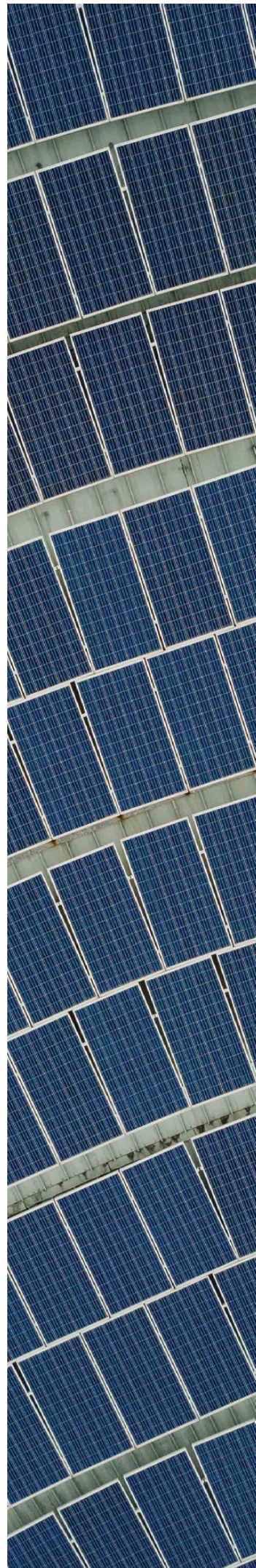


# AUSTRALIA & JAPAN:

## Beyond the Bilateral – Investing in infrastructure projects across the Indo-Pacific

AJBCC-JABCC  
FUTURE LEADERS  
PROGRAM



# Foreword

In all enduring relationships, the secret to longevity is renewal and regeneration.

The AJBCC-JABCC Future Leaders' Program (FLP) was established in 2014 to expand opportunities and deepen partnerships between new generations of Australian and Japanese businesspeople.

An intergenerational approach was taken to nurture the Future Leaders, which in turn injected new ideas and energy into the Australia-Japan relationship to carry it onwards.

As the AJBCC President and JABCC Chair, we are proud of how quickly our Future Leaders have proven their mettle and found their voice – with the Future Leaders' plenary session having quickly become one of the most anticipated at our Annual Joint Business Conferences.

With the launch of this report – Australia & Japan: Beyond the Bilateral – Investing in Infrastructure Projects Across the Indo-Pacific – the Future Leaders have again proven their value to the future bilateral relationship.

In this report, the Future Leaders have expanded on AJBCC-JABCC's earlier research and findings from joint missions to Indonesia and India.

While the Indo-Pacific region's geopolitical landscape may have changed since then, the infrastructure needs and unrealised potential of the region continue to grow.

In a post-COVID world, the OECD emphasis to 'build back better' will inevitably be a key theme in the region's path towards decarbonising industry and achieving net zero.

This report provides deep insights into the barriers preventing greater Australia-Japan infrastructure collaboration in the region and outlines a way forward to overcoming them through tangible solutions.

We congratulate the Future Leaders and the FLP Infrastructure Working Group for their dedication to produce this impressive report. We hope they will also discover the joys of developing life-long friendships through this initiative.

**We are  
confident  
that our  
future is in  
good hands.**



**Peter Grey**  
President  
AJBCC



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# Executive summary

The need for infrastructure projects in the Indo-Pacific region that uphold environmental and social safeguards while boosting quality of life and economic growth is significant.

When undertaken in third markets, such projects have long been recognised as offering some of the most notable commercial opportunities for Australia-Japan collaboration<sup>1</sup>. The AJBCC-JABCC examined these opportunities as part of their *Australia Japan Infrastructure Collaboration Initiative 2007–2014*.

Recent rising geopolitical tensions across the globe have provided impetus for Australia and Japan, as two likeminded partners to seek even closer strategic collaboration to address the development needs of countries in the Indo-Pacific region – to increase their connectivity and promote their economic growth. With the Indo-Pacific being our shared neighbourhood, collaboration on these projects promises to bring future benefits to Australia and Japan.

Australia and Japan's economic complementarities, expertise in different markets within our region, and a strong track record of working together, mean pursuing collaborations on infrastructure projects by leveraging our trusted partnership to share risks and mutually beneficial rewards makes commercial sense.

Indications are that countries across the Indo-Pacific would welcome assistance developing quality infrastructure through Australia-Japan collaboration – especially to ensure that these projects uphold environmental and social safeguards while boosting quality of life and economic growth.

Australia and Japan's shared strategic objectives concerning infrastructure development in the Indo-Pacific are formally declared in agreements such as the Trilateral Infrastructure Partnership established with the United States in 2018. Even with new government frameworks and financing support to encourage more infrastructure collaboration, at the time of writing this report, only one project<sup>2</sup> had been formulated so far under this framework for an undersea cable in Palau.

The AJBCC-JABCC Future Leaders ('Future Leaders') also found it difficult to identify other major examples of Australia-Japan infrastructure collaboration in the Indo-Pacific many years after the initial AJBCC-JABCC report.

With such enormous commercial potential and strategic benefits on offer for both countries, the Future Leaders set out to understand why this unique convergence of interests was still not resulting in more examples of Australia-Japan infrastructure collaborations in third countries, particularly in traditional government infrastructure procurement.

Tapping into networks of mid-level professionals who have a wealth of experience in developing infrastructure projects on-the-ground in the Indo-Pacific region, the Future Leaders sought to bring an important practitioner-level perspective to this discussion.

