

# Local and Small PPPs —Japanese experience—

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Yu Namba

Toyo University



# PPP methods in Japan

## Rigid framework

### PFI & concession

Most rigid PPP framework (BOT/BTO, concession etc.)  
Used mainly in facilities including social infrastructure (school, hospital etc.)  
Concession used mostly in airports and growing.  
80+% are done at the local level

Mostly capital projects

## Not rigid frameworks

### Unsolicited/Private- initiated proposals

For capital projects and administrative services. Varies in each municipality.  
Can be PFI/concession or more non-rigid PPPs.

### Designated manager

Most widely used method (70,000+ cases). O&M contract (Not only hard FM but soft services and private business).  
Availability payment and user-payment.

Facility/infrastructure related

### Market testing

For administrative services.  
Used at national and local level.

Administrative

### Public asset utilization

Widely used PPP (and growing because of depopulation). Not much restrictions at the local level.

### Park-PFI and likes

Growing method.  
De-regulation and use of private “profit” for O&M of public asset (park, river, port etc.)







### Other “soft” PPPs and Deregulation

# Types of PPPs

## PPPs

	Public/ State undertaking	<b>PPP Type 1: Public service provision</b>	<b>PPP Type 2: Public asset utilization</b>	<b>PPP Type 3: Regulation/ Deregulation</b>	<b>PPP Type 4: Sharing Economy</b>		Private business
Asset ownership	Public	Public	Public	Private	Public	Private	Private
Provided services	Public	Public	Private	Private	Public	Private	Private
Service provider	Public	Private	Private	Private	Public and Private		Private
Examples		BOT/BTO, concession, PFI.	Sale/lease of public assets (land, buildings and other rights)	Revitalization of local economy, welcome enterprises, tourism promotion, urban development	Sharing of assets (equipment, space and personnel) when it is not in use		

# PPPs are Local and Social matters in Japan

	Total	by Local
 Culture, social education (School, cultural and educational facility etc)	440	383
 Health and welfare (hospital/clinic, child welfare etc)	52	45
 Environment and sanitation (Funeral home, Solid waste management, septic tank etc)	120	120
 Economic and local revitalization (MICE, tourism and local promotion, housing etc)	277	274
 Civil infrastructures (water/sewer, industrial water, road, port etc)	126	84
 Administrative (office, housing etc)	131	61
Others	7	4

**Approx. 1150 PFIs**

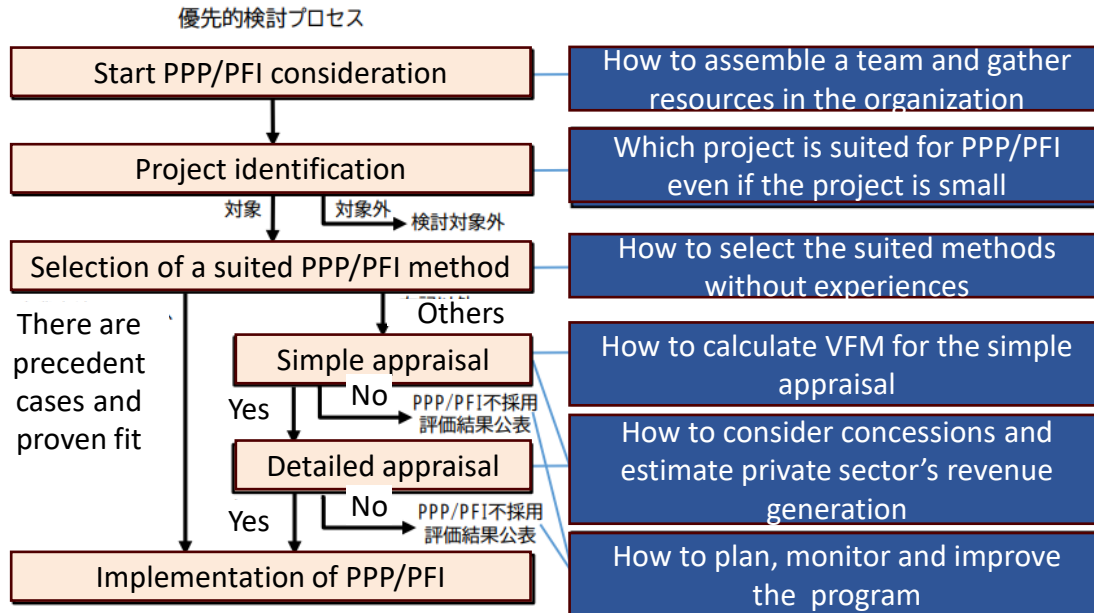
**84% Local governments**

And majority in social infrastructures



# Localizing PPPs (1)—by Policies

- “**Prioritized-consideration test**” is a procedure set by each municipality (with 50,000+ people) for consideration of PPPs in capital projects (larger than 1 B yen or 100 M yen/year).
- Strong policy direction set by “**PPP/PFI promotion action plan**” and its numeric target.



