

Strengthening Connectivity through “Quality Infrastructure”

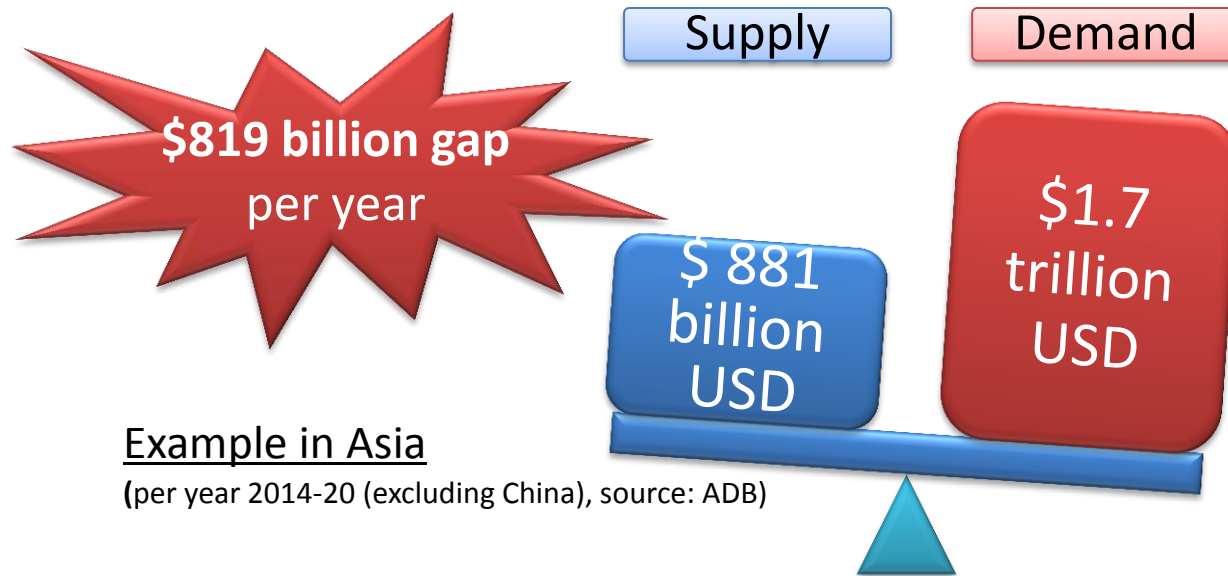
Kentaro SONOURA

Special Adviser to the Prime Minister of Japan

**International Seminar
on Promoting Quality Infrastructure**

12 April 2018, Ito Hall, Tokyo, Japan

“Demand for infrastructure finance overwhelms supply...”



“...To leave **NO ONE** behind, requires **EVERYONE** to contribute”

Address the large infrastructure demand in both **quantity** and **quality**:

- ✓ Increase public development capital;
- ✓ Mobilize private capital, cooperation w/ MDBs;
- ✓ Promote quality infrastructure projects

