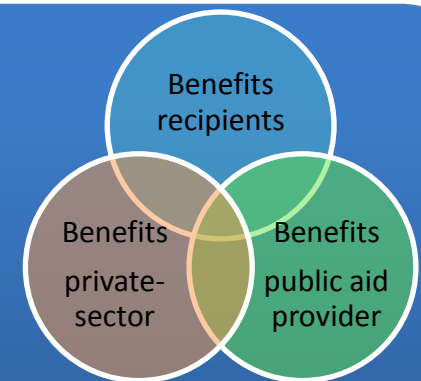


✓ Japan is **utilizing a wide range of public finance tools**
(ex. **ODA (JICA), JBIC, NEXI, JOIN, JICT**) to mobilize the private sector.

Public finance tools to mobilize the private sector

(ODA (JICA), JBIC, NEXI, JOIN, JICT)

✓ Example: Public Private Partnerships (PPP)



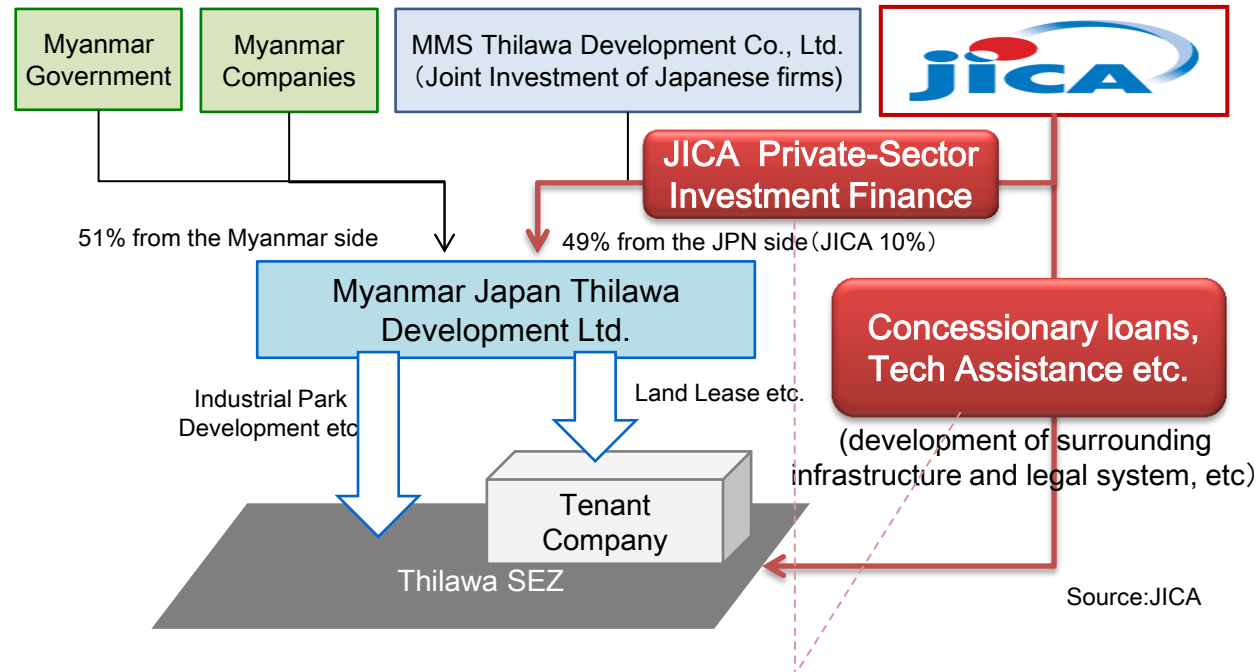
Myanmar: Thilawa Special Economic Zone

Background

- **Rapid development towards a market economy** and the importance of attracting foreign direct investment that produces local employment and raises local income.

Project Outline

- Private & public sectors from **Japan and Myanmar jointly invest in “Myanmar Japan Thilawa Development Ltd.”** to develop industrial park in Thilawa Special Economic Zone(SEZ).
- Development of **surrounding infrastructure** (electricity, water communication, roads, ports, etc.) and **related legal system to spur private sector investment.**



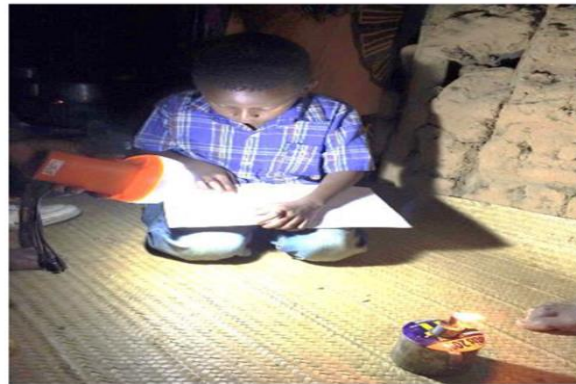
Private investment spurred by public participation
(joint investment, business environment improvement through ODAs)

Background

- Population without access to electricity in Sub-Saharan approximately 600 million. Those that rely on charcoal for light face health and environmental hazards.

Project Outline

- The **JICA provision of overseas loans** to a private firm (Digital Grid) that sets up solar panels in kiosks that provides **LED lanterns (cheaper than kerosene) rentals and electricity recharges to off-grid areas.**



UTECH
Co-Founders for Innovation



(list not exhaustive)

Investment



Digital Grid Inc.

BOP (base of pyramid) business
Promoting everyday-use infrastructure

- ✓ Kiosks operation at night
- ✓ Longer study hours
 - ✓ Lower cost
 - ✓ Health benefits
- ✓ Reduction of greenhouse gases

✧ Each nation's efforts are important, but an international effort to promote quality infrastructure investment is critical.

→ Promote “quality infrastructure” as an international standard

✓ G7 Ise-Shima Principles for Promoting Quality Infrastructure Investment

~Set standards for “quality infrastructure” amongst the G7 composed of principal donor countries (May 2016)

✓ “1st International Economic Forum on Asia” : co-hosted with the OECD

~Exchange of best practices of “quality infrastructure”, fomented a common understanding on need to increase its supply in line with international standards. (April 2017)

→ Discussion on international rules to increase public & private financing

- ✓ Contribute to discussions at the OECD on international rules towards promoting the utilization of public finance tools to mobilize private capital, by allowing a wider range of public finance tools to be counted as ODA.

Thank you!