Presenter 1

Japanese PPP experience

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Background

- Aging and deteriorating infrastructures
  - By 2040 20 trillion JPY or 200 billion USD/year needed for maintenance, rehabilitation and renovation
  - By 2040 75% road bridges are 50+ years
  - Natural disaster and infrastructure malfunction
- Declining population
  - 2024 121 million (28% elderly rate) → 2056 100million (38%)
  - Workforce shortages
- Lack of engineers in 1700 local governments
  - 40% of local governments have 0 architect
  - 26% of local governments have 0 civil engineers

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Japanese PPP market characteristics

- Domestic market (finance, engineering, legal)
- Majority of projects are in **LOCAL**, **SOCIAL** and **SMALL**
  - Reluctancy to bundle the projects
  - BTO
  - Government-pay—No national guarantee mechanism
- Challenges
  - Difficult to adopt to high-level priorities/trends that require scale and/or expertise e.g. green financing
  - Difficult to divert from “standardized processes”—extension of contracts, renegotiation etc.
  - Lack of institutionalized knowledge

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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/Privately- 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

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Types of PPPs

PPPs

	Public/ State undertaking	PPP Type 1: Public service provision	PPP Type 2: Public asset utilization	PPP Type 3: Regulation/ Deregulation	PPP Type 4: Sharing Economy		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		

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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, Jokaso-septic tank etc)	120	120
Economic and local revitalization (MICE, tourism and local promotion, housing etc)	278	275
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

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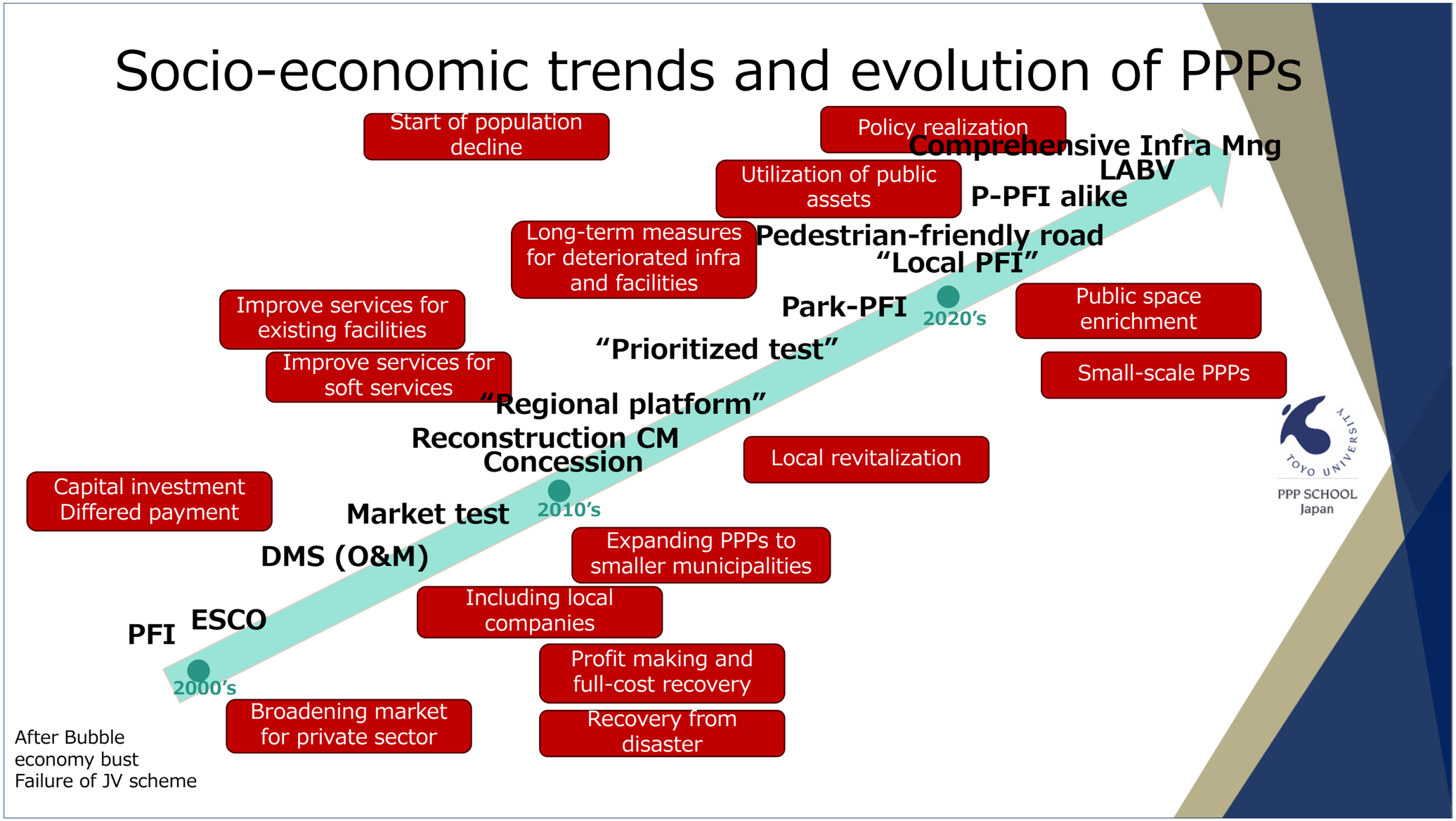
https://www8.cao.go.jp/pfi/pfi_jouhou/pfi_joukyou/pdf/jigyoukensuu_kr6b02.pdf


