

Developing Infrastructure in Asia for “Quality Growth”

For sustained “Quality Growth,” Japan promotes “People-Centered Investment.”

- (1) Benefits for all through such efforts as creating employment opportunities and improving access to social services
- (2) Enhanced disaster risk reduction and harmonization with environment
- (3) Capacity building through human resource development and institutional improvement



Japan promotes people-centered investment through the following four approaches to enhance our support for “Quality Infrastructure” in Asia.

(1) Effective Resource Mobilization:

Public finance as a catalyst for private finance; Sound framework to attract private finance (e.g. EPA, Investment Treaty, Special Economic Zone (SEZ)); Further injection of ODA and OOF

(2) Strengthening Partnership:

Developing countries: Support for institution building on PPP and for infrastructure project formulation, Cooperation from a long-time perspective through consultation and planning

Multi-stakeholders (e.g. International organizations, Private sector, Local government, Civil society):

Coordination and collaboration with various development cooperation actors, Utilization of a wider range of financial and human resources

(3) Life Cycle Cost, Environmental/Social Considerations:

Advanced infrastructure technologies and systems with resilience and durability; Reduction of life cycle cost; Emphasis on “Safety first”, “Meeting deadlines”, and technology transfer; Environmental/Social considerations; Experience sharing as a forerunner in meeting challenges

(4) Comprehensive and Tailor-Made Approach:

Effective combination of financial and technical cooperation; Providing various development cooperation tools for respective development needs and stages; Multi-layered approach (e.g. human resource development, healthcare)

1. Effective Resource Mobilization

- **Utilizing Public Funds as a Catalyst for Private Finance**
 - Improving Yen Loan programs to promote PPP, Making full use of JICA's Private Sector Investment Finance, Establishing an infrastructure fund
- **Preparing Environment to attract Private Finance**
 - Promoting EPAs and Investment Agreements (As the investment agreement with Myanmar was concluded in July, Japan has now concluded either an EPA or investment agreement with all the ASEAN countries), Developing SEZs
- **Large Scale Mobilization of Public Funds (ODA, OOF)**
 - JPY 2 trillion ODA to ASEAN countries in 5 years (committed at Japan-ASEAN Commemorative Summit 2013), JPY 600 billion ODA to Mekong countries in 3 years (committed at the Japan-Mekong Summit 2012)

New Initiatives for Utilization of Public Funds as a Catalyst

Comprehensive Support by Japanese ODA Loan for Promotion of PPP Infrastructure Projects

◆ A variety of options are available, as comprehensive support by Japanese ODA Loans, for the development and application of effective measures to promote steady formulation and implementation of PPP infrastructure projects by recipient governments.

□ Measures of recipient governments and support options of Japanese ODA Loans

- (1) VGF→Viability Gap Funding (VGF)
- (2) Equity→Equity Back Finance (EBF)
- (3) Loan→Two-Step Loan
- (4) Government Guarantee→Contingent Credit Enhancement Facility for PPP Infrastructure Development **【new】**

Support for upper-middle income countries

◆ Encouraging project formulation in cases JPN skills & know-how can be utilized, JPN business can be promoted, etc.

Making full use of JICA Private Sector Investment Finance (PSIF)

◆ The introduction of USD denominated finance is now being considered, in addition to local currency denominated finance.

Japan Overseas Infrastructure Investment Corporation for Transport & Urban Development (JOIN)

◆ Established in October 2014, aiming at promoting PPP projects particularly in ASEAN countries.
(investment capacity for FY 2014: \$1B)

Preparation Environment to attract Private Finance

Thilawa SEZ Development (Myanmar) (opening expected in 2015)

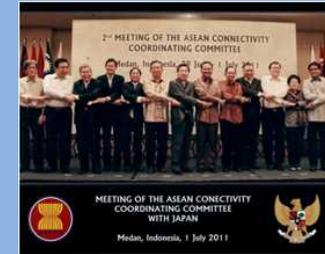
- ◆ Providing JICA private sector investment finance for development/sales/management of the industrial park.
- ◆ Providing Yen Loan for the SEZ infrastructure development and technical cooperation for regulatory/administrative capacity development.



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2. Strengthening Partnership

- ◆ **Long-Term Cooperation with an Emphasis on “Dialogue” and “Development plan”**
- Support for institution building/capacity building for infrastructure project formulation
- Sharing development challenges through aid and industrial policy dialogue
 - Addressing these challenges through Japanese ODA projects
- Enhancing balanced development with appropriate development plan/vision/master plan
 - Promoting efficient development with a long-term vision
- ◆ **Strengthening Partnership with other Development Partners and Utilization of their Expertise and Finance**
- International organizations (esp. ADB) → Strengthening policy dialogue, enhancing co-financing scheme
- Other bilateral donors → Promoting policy dialogue
- Private sector → Providing more development cooperation tools/Utilizing SMEs’ expertise and technologies
- Local governments → Sharing Japanese experiences on urban development
- Civil society



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Capacity Development for Project Formulation and Institution Building

Support for Regulatory Improvement for PPP (Technical Cooperation)

- ◆ Indonesia: Assistance in making master plan/roadmap to establish organizations for PPP promotion and in enhancing PPP project formulation
- ◆ Philippines: Assistance in capacity development of PPP implementing agencies, improvement of PPP-related legal system’s operation and PPP project formulation.

Jakarta Metropolitan Priority Area (Indonesia)

- ◆ Japanese and Indonesian governments agreed, in 2010, on the MPA vision, aiming to improve investment climate through public-private dialogue between the two countries.
- ◆ In 2012, the MPA master plan, which was supported by Japan, was completed and priority infrastructure projects were selected, including the MRT North-South line.

