

# Follow-up Measures of “the Partnership for Quality Infrastructure”

November, 2015

The Government of Japan will take the following follow-up measures to expand “the Partnership for Quality Infrastructure”, which was announced by Prime Minister Abe in May 2015;

## **1. First Pillar: Expansion and Acceleration of Assistance through JICA**

### **1-1. Acceleration of Assistance**

#### **■ Further Acceleration of Japanese ODA Loans**

In order to increase the attractiveness of Japanese ODA Loans, the Government of Japan will further expedite Japan’s ODA Loans procedures. Specifically, the Government of Japan will reduce the period necessary for government-related procedures to approximately one and a half (1.5) years\* at most for important projects and to approximately two (2) years at most for other projects by taking the following measures:

- (a) promoting making pre-pledge at an early stage for projects that are of diplomatic importance or for which Japan’s fine technologies and know-hows can be utilized;
- (b) conducting the detailed design study by consultants who were in charge of the feasibility study (F/S) of the project by applying the single-source selection (SSS) procedure; and
- (c) steadily conducting the front-loading of the notifications to the OECD.

\*The current period necessary for government-related procedures is about three (3) years.

#### **■ Acceleration of Private-Sector Investment Finance**

For projects that are regarded to be suited for JICA’s appraisal, JICA will start its appraisal process in principle within one month after an application was filed by private companies, etc. (in principle within two weeks after the presentation by JICA to the three relevant ministries of the Government of Japan (the Ministry of Foreign Affairs, the Ministry of Finance, and the Ministry of Economy, Trade and Industry)).

In addition, the standard period for the Japan Bank for International Cooperation (JBIC) to respond to inquiries on projects will be two (2) weeks.

#### **■ Introduction of Special Contingency Reserves**

The Government of Japan will introduce a system in which “special contingency reserves” will be added in the amount to be committed in Exchange of Notes (E/N) in cases where Japanese ODA Loans will be provided to projects with high uncertainty or to countries with unstable political and economic situations.

### **1-2. Encouragement of Private Investment**

#### **■ Expansion of the coverage of Private-Sector Investment Finance**

The Government of Japan will review the interpretation of the requirement of “no-precedent policy” for the Private-Sector Investment Finance (loan) and clarify that the Private-Sector Investment Finance can be provided in cases where non-concessional loans by existing Japanese private financial institutions cannot realize projects, even if there is a precedent of a loan provided by a private financial institution to a similar project.

■ **Strengthening the collaboration between JICA and other organizations**

The Government of Japan enables JICA to co-finance with private financial institutions when the provision of Private-Sector Investment Finance (loan) under concessional terms (i.e. the rate of interest, period, seniority, etc.) complements the loans or equities provided by existing Japanese private financial institutions in a qualitative manner and make such loans or equities possible.

■ **Conducting pilot/test-marketing projects to encourage quality infrastructure**

The Government of Japan will provide systems, etc. in which Japan has superiority through grant aid and technical assistance financed under JICA's Finance and Investment Account, etc. and inform their advantages to recipient countries, thereby realizing the provision of Japanese ODA Loans and expanding private businesses.

**1-3. Enhancement of the Attractiveness of Japanese Assistance**

The Government of Japan will further enhance the attractiveness of Japanese ODA Loans by taking the following measures on condition that JICA's fiscal soundness is ensured;

■ **Introduction of Japanese ODA Loans with Currency Conversion Option to countries whose GNI per capita level is the same as or higher than that of Upper-Middle-Income Countries**

The Government of Japan will introduce Japanese ODA Loans with Currency Conversion Option to countries whose GNI per capita level is equal to or higher than that of Upper-Middle-Income Countries in order to increase the attractiveness of Japanese ODA Loans by making their repayment options flexible and to encourage developing Japanese ODA Loans projects in which Japanese companies may participate.

■ **Establishment of Dollar-denominated Japanese ODA Loans**

The Government of Japan will provide Dollar-denominated Japanese ODA Loans as Government loans provided through JICA.

■ **Establishment of High-spec Loans**

The Government of Japan will establish High-spec Loans to provide concessional loans for projects that are specifically regarded as promoting quality infrastructure.  
(Note: The requirements as well as terms and conditions are to be decided.)

■ **Establishment of Japanese ODA Loans for business/management rights**

The Government of Japan will establish Japanese ODA Loans for business/management rights by actively providing Equity Back Finance (EBF) Loan, Viability Gap Funding (VGF) Loan, and Contingent Credit Enhancement Facility for PPP Infrastructure Development for projects in which Japanese companies have acquired or are considering acquiring business/management rights. At the same time, the Government of Japan will take such measures as making a pre-pledge by the Government or issuing a Letter of Intent (LOI) by JICA for projects that are of diplomatic importance or for which Japan's quality technology and know-hows can be utilized in cases where expressing its interest in the project is perceived to be necessary and the conditions such as the macroeconomic situations and the debt sustainability are confirmed.

■ **New measures for Sub-sovereign Loan**

In providing Japanese ODA Loans directly to sub-sovereign entities of developing countries, the Government of Japan will decide to exempt the government guarantee as an exception on a case-by-case basis at a Ministerial conference if various conditions, including economic stability of recipient countries and sufficient commitment by recipient governments, are met.