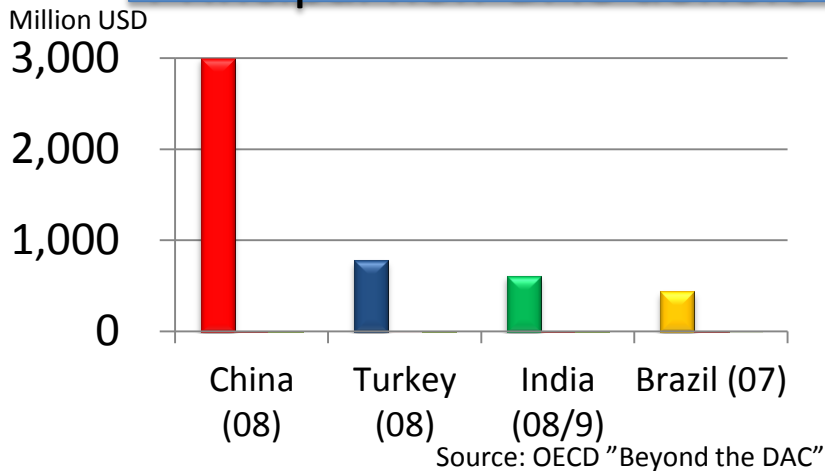


G7 Ise-Shima Principles

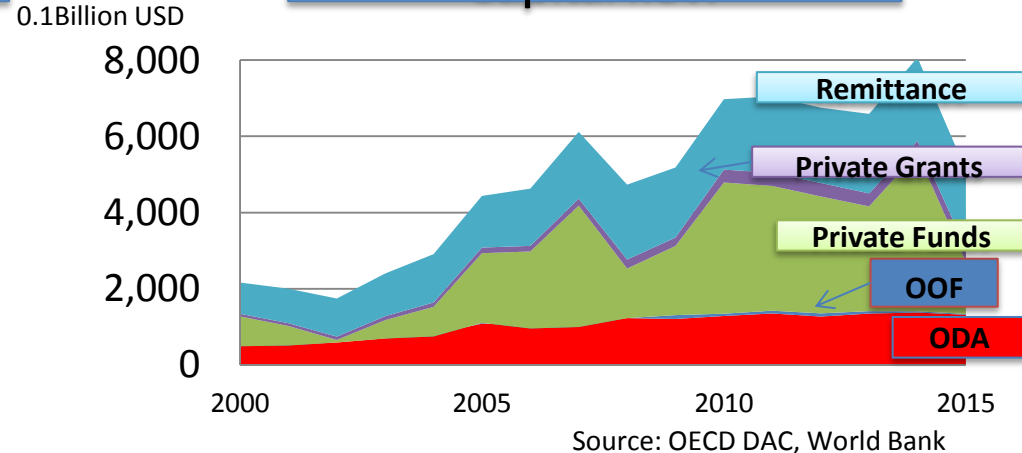
- ✓ Economy in view of life-cycle cost
- ✓ Social/Environmental consideration
- ✓ Local job creation and tech. transfer
- ✓ Align w/ local development strategy
- ✓ Effective mobilization of resources

Emergence of new donors and the private sector

Principal non-DAC donors



Capital flow



...as donors diversify, “ensuring quality” in assistance projects becomes indispensable for achieving sustainable development.

**Need to consolidate an
International Standard for
“Quality Infrastructure”**

Infrastructure** forms the backbone of **economic growth** and **sustainable development



For infrastructure to be effective, it must...

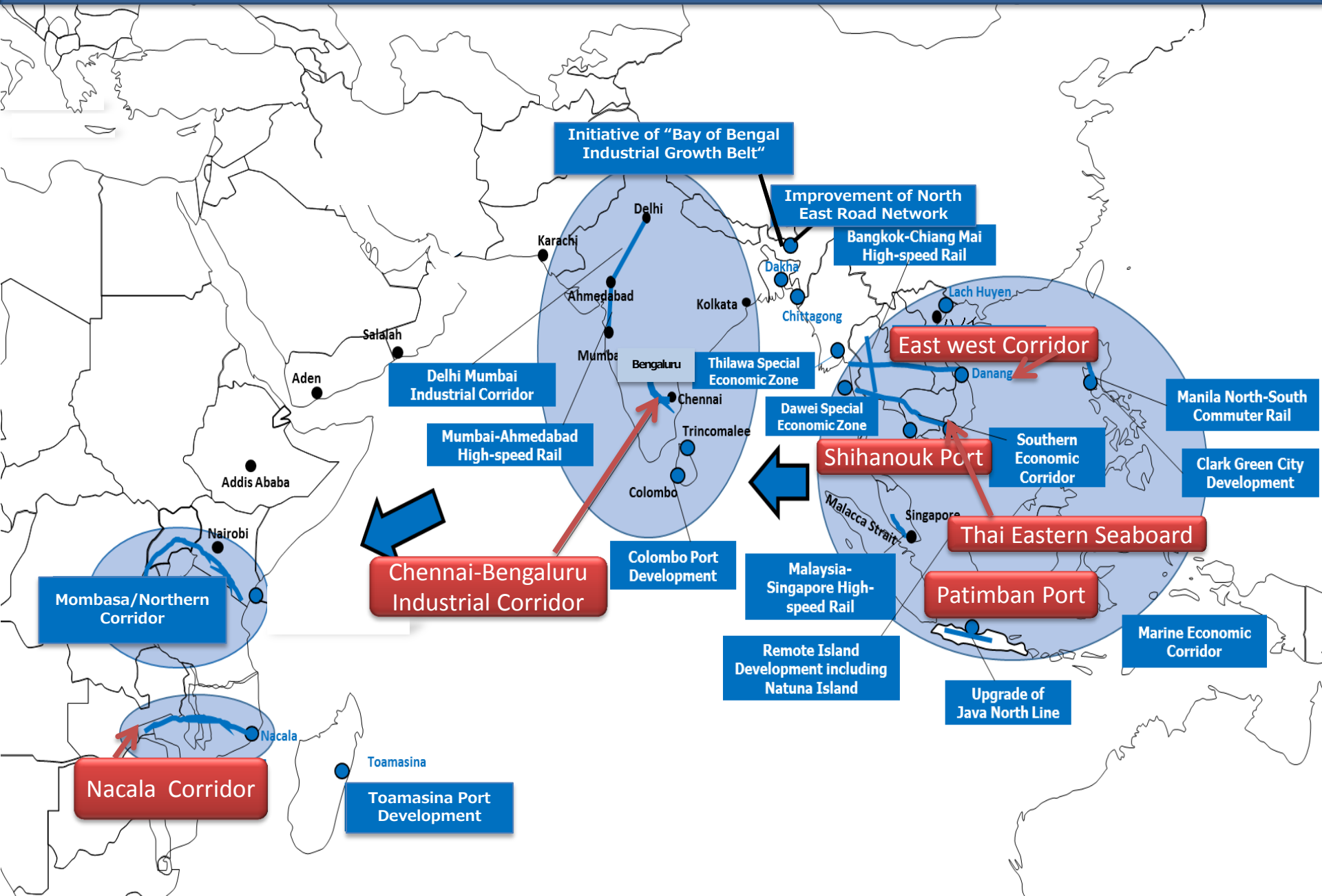
✓ ***strengthen connectivity** with the region/world*

