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Asian PPP Projects and Soft Infrastructure improvement

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During the international conference of “The Future of Asia”, sponsored by Nikkei, held between May 30th and 31st, cabinet ministers of India, Indonesia, Vietnam and others, raised promotion of infrastructure investment as the issue from now. Also, ahead of this, the Japanese government at the 24th Meeting of the Management Council for Infrastructure Strategy, held on May 23rd, at the beginning of the announcement of “The High Quality Infrastructure Export Initiative” declared the policy to provide approximately 200 billion U.S. dollars in the coming five years to the world’s infrastructure including Asia. Japan, from the past, contributed to the growth of its own country and the economic development of other countries which led to the benefit of both and by functional enhancement of Yen loans and overseas investment was aiming at expanding of supply of public financing to infrastructure projects. This time’s initiative is in line with the current policy and will leads to infrastructure improvement of each Asian country. At the “Future of Asia”, many countries seek from Japan co-operation in the field of finance in infrastructure investment, this showed the big expectation towards Japan.

But the needed funds for Asia’s infrastructure improvement have grown huge and it is said that for the whole region it is over 1 trillion U.S. dollars in one year. The supply of funds, 40 billion U.S. dollars annually, which Japan mentioned as a policy to supply to the whole world toward infrastructure improvement, even if the whole amount was turned to Asia it will be only 4% of the total needed amount of 1 trillion U.S. dollars. Because Asian country’s governments generally lack in fiscal surplus, for infrastructure project finance they must rely on funds from other countries and they are not only public funding from official development assistance (ODA) and multilateral development bank (MDB) but there is high expectation towards private funding. To take in private funding, Public Private Partnership (PPP) is starting to take a major role, even at the “Future of Asia” there were statements asking for increase in equity participation through PPP from the representative of Vietnam and Cambodia.

Concerning investments in infrastructure projects by PPP, in the developing countries in Asia, there are all kinds of problems due to lack of experience. They are; 1) how to designation of projects based upon the goals and priorities of the infrastructure development, 2) how to clarify

the allotment of responsibility and risk amongst project participation parties including the fund providers, 3) how to establish a legal system for PPP, there are many issues that have to be resolved by governments of the beneficiary of investments.

Under this situation India is leading amongst the Asian developing countries in PPP through infrastructure investments and their legal system establishment, although not yet complete, is progressing gradually. In May bankruptcy and insolvency laws were established which makes when SPC are set up as the operating entity for infrastructure project they can smoothly coup when contingences occur. Also, what was an obstacle for a long time for foreign enterprises coming in, the Land Expropriation Act, the possibility for it to be amended is getting higher. In order to achieve the increase of investments towards hard infrastructure improvement by PPP projects, continuing efforts of the government towards soft infrastructure expansion, matters like these legal system establishment are needed.