

## **G7 Ise-Shima Summit**

### **“Expanded Partnership for Quality Infrastructure”**

#### **1. Increased Supply of Financial Resources towards Infrastructure Projects across the World**

- Responding to the immense global demand for infrastructure development, Japan aims to provide, among all, financing of approximately USD 200 billion to infrastructure projects in the next five years, in order to address the deceleration of the global economy due to low natural resource prices and to reduce future risk of price surge in natural resources.
- More specifically, in comparison with the “Partnership for Quality Infrastructure” (PQI) announced by Prime Minister Abe in 2015, the Government of Japan will (i) expand the targeted area from Asia to the whole world, (ii) expand the scope of infrastructure from a narrow sense to a broader sense, which includes natural resources and energy, and (iii) include the Nippon Export and Investment Insurance (NEXI), the Japan Overseas Infrastructure Investment Corporation for Transport and Urban Development (JOIN), the Fund Corporation for the Overseas Development of Japan’s ICT and Postal Services (JICT), the Japan Oil, Gas and Metals National Corporation (JOGMEC) in addition to the Japan International Cooperation Agency (JICA) and the Japan Bank for International Cooperation (JBIC).

#### **2. Further Improvement of Measures for Promotion of Quality Infrastructure Investment**

##### **(1) Further Acceleration of Japan’s Assistance**

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

The Government of Japan will further expedite Japan’s ODA Loan procedures to make Japanese ODA Loans more attractive. More specifically, the Government of Japan will streamline the time required between the initiation of feasibility studies (F/S) and the commencement of construction work to 1.5 years at fastest\*, through i) early implementation of preparatory surveys in important projects, ii) acceleration of groundbreaking and partial opening by fast-tracking detailed designs (D/D) for some parts of projects, iii) capacity building of consultants, and iv) introduction of lump-sum contracts which may generate incentives to speed up the procedure as

well as acceleration of consultant work through active utilization of the design-build system and other measures.

\*Note: Although the required period varies from project to project depending on the project size, content, etc., many projects take approximately five years.

- **Increased Visibility of the Approximate Term Necessary for Respective Procedures of Japanese ODA Loans**

The Government of Japan will set, in advance, approximate terms necessary for F/S, D/D, and procurement of goods and services in aim of increasing visibility of the approximate term necessary for respective procedures for recipient countries and firms, including Japanese consultants, as well as encouraging their prompt responses.

## **(2) Encouragement of Investment and Financing by Private Companies**

- **Flexible Operation and Review of the Regulations on the Share of Equity for JICA's Private-Sector Investment Finance**

In terms of direct investment to local companies and others under JICA's Private-Sector Investment Finance, Japan will respond flexibly in terms of the amount of investment, as may be necessary, while considering the political importance of individual projects, the risks and other factors. Japan will also consider accommodating regulations on the largest share of equity allowed, such as the expansion of JICA's share of equity from 25% to 50% (but the percentage should not make JICA the largest shareholder). For projects of special political significance, Japan may consider taking additional measures such as allowing the share of equity that exceeds such limit.

Furthermore, Japan may consider the possibility of Limited Partner (LP) investment\* through JICA's Private-Sector Investment Finance towards infrastructure funds that share the same strategies.

\*Note: Investment to private infrastructure funds as a limited liability partner (LP).

- **Consideration of the Possibility of Euro-denominated Private-Sector Investment Finance**

The Government of Japan may consider the possibility of Euro-denominated Private-Sector Investment Finance of JICA (loans), if necessary.

- **Expansion of the Coverage of Overseas Investment Insurance (Country Risk)**

The Government of Japan will promote private investment and local production by expanding the coverage (upper-limit) of overseas investment insurance for emergency risk (country risk) from the current 95% to 100%, in addition to the 100% coverage of NEXI's loan insurance (already implemented).

■ **Expansion of the Coverage of Export Credit Insurance (Country Risk)**

The Government of Japan will further promote quality infrastructure investment and plant construction (Engineering, Procurement, and Construction (EPC)) in developing countries, by expanding the coverage (upper-limit) of export credit insurance that covers damages related to collection of fees for export of plant/equipment and transfer of technologies, from the current 97.5% to 100% for country risks, in addition to NEXI's loan insurance (already implemented) and overseas investment insurance (mentioned above).