## Numeric targets (2022-2031)

- Accumulated contract value signed: 30 trillion JPY
- Number of new projects: 575 cases in priority sectors

Guidance for how to set procedures for prioritized consideration and Guidance for using prioritized-consideration

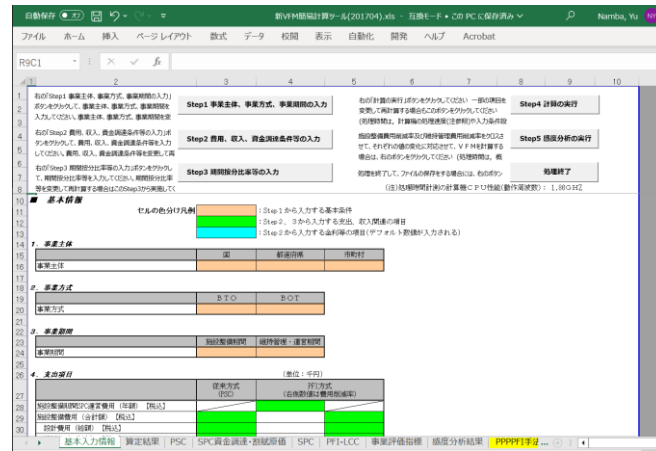
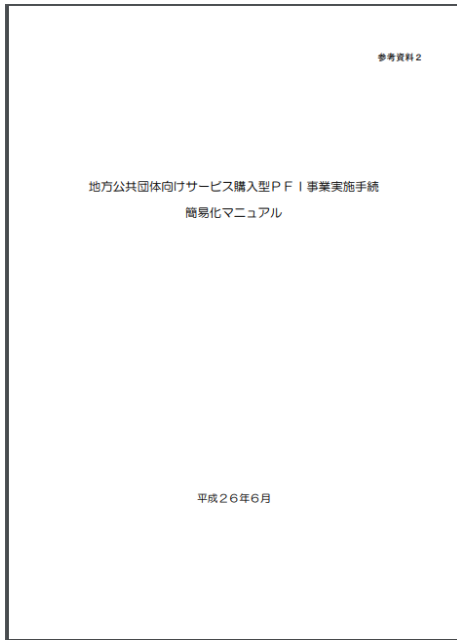
[https://www8.cao.go.jp/pfi/yuusenkentou/shishin\\_index.html](https://www8.cao.go.jp/pfi/yuusenkentou/shishin_index.html)

PPP/PFI promotion action plan (2023 revision)

[https://www8.cao.go.jp/pfi/actionplan/pdf/actionplan\\_r5\\_1.pdf](https://www8.cao.go.jp/pfi/actionplan/pdf/actionplan_r5_1.pdf)

# Localizing PPPs (2)—Simplification

- PPP/PFI Promotion Office has published “**Simplified manual**” for certain sectors (schools, social housings, administration buildings etc.) which shows ways to shorten the procedures and preparation.
- MLIT distributed “**Simplified VFM calculation software**” to local governments to calculate VFM.
- Various guidance materials, guidelines and manuals are available.



## Guidelines and Manuals

- PFI project implementation guideline
- Risk allocation guideline
- Value for Money guideline
- Contract guideline
- Monitoring guideline
- Concession (Right to operate public facilities) guideline
- Simplified procedure manual for government-pay PFIs for local governments
- Manual for feasibility study simplification
- Manual for private sector proposals (unsolicited proposal)
- Ex-post evaluation manual
- Manual for regional platform operation
- Guidance on PFI project introduction
- Guidance on developing priority-consideration procedure
- Guidance on operating priority-consideration procedure
- Basic approach to non-ownership methods for public facilities
- Case-based explanation on Local Asset Backed Vehicle (LABV)



Simplified VFM calculation tool and manual (updated) (2017)

<https://www.mlit.go.jp/sogoseisaku/kanminrenkei/1-5-1.html>

Manual for Simplified Procedures for Implementing a “government-pay” PFI Project for Local Governments (2014)

[https://www8.cao.go.jp/pfi/kaigi/7kai/pdf/shiryo\\_07-s2.pdf](https://www8.cao.go.jp/pfi/kaigi/7kai/pdf/shiryo_07-s2.pdf)

# Localizing PPPs (3)—Various PPP methods

- Government coined more simpler (and seemingly easy to implement) options
  - “**Small concession**”: not necessarily a concession but various methods to utilize small local facilities and
  - “**Local PFI**”: not necessarily a PFI but various methods that can bring benefit to local economy/society
- Government is developing methods to calculate “various values” (other than VFM)
- Designated manager system (O&M) and other methods