Japan-ASEAN Joint Connectivity Committee

- ◆ Established to support improvement of connectivity among ASEAN countries (examining about 70 regional projects).
- ◆ Announced “Japan’s vision for supporting connectivity in ASEAN” including Japan’s policy for promoting the development of East-West/Southern economic corridors and ASEAN oceanic economic corridor.

Develop a Vision

Emphasis on Dialogue

Policy dialogue/Seminar for Regulatory Development

- ◆ Bilateral dialogue and seminar for regulatory development for PPP
- ◆ At the Energy Policy Dialogue with the Philippines, policies towards promotion of gas utilization were discussed.
- ◆ At the seminar on Cambodia Economic Development, ways to promote foreign investment to PPP projects were discussed.

Emphasis on Dialogue

3. Life Cycle Cost, Environmental/Social Considerations

- Advanced Infrastructure Technologies and Systems → Resilience, Durability, Coherence
- Reduction of Life Cycle Cost → Emphasis on efficiency, operation/maintenance capability
- Introduction of “Hands-on approach” → Emphasis on safety, deadlines and technical transfer
- Harmonization with Environment/Society → Environmental/social considerations, Urban problems
- Experience sharing for new challenges → Environment, Disaster prevention, Aging society

Reduction of Life Cycle Cost

Philippines: Light Railway Transit (LRT) Line 1 and 2

- ◆ Procurement of JPN-made trains by yen loan (in 1994 and 2000), which has contributed to the improvement of transport capacity with few troubles.
- ◆ JPN extended loan to the Philippines which intended to utilize Japanese advanced technologies on trains, signals, etc. (Mar 2013).



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Advanced Technologies and Systems

Laos: The Southern Region Power System Development Project

- ◆ Assistance to the establishment of 115kV power transmission lines and related facilities to connect divided power systems in the southern region of Laos (Mar 2012).
- ◆ This project has contributed to stable power distribution making use of Japanese advanced technologies in heat resistance lines with high efficiency.

Advanced Technologies Introduction of “Hands-on approach”

Nhat Tan Bridge (Vietnam-Japan Friendship Bridge) Construction Project

- ◆ Assistance to the construction of the bridge using an earthquake/soft ground resistance technology. This technology is adopted as a bridge design standard and contributed to safe bridge construction in Vietnam.
- ◆ “Hands-on approach,” such as ensuring safety and deadline, was also introduced to local engineers.



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Harmonization with Environment/Society

JICA’s Guidelines for Environmental/Social considerations

- ◆ Each development project has been implemented in accordance with the guidelines that stipulate measures and requirements of environmental/social considerations.

Experience sharing

Indonesia: Disaster Reduction Project for Mt. Merapi/Progo River Basin and Mt. Bawakaraeng

- ◆ After the eruption of Mt. Merapi in 1969, the Indonesian government started to develop countermeasures against disaster. Mt. Merapi volcanic disaster prevention plan was designed in 1980 based on JICA’s development survey.
- ◆ The construction of mudslide-control dams and training walls, and the introduction of early-warning system by the Japanese loan project (2005) contributed to the damage mitigation as Mt. Merapi erupted in 2010.
- ◆ A decision making assistance system for countermeasures against landslide disaster has also been developed through Japanese technical cooperation.

4. Comprehensive and Tailor-Made Approach

- **Effective Combination of Financial and Technical Cooperation**
→ Maximizing development impact through synergy effect
- **Providing various development cooperation tools based on respective development needs and stages**
- **Multi-layered Approach**
→ e.g. human resource development (elementary/secondary/higher education, industrial human resource development, vocational training)

Combination of Financial and Technical cooperation

Flood countermeasures (Philippines)

- ◆ Integrated approach on structural and non-structural countermeasures (development of land use plan, forecast/warning system and hazard map) through combination of financial and technical cooperation
- ◆ Successfully prevented disasters through banks and revetments constructed by JP ODA Loan and grant aid, and reinforcement of forecast/warning and flood-control capability



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Multi-layered Approach

JAPAN-ASEAN HEALTH INITIATIVE (Assistance in Health/Medical Sector)

- ◆ Multi-layered Assistance in maternal/child health, infectious disease control, development of basic infrastructure such as hospitals and equipment, capacity building on health administration, and human resource development in nursing
- ◆ Support for ASEAN's efforts towards "Leading region of healthy life expectancy," utilizing Japan's experience and knowledge



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Multi-layered Assistance to Human Resource Development

□ Myanmar

- ◆ Policy proposals for educational reform
- ◆ Consistent assistance to revision of textbooks/exams, the improvement of teacher fostering course and teacher training for pursuing improvement of elementary education
- ◆ Assistance to human resource development for industry and infrastructure development through technical cooperation and grant aid to Yangon Technical University, Interregional cooperation through AUN/SEED-Net, a university network among Japan and ASEAN

□ Malaysia

- ◆ Assistance to vocational training system and human resource development of The Small and Medium Industries Development Corporation for tackling challenges to become a developed nation.
- ◆ Assistance to establishment of Malaysia-Japan International Institute of Technology (MJIIT) for human resource development with Japanese engineering educational system. MJIIT is expected to become a leading higher education facility on engineering in Asia.

Comprehensive Support by Japanese ODA Loans for Promotion of PPP (Public Private Partnership) Infrastructure Projects

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- A variety of options are available, as comprehensive support by Japanese ODA Loans, for the development and application of effective measures to promote steady formulation and implementation of PPP (Public Private Partnership) infrastructure projects by recipient governments.
- In addition to the above-mentioned support, the Government of Japan will provide support by utilizing loans and guarantees by JBIC, trade insurance by NEXI, and Private Sector Investment Finance by JICA (equity and loan) to Japanese and foreign private companies and banks that will take part in PPP infrastructure projects.