■ **Improvement of the Operation of Local Buyer's Credit by NEXI**

In order to strengthen support to companies, namely Japan-affiliated local firms, for their sales of products overseas, the Government of Japan will improve the operation of local buyer's credit by NEXI, at the same time allow insurance (pure cover) of local buyer's credit\* held by private banks alone.

\*Note: A scheme in which loans are provided to the clients of Japan-affiliated local firms and others, to lend the funds needed in the exports and sales of equipment and technology to those clients.

■ **Relaxation of the Maximum Investor Criteria**

In order to promote further entry by private companies, among supporting criteria of JOIN and JICT, the Government of Japan will relax the "maximum investor criteria" and its application, in cases of special political importance, so as to consider permitting public and private funds become the largest investors under certain conditions, and to thereby enable public and private funds to actively make more investments.

■ **Expansion of the Amount of Capital Procurement by Public Institutions**

The Government of Japan will consider relaxation of "limits on leveraging" stipulated by cabinet orders and others concerning JOIN and JICT, and thereby enable public and private funds receive more financing (loans, issuance of bonds, etc.) from private financial institutions and others.

- **Flexible Application of the Rule of Priority Redemption to Private Banks**

Japan will flexibly apply the rule of priority redemption to private banks in JBIC's co-financing projects, when necessary, in order to promote the participation of private banks.

### **(3) Others**

- **Assistance for Geothermal Power Development in Developing Countries**

In response to the massive global geothermal resources namely in the African continent, the Government of Japan will provide financial support to high-risk exploratory drilling surveys and others in order to contribute to the geothermal power development in developing countries by utilizing Japan's high-quality technology.

- **F/S and Other Support for Large-Scale Infrastructure Projects**

For large-scale infrastructure projects (mainly in the areas of hydro power, oil and gas plants, bridges, railroads, etc.), Japan will take measures, including support for conducting F/S, to promote projects that adopt design-build system in which orders for "design (as a whole or in part)" and "construction" are made as a package, as well as those that employ wrap-up construction service (WCS) system in which contractors participate from the designing stage.

- **Improvement of the System and Operation of Japan's Grant Aid**

In order to further promote infrastructure investment overseas through Japan's Grant Aid, the Government of Japan will continue to improve the system and operation of its Grant Aid, in addition to the efforts made thus far such as development of projects in which Japanese companies acquire business/management rights.

- **Further Enhancement of Assistance for Human Resources Development**

The Government of Japan will further enhance its support to human resources development to increase the production capacity of Japan-affiliated local companies in countries such as India where rapid market expansion in fields namely infrastructure is expected, as well as to strengthen the assessment capability of infrastructure-related personnel of recipient countries. Furthermore, the Government of Japan will strengthen its efforts in human resources

development assistance, in order to respond appropriately to the increase in demand from overseas concerning human resources development needed for development, operation and maintenance of infrastructure in conjunction with the development of hardware, which is Japan's forte, and to respond to the needs to address cross-cutting challenges, such as urban and regional development, traffic congestion and traffic safety, as well as environment, renewable energy, and energy conservation.

### **3. Strengthening of the Institutional Capacity and Financial Grounds of Japan's Relevant Organizations**

#### **■ Strengthening the Institutional Capacity of JICA and Other Relevant Organizations**

In response to the increased workloads such as the increase in the number of projects of Japanese ODA Loans and JICA's Private-Sector Investment Finance, the Government of Japan will strengthen the institutional capacity and functions of relevant organizations such as JICA.

#### **■ Ensuring the Financial Grounds of Relevant Organizations. including JICA, JBIC, NEXI, and JOGMEC**

The Government of Japan will ensure sound financial grounds for JICA, JBIC, NEXI, JOGMEC and other relevant organizations in order to enable sustainable provision of the expanding ODA Loans, keeping in mind the importance of the role and the scale of Japanese ODA Loans in quality infrastructure investment, as well as increase in the supply of financial resources of relevant organizations.