■ **Implementation of technical assistance financed under JICA's Finance and Investment Account to support contractee to realize quality infrastructure**

The Government of Japan will provide assistance to contractee through technical assistance financed under JICA's Finance and Investment Account to ensure the quality of Government loans projects that require high-precision construction (e.g. construction of civil engineering structures for high-speed railway) and to realize quality infrastructure.

**2. Second Pillar: Collaboration with the Asian Development Bank (ADB)**

For the investment and financing for quality infrastructure projects, the Government of Japan agreed on a new collaboration package with ADB, which consists of the following three elements;

■ **Support for private infrastructure projects through measures such as Public Private Partnership (PPP)**

A new trust fund will be established in ADB through JICA's investment by the end of March 2016 and it will invest in and finance private quality infrastructure projects through measures such as PPP. The JICA Trust Fund will target to invest and finance up to USD 1.5 billion in the next five (5) years.

■ **Promotion of public infrastructure development**

To promote public quality infrastructure development, JICA, in collaboration with ADB,

will support long-term investment plans and provide technical cooperation and loans for sovereign projects. JICA and ADB will target to co-finance USD 10 billion in the next five (5) years.

■ **High-level policy dialogues**

The Government of Japan, JICA, and ADB will hold high-level policy dialogues regularly for smooth implementation of quality infrastructure investment under the abovementioned initiatives.

**3. Third Pillar: Measures to increase the supply of funding for projects with relatively high risk profiles through JBIC, etc.**

In order to further support Japanese companies to expand their business in the field of overseas infrastructure projects such as the ones that utilize private funding and know-hows, the Government of Japan will consider strengthening the functions of government agencies such as the Japan Bank for International Cooperation.

■ **Further Risk Taking by JBIC**

The Government of Japan will add the Specially Designated Operations to JBIC, through which JBIC will provide funding to overseas infrastructure projects that have a sufficient level of expected return as well as high risk profiles. (Note: The account for the Specially Designated Operations will be separated from the general account.)

On condition of ensuring the necessary financial foundation, the Specially Designated Operations will enable JBIC to take further risks by exempting the requirement to ensure certainty of repayment for each project, while maintaining the principle of securing sufficient revenue to cover its expenses as a whole.

■ **Expansion of JBIC's Local Currency Loans**

JBIC will introduce a long-term borrowing from local financial institutions as a means to obtain local currency so that it can expand its Local Currency Loans that are of high demand in infrastructure projects especially in developing countries.

■ **Diversification of JBIC's assistance tools**

JBIC will introduce new assistance tools for overseas infrastructure projects (e.g. two-step loans to banks, acquisition of bonds (project bonds), and Islamic finance).

■ **Strengthening the functions of the Nippon Export and Investment Insurance (NEXI)**

The Government of Japan will strengthen the functions of NEXI through measures such as the establishment of dollar-denominated Trade and Investment Insurance to alleviate burden on private companies as well as the extension of the investment insurance period from the current fifteen (15) years to thirty (30) years.

■ **Utilization of the Japan Overseas Infrastructure Investment Corporation for Transport & Urban Development (JOIN)**

JOIN, which was established in October 2014, decided to invest in a high-speed railway project connecting Dallas and Houston in the United States, on the premise of introducing Japan's Shinkansen technology by an American enterprise. (Note: The approval of this project will be made on 21 November by Minister of Land, Infrastructure, Transport and Tourism.)

■ **Establishment of the Japan ICT Fund (JICT)**

The Government of Japan will establish the JICT as a government-private sponsored fund that invests in overseas projects in the fields of telecommunications, broadcasting, and postal service. (Note: It is scheduled to be established by the end of November.)

**4. Fourth Pillar: Promoting the importance of quality infrastructure investment globally in the process of developing relevant international standards**

■ **Collaboration with Multilateral Development Banks (MDBs)**

The Government of Japan will consider collaborating with ADB and other MDBs (including the World Bank, the Inter-American Development Bank and the African Development Bank) in providing infrastructure investment.

■ **Sharing and introduction of Japan's advanced technologies across the world**

The Government of Japan compiled the "Quality Infrastructure Investment Casebook" and shared its English version to countries around the world. Japan will continue updating examples shown in the casebook accordingly.

The Government of Japan also conducted tours of infrastructure project sites for diplomatic corps in Tokyo, including the Isoko Thermal Power Plant and the urban development of Marunouchi district.

■ **Promoting and re-affirming the importance of quality infrastructure investment together with countries across the world**

The Government of Japan has continued to stress the necessity of promoting quality infrastructure investment in international meetings at the leaders' and the ministerial levels, including the UN, the G20, the G7, the APEC, and the ASEAN fora in the wake of the announcement of the Partnership for Quality Infrastructure in May. The necessity to promote quality infrastructure investment has been confirmed in the outcome documents of these meetings.

The Government of Japan also organized events on this subject on the margins of UN (the Third International Conference on Financing for Development)/ G20 meetings.