In order to strengthen connectivity, it must...

✓ *ensure **open access**, so that it is put to use*

Strengthening Connectivity “Free and Open Indo-Pacific Strategy”

5



Strengthening Connectivity: Mekong Connectivity Initiative

6

- Connects the two ends of the Indochina peninsula through ports, bridges and roads, thereby linking the East China Sea with the Sea of Bengal
- Increased GDP of Mekong states by 2 to 4 times between 2000 and 2013.



① Laos National Highway



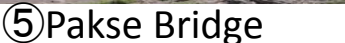
② Second Mekong Bridge



③ Hai Van Tunnel



④ Danang Port



⑤ Pakse Bridge



⑥ Kizuna Birdge



⑦ Neak Loeung Bridge



⑧ Cambodia National Highway



⑪ Shihanoukville Port



⑩ Can Tho Birdge



⑨ Cai Mep Thi Vai Port

Characteristics that “strengthen connectivity”

- ① Alignment with **local development strategy**.
- ② Not limited to a single outlet, but **connect region as a whole**.
- ③ A **long term** (20-30 year) development plan.
- ④ **Environmental and social consideration**.

- The creation of an **open access port** in what was previously a fishing village.
- Surpassed Bangkok to become the **largest commercial port in Thailand** contributing a **2.5 fold increase to its GDP**.



Photo: ESCO (Eastern Sea Leam Chabang Terminal Co.,Ltd)

Characteristics that “ensure open access”

- ① Alignment with **local development strategy**.
- ② Ensure **public (non-exclusive) use** that facilitates free movement of goods, people and capital.
- ③ Respect of **sovereignty** and assistance that **ensure debt sustainability**.

Background

- Access to financial markets is improving.
- However, debt management is increasingly difficult due to unpredictability of the economy.

Project Outline

- Public officials from developing countries receive training in debt management, such as debt sustainability analysis and financial policy from experts from the government, banks, brokerage houses, academia etc.



(Lecture from experts)



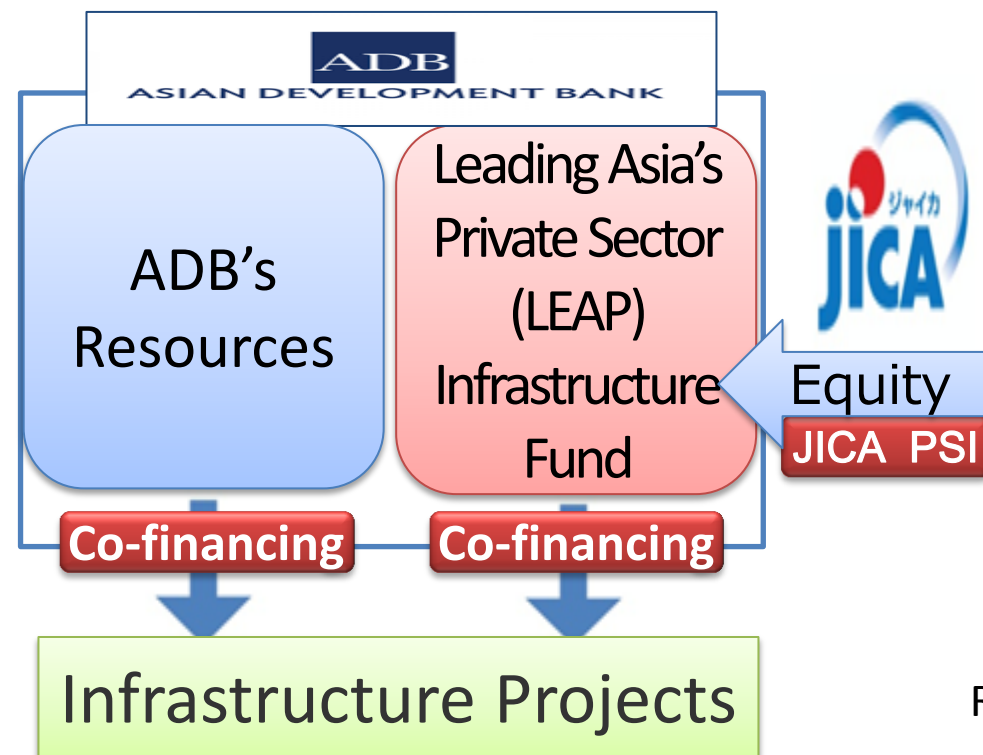
(Visit to the Tokyo Stock exchange)



