

Japan's Views on Development Lending in the Asia -Pacific

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Official Financial Flows to Developing Countries from Japan

USD Million

Item	FY2014	FY2015
Bilateral Grants	5,197	4,991
Bilateral Loans	7,373	6,982
Contributions to MDBs	3,355	3,055
ODA Total	15,925	15,029
Export Loan	780	643
Direct Investment and Others	4,737	4,442
OOF Total	5,517	5,085
Official Flows Total	21,442	20,114

ODA (Official Development Assistance)
OOF (Other Official Flows)

Source: Ministry of Finance, Japan

Priority Areas of Japan's ODA & OOF

ODA	<ul style="list-style-type: none">➤ Quality growth and poverty reduction➤ Sustainable and resilient international community
OOF	<ul style="list-style-type: none">➤ Japanese companies' involvement➤ Infrastructure➤ Natural Resources➤ FDI

MDBs and Japan

- Largest shareholder for ADB and 2nd largest shareholder for World Bank
- MDB's network & experts
- Japan's contribution not only to infrastructure, but also to the environment, resilience, health and human resources.

THE G7 ISE-SHIMA SUMMIT (2016)

“Expanded Partnership For Quality Infrastructure”

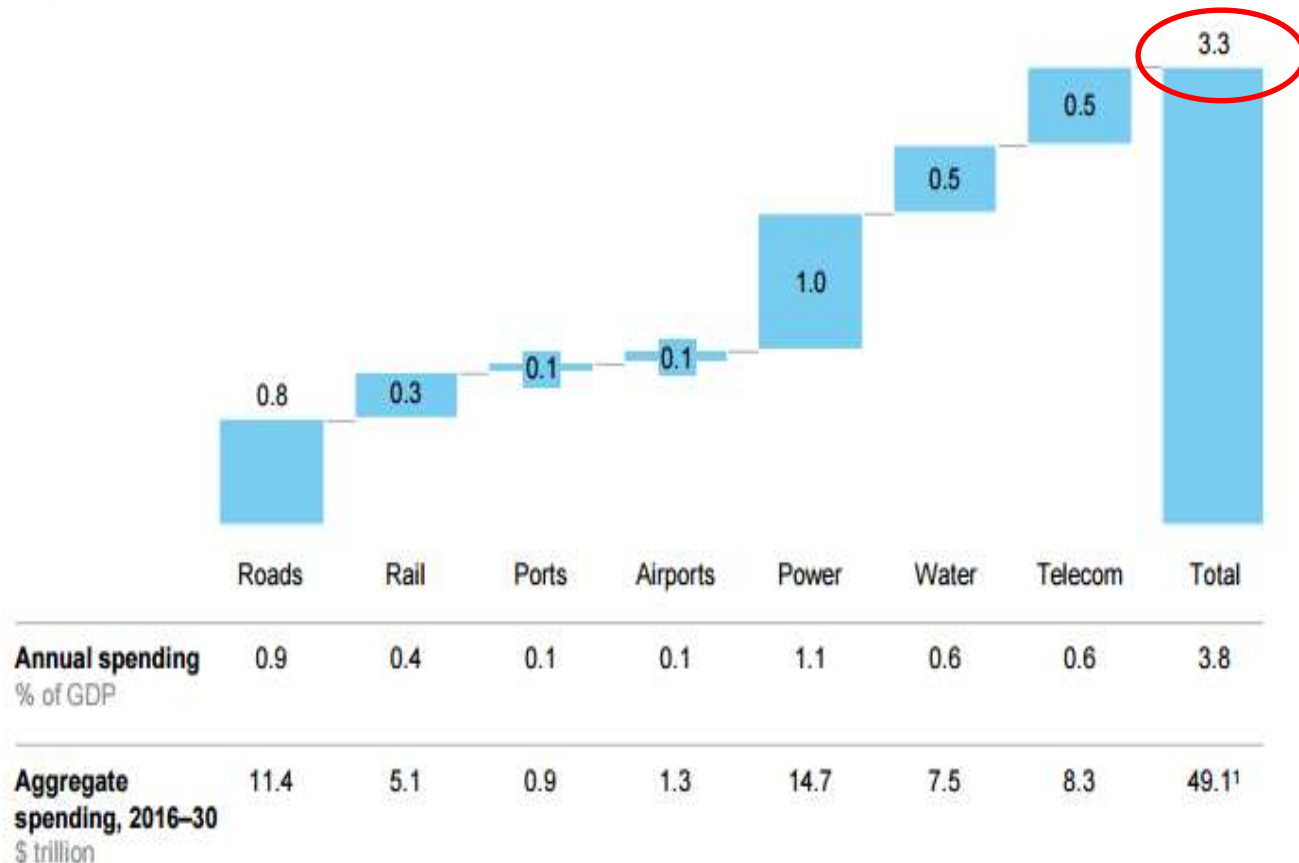
Increased Supply of Financial Resources towards Infrastructure Projects across the World

Provision of financing of approximately USD 200 billion as the target for the next five years (USD 40 billion per year) to infrastructure projects across the world together with other measures.