A group of interviewees representing Australian and Japanese businesses and organisations, as well as infrastructure procurement teams in countries that host the infrastructure ('host country') was carefully selected. These interviews focused on "sponsors" of infrastructure projects (those that initiate and originate projects) and "non sponsors" (other key infrastructure project stakeholders).

Through the interviews and research, it was apparent that many of the challenges identified in *Australia Japan Infrastructure Collaboration Initiative 2007 – 2014*<sup>3</sup> remained unresolved – with the most significant issues affecting infrastructure outcomes arising in the project origination phase.

The interviewees also emphasised that the current geopolitical climate was spurring governments and other high-level stakeholders to be more active and strategically engaged on infrastructure initiatives and frameworks to support these. Amendments to Australian and Japanese public financing mandates, for example, made clear the existence of strong interest in making working together, work.

1 Australia Japan Business Cooperation Committee, *Australia Japan Infrastructure Collaboration Initiative 2007 – 2014* (<https://ajbcc.com.au/wp-content/uploads/Australia-Japan-Infrastructure-Collaboration-Initiative-2007-2014.pdf>)

2 Australia Infrastructure Financing Facility for the Pacific, *AIFFP signs loan agreement for Palau undersea cable*, 15 January 2021 (<https://www.aifffp.gov.au/news/aifffp-signs-loan-agreement-palau-undersea-cable>)

3 Australia Japan Business Cooperation Committee (n1)



**The key challenges identified and proposed practical solutions for ways forward fall broadly into three categories:**



**i. Partnerships**

Australian and Japanese companies continue to have limited understanding of each other's investment interests and capabilities in third countries. Seemingly few Australian companies have been active in infrastructure investment in the Indo-Pacific region; by contrast, Japanese companies have been very active in the region for some time. Australian and Japanese companies could be more competitive in the Indo-Pacific region in partnership with each other. More coordinated and better targeted networking and match-making sessions were seen as desirable to encourage collaboration.

It was concluded that more than ever, coordination and communication between business and government sectors was needed given public and private sector infrastructure interests intersect prominently in traditional government infrastructure procurement.

By enhancing awareness and understanding of complementary strengths of Australian and Japanese companies, government financial and other support systems available, and regulatory frameworks in third countries, long standing barriers to collaboration can begin to be dismantled.

With this, the convergence of commercial and strategic interests that exist within infrastructure projects can be fully capitalised on to deliver the promise of Australia and Japan's capacity to help the Indo-Pacific develop in a continued, sustainable manner.



**ii. Financing**

On-the-ground project origination specialists had little awareness of the various financing tools on offer by the Australian and Japanese governments. Coordinated, joint promotion of available tools and improved dialogue between the public and private sectors were seen as desirable to ensure available financing tools were better understood, were as useful as possible and matched the current environment.



**iii. Regulatory support**

Regulatory issues were the most often cited challenge and an issue long-recognised by international organisations such as the World Bank. Significant issues include a lack of transparency in government processes, instability of policies related to infrastructure projects, inadequate project procurement frameworks, and long project origination lead times. Interviewees considered more systematic and coordinated joint capacity building and technical assistance programs for countries in the region were key to unlocking a significant infrastructure project pipeline for Australia and Japan. Interviewees also proposed that both countries needed to actively engage with countries in the region to make the necessary policy changes to attract private sector investment, facilitate project creation, and provide incentives for countries to procure more sustainable and cleaner technologies for the future.







Image credit: Gonz DDL:unsplash.com

# Background

“Quality infrastructure investment has a central role to play in driving a green and job-rich recovery from the COVID-19 pandemic and supporting sustainable, resilient and inclusive economic growth.”

– OECD Secretary-General, 7 June 2021

## The Future Leaders acknowledge the work of AJBCC-JABCC forebears in this field with their prescient **Australia Japan Infrastructure Collaboration Initiative 2007–2014.**

In addition to commercial imperatives, the Asian Development Bank estimates that US\$26 trillion will need to be invested in the Indo-Pacific region between 2016–2030 (US\$1.7 trillion per year) to maintain growth, reduce poverty and boost quality of life<sup>4</sup>. In Indonesia alone, infrastructure investment required over 2019-2024 totaled US\$412 billion, of which around 35 per cent was expected to come from the private sector<sup>5</sup>.

In recent years, rising geopolitical tensions across the globe have served to highlight Australia and Japan's shared desire to address these development challenges in a way that increases connectivity and promotes economic growth in our shared Indo-Pacific region. Together, our countries can ensure our region's critical infrastructure needs align with globally accepted standards such as the G20 Quality Infrastructure Investment Principles and the Equator Principles which establish quality infrastructure, whole-of-life and environmental standards. We can do so by upholding environmental and social safeguards (eg workplace safety) and the Paris Agreement to yield better outcomes for the communities and end-users of the Indo-Pacific. Boosting the quality of life and maintaining growth in our third country neighbours promises benefits to Australia and Japan as well – including both commercial and strategic benefits.

To encourage such outcomes, the Australian, Japanese and US governments established a Trilateral Infrastructure Partnership by signing a trilateral MOU in 2018. The MOU is underpinned by our countries' strong interest in ensuring a free, open, inclusive and prosperous Indo-Pacific region where our willingness to work together is strengthened by mutual trust, shared democratic values, and respect for a rules-based order which have been forged over our decades-long relationship.

Since its signing, the Australian and Japanese governments have amended mandates to facilitate more flexible financing in support of infrastructure collaborations