Socio-economic trends and evolution of PPPs
Start of population decline
Policy realization
Comprehensive Infra Mng
LABV
Utilization of public assets
P-PFI alike
Long-term measures for deteriorated infra and facilities
Pedestrian-friendly road
"Local PFI"
Park-PFI
2020's
Public space enrichment
Improve services for existing facilities
"Prioritized test"
Improve services for soft services
Small-scale PPPs
"Regional platform"
Reconstruction CM
Concession
Local revitalization
Capital investment
Differed payment
Market test
2010's
DMS (O&M)
Expanding PPPs to smaller municipalities
Including local companies
PFI
ESCO
Profit making and full-cost recovery
2000's
Broadening market for private sector
Recovery from disaster
After Bubble economy bust
Failure of JV scheme
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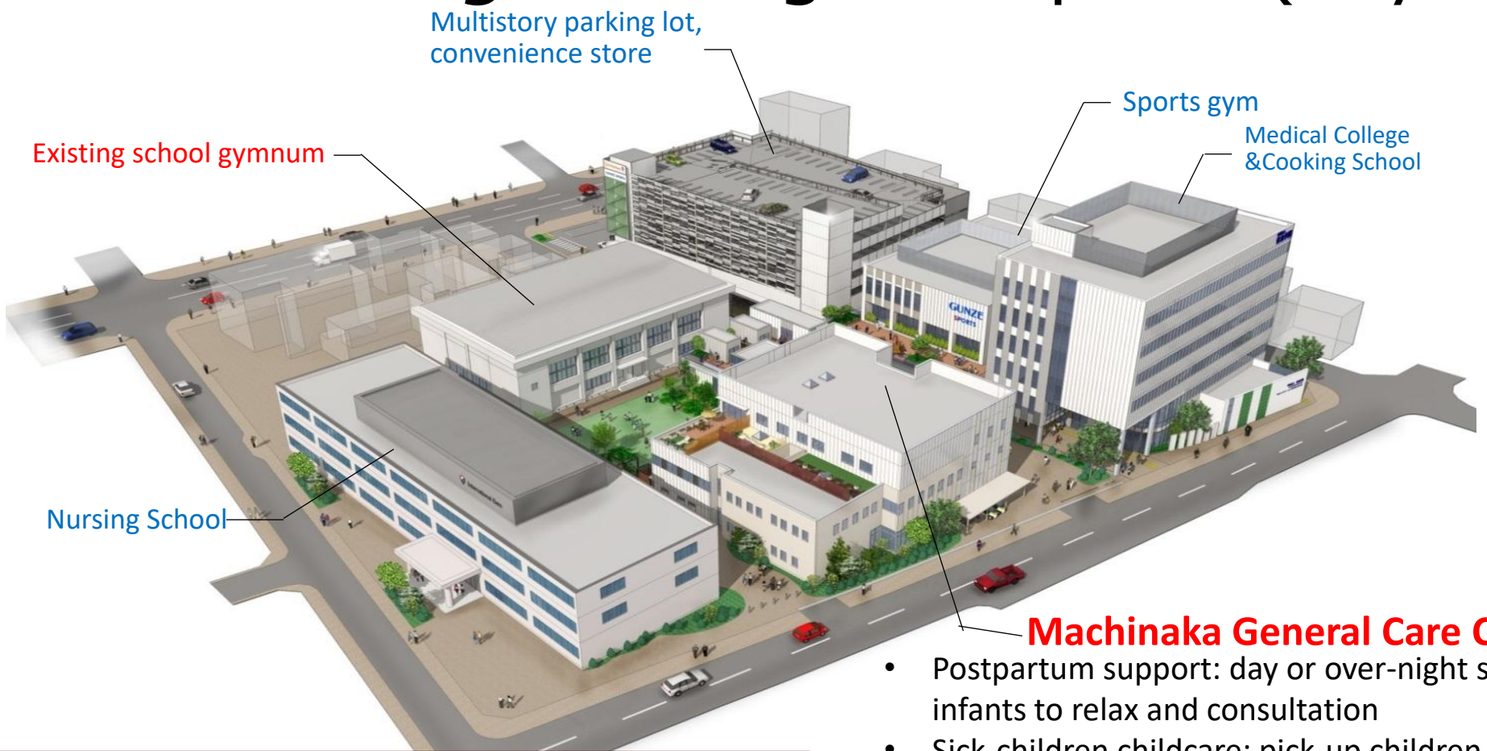
Case—*Sogawa* Legato Square (Toyama)



- **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

Machinaka General Care Center

- 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

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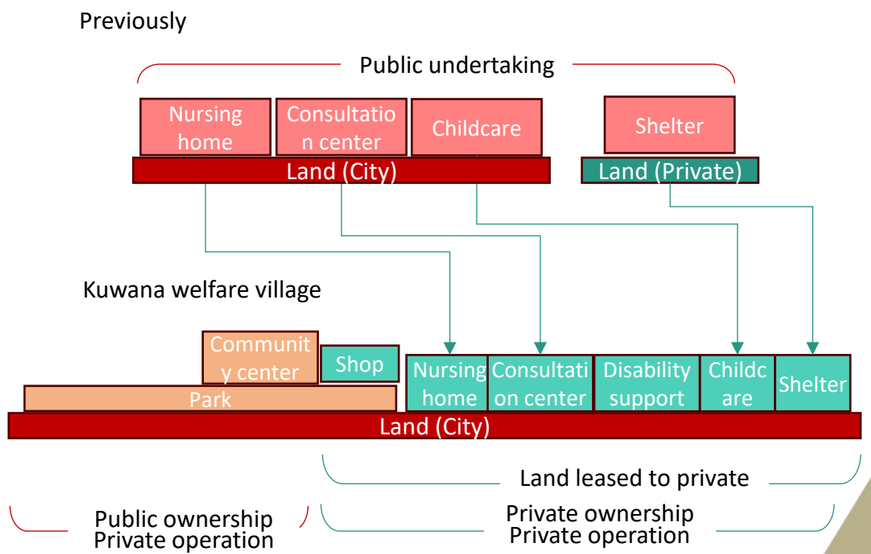
Case—Kuwana welfare village

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



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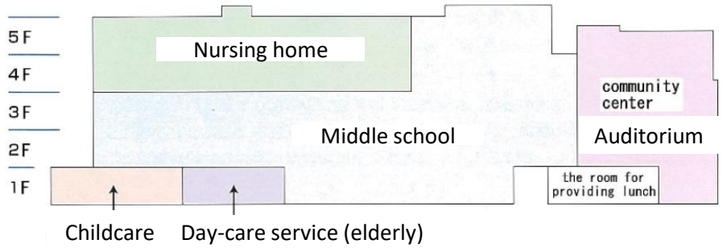
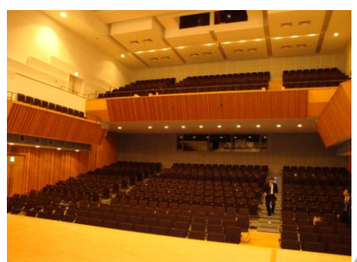
Case—Ichikawa 7th middle school





- 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

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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)
  - Economic revitalization
  - Utilization of local supply chain

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