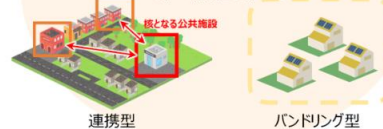
In any place, start in local facilities



Small concession

Area renovation

民間の空き家活用等との連携やバンドリング等による面的な広がりにより、「小さな再生」が連鎖することで、エリア全体の価値を向上



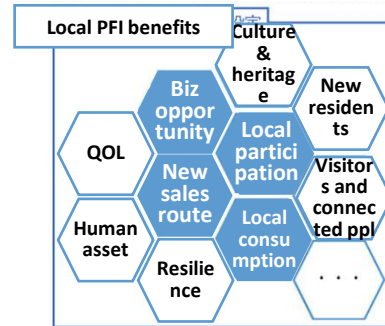
Negative asset becomes positive



『官の信用力』×『民のノウハウ』  
『地域の潜在力』×『新たなナレッジ』

Image of Local PFI

Local PFIs are to set local challenges as their core benefits. And by deepening the business ideas, they also bring various secondary benefits to communities



➤ Promotion of Local PFI

**Local stakeholders** Local government, chamber of commerce, banks, local businesses and other related people gather in Regional platform and discuss about project development with public and private

<b>Support menus for local government (Cabinet office)</b>	<b>Formation and operation of a Regional platform</b>	<b>Support for feasibility study</b>
	<b>Dispatch of experts</b>	<b>Guidelines, manuals, cases etc.</b>

※1 ローカルPFIの検討を一部要件化  
※2 地域企業の参画を促す工夫を明確化



# Localizing PPPs (4)—Incentives

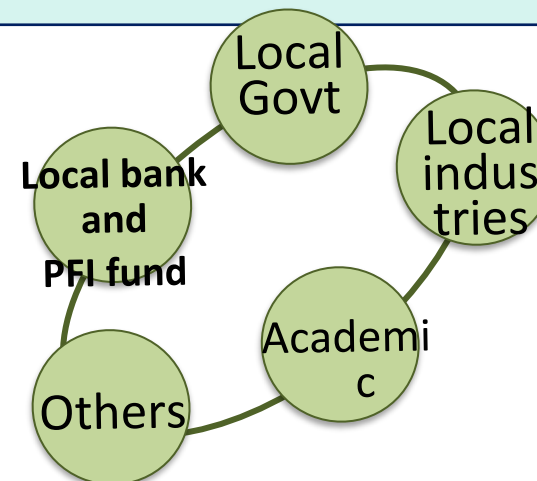
- Support (grant) for **feasibility studies** to consider application of PPPs. This grant is only available for PPPs.
- Some **grants** are provided only when a municipality considers the application of PPPs .

# Localizing PPPs (5)—Capacity building

- “**Regional platform**” is a way to improve capacity/capability of local governments, local industry and local financiers. Intended to improve knowledge/ understanding, networking and project development. It also improve the chance of local industry to participate in PPPs, and would reduce the opposition by local councilmen/ councilwomen.
- “**Expert dispatch and accompaniment**” dispatch experts from other municipalities/private sector to municipalities with limited experience.



Example of a regional platform



# Case—Sogawa Legato Square (Toyama)

Multistory parking lot,  
convenience store

Existing school gymnum

Sports gym

Medical College  
&Cooking School

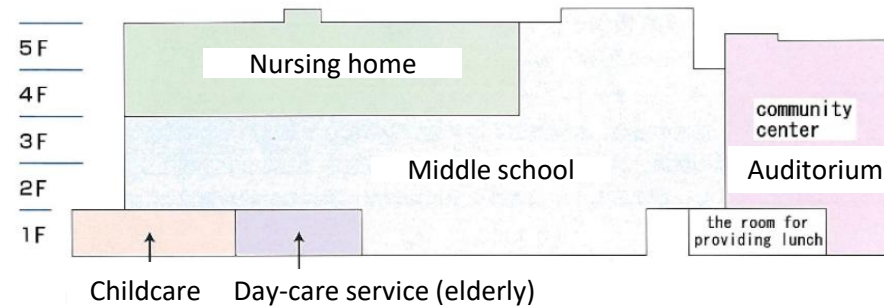
Nursing School

**Machinaka General Care Center**

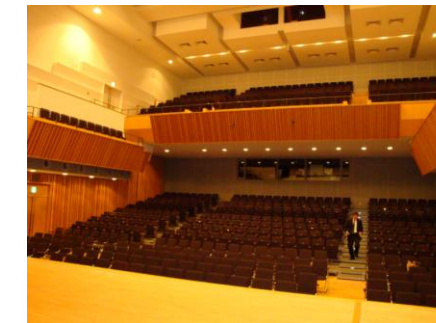
- **Public Asset utilization** of a closed elementary school (30 yrs)
- **Public Party:** Toyama City and **Private Party:** Daiwa lease
- **Public facilities (BT):** “Machinaka (inner-city) General Care center” and existing school gymnasium for the use of residents
- **Private facilities:** sports clubs, vocational schools, cafes, dispensing pharmacies, employment offices for the disabled, parking lots