Japan/ADB co-finance: Leading Asia's Private Sector Infrastructure Fund

Outline

- Japan provided 1.5 billion USD to the infrastructure co-financing fund (LEAP) to fill financings gaps in the region.
- Fund supports private sector participation (joint ventures, etc) in a wide range of infrastructure fields including energy, water, transport and ICT.



Renewal energy project (wind, solar) in India
financed by LEAP (390 million USD)

Government funds alone not sufficient to meet needs.

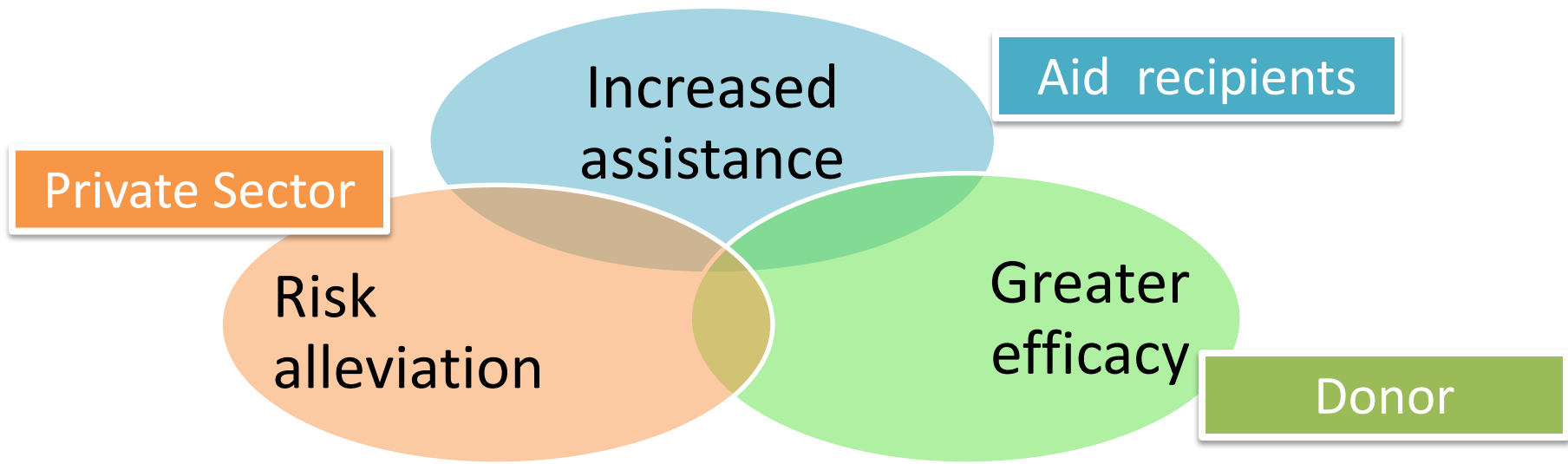
1. Utilize public capital to mobilize private capital.

~ By alleviating investment risks for the private sector ~

- Private Sector Instruments (PSI)
- Public Private Partnerships (PPP)

2. Strengthen Cooperation with MDBs

- Co-financing schemes
(ex. Japan/ADB “Leading Asia's Private Sector Infrastructure Fund”)
- Promotion of the Quality Infrastructure concept, etc.





- ✓ Technical expertise on development policy and finance, to improve development effectiveness.
- ✓ OECD Development Center (DEV) offers platform that brings together traditional and emerging donors.

2017 OECD Ministerial Council Meeting

“We confirm the importance of promoting quality infrastructure with open and fair access and encourage the OECD to elaborate guidelines and good practices in this area...”

Some commonly identified elements of quality infrastructure

- ① Economic efficiency in view of life-cycle cost
- ② Resilience against disaster, terrorism and cyber- attacks
- ③ Safety,
- ④ Local employment
- ⑤ Technology transfer
- ⑥ Environmental consideration
- ⑦ Financial soundness (debt sustainability)
- ⑧ Social consideration
- ⑨ Connectivity enhancement
- ⑩ Industry development
- ⑪ Partnership with private sector (e.g. PPP)
- ⑫ Effective resource mobilization (MDBs)

Japan will continue working with the OECD, traditional/emerging donors and stakeholders to promote connectivity, via inter alia, quality infrastructure.

Thank you!