Why Infrastructure?

The world needs to invest \$3.3 trillion in economic infrastructure annually through 2030 to keep pace with projected growth

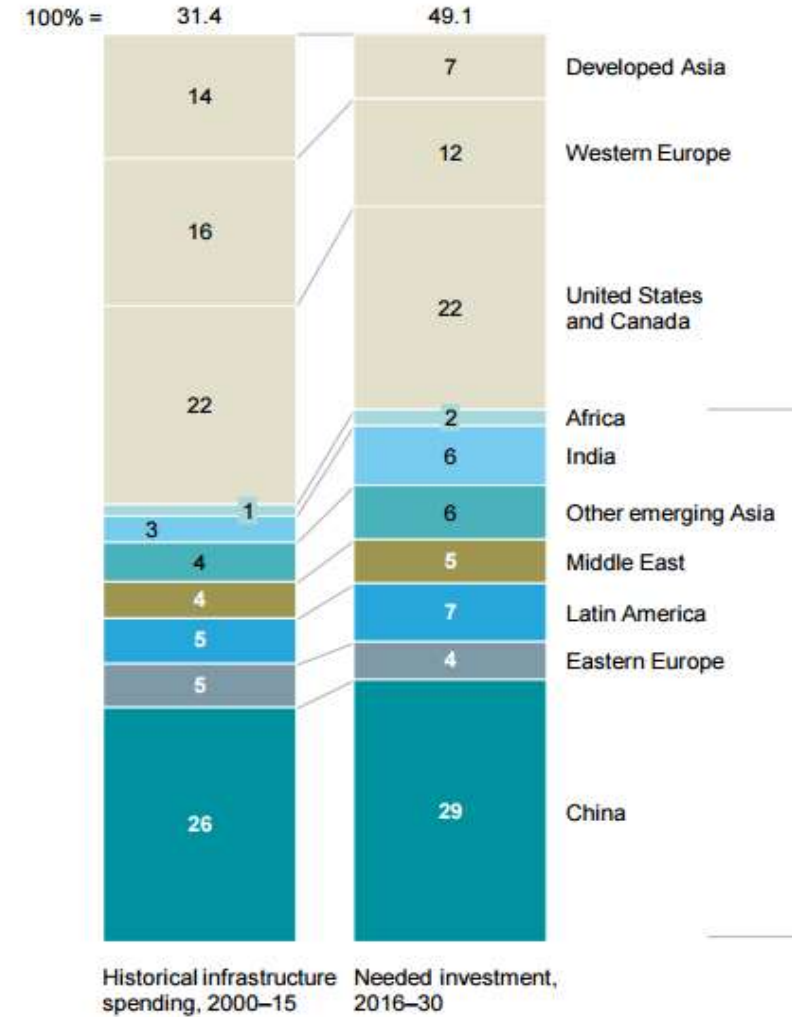
Average annual need, 2016–30
\$ trillion, constant 2015 dollars



Infrastructure investment will continue to shift to emerging markets

Investment needs

Economic infrastructure; %, \$ trillion (at constant 2015 prices)



SOURCE: IHS Global Insight; ITF; GWI; National Statistics; McKinsey Global Institute analysis

Source: McKinsey Global Institute “Bridging Infrastructure GAPS (2016)”

Why Infrastructure?

Table 1: Estimated Infrastructure Investment Needs by Region, 45 DMCs, 2016–2030
(\$ billion in 2015 prices)

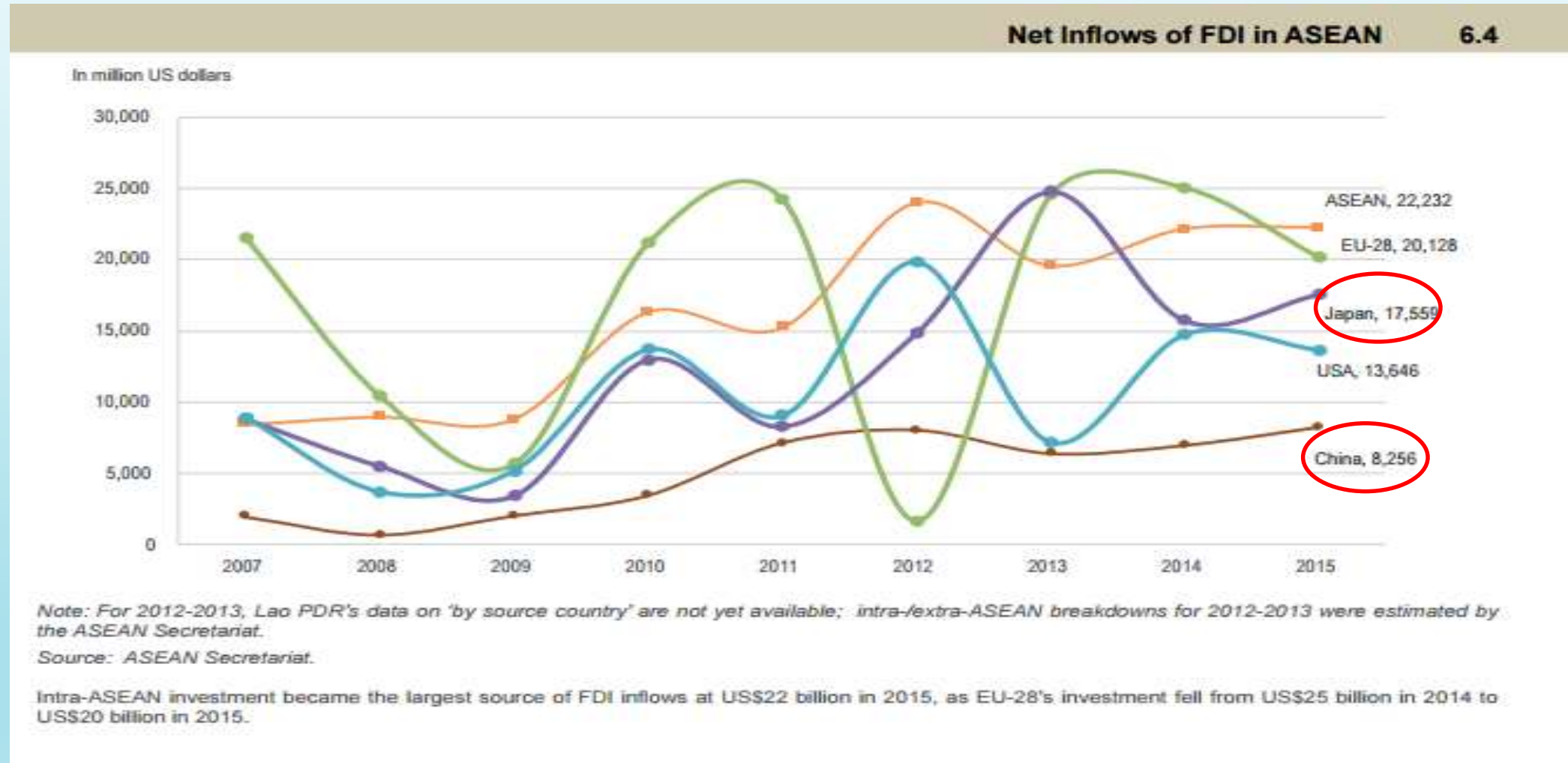
Region/Subregion	Projected Annual GDP Growth	2030 UN Population Projection (billion)	2030 Projected GDP Per Capita (2015 \$)	Baseline Estimates			Climate-adjusted Estimates**		
				Investment Needs	Annual Average	Investment Needs as % of GDP	Investment Needs	Annual Average	Investment Needs as % of GDP
Central Asia	3.1	0.096	6,202	492	33	6.8	565	38	7.8
East Asia	5.1	1.503	18,602	13,781	919	4.5	16,062	1,071	5.2
South Asia*	6.5	2.059	3,446	5,477	365	7.6	6,347	423	8.8
Southeast Asia	5.1	0.723	7,040	2,759	184	5.0	3,147	210	5.7
The Pacific	3.1	0.014	2,889	42	2.8	8.2	46	3.1	9.1
Asia and the Pacific	5.3	4.396	9,277	22,551	1,503	5.1	26,166	1,744	5.9

Note: * Pakistan and Afghanistan are included in South Asia. ** Climate change adjusted figures include climate mitigation and climate proofing costs, but do not include other adaptation costs, especially those associated with sea level rise.

Source: 2015 Revision of World Population Prospects, United Nations; ADB estimates.

- Source: ADB “Meeting Asia’s Infrastructure Needs”

Why Infrastructure?



- Source: ASEAN Economic Community Chartbook 2016

Main factors to be considered for infrastructure investment



PJ life cycle cost, resilience & safety, employment, social & environmental impact, impact on recipient country's debt sustainability



Infrastructure PJ should be open to the public and transparent procurement
Private sector's involvement



Quality infrastructure is one of the keys for Sustainable Development Goals

Japan's Views on Belt and Road Initiative

BRI

- “BRI holds the potential to connect East and West as well as the diverse regions found in between.”
- “BRI will fully incorporate such a common frame of thinking, and come into harmony with the free and fair Trans Pacific economic zone, and contribute to the peace and prosperity of the region and the world. Japan is ready to extend cooperation from this perspective.”

Japan's Views on AIIB

AIIB

- Not in competition with WB, ADB. Complement for huge infrastructure needs.
- Currently, co-financing with MDBs. Limited number of staff and know-how. In the future, if AIIB starts PJ formation, it could become a competitor.
- Japan's membership? AIIB's objectives matches Abe's perspective? Governance structure?