- Postpartum support: day or over-night stay for mothers with infants to relax and consultation
- Sick-children childcare: pick-up children from childcare if they get sick and seek medical care until their parents can get off from work
- Medical house call: city-wide service
- Development support center for children with disabilities: developmental support programs
- Community center: community space

# Case—Ichikawa 7<sup>th</sup> middle school



- PFI-BTO/15 years
  - **Public sector:** Ichikawa City
  - **Private sectors:** Taisei Corp (PFI) and Kashiwai welfare corp (Childcare) and Welfare corp Choju-no-sato (Nursing home)
  - **Public facilities:** school, dining, auditorium (community center), childcare, Nursing home, day service for elderly
- Middle school: Some facilities are shared with other facilities (library, gym, sporting ground, dining room)
  - Childcare (age 0-5): capacity 60 children
  - Nursing home: 50 people
  - Day-care service: 25 people/day
  - Auditorium: 468 seats



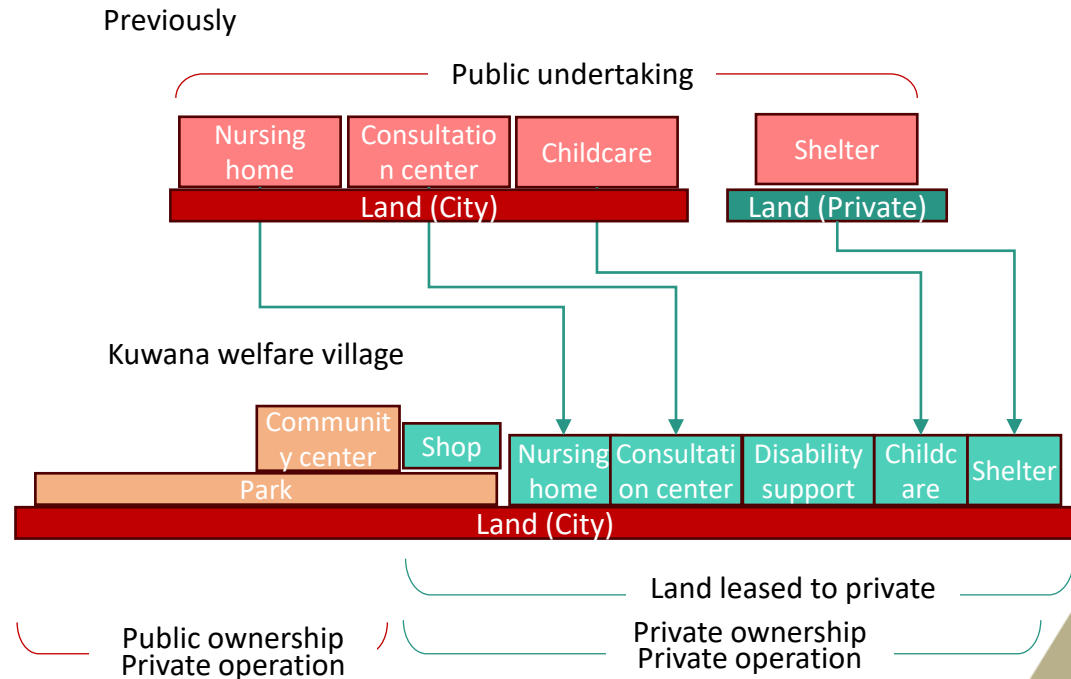
# Case—Kuwana welfare village



Kuwana Welfare Village is a multi-generational facility that provides comprehensive welfare services to various generations and different needs. Services include residence and visiting services for elderly, people with disabilities, children and mothers with children

## Unsolicited proposal Public Asset utilization

- **Public Party:** Kuwana City
- **Private Party:** Daiwa lease and City's welfare crop
- **Facilities:** Nursing home (for the elderly), childcare, Physical therapy and day care for people with disabilities, developmental support center, vocational facility for people with disabilities, consultation center for families with disabled people, home-care planning center, shelter for mothers with small children, and park



# Small and Local PPPs—Experience of Japan

- Various supports from National government to local governments
  - Simplification
  - Policies
  - Incentives
  - Capacity building/injection
- Not only “rigid” PPPs
  - “soft” PPPs—Land value capture, deregulation, shared economy, “Local PFI,” “Small concession” etc.
- Combined services
  - One-stop services
  - Breaking silos
  - Communications and interactions
- Emphasis on local benefits (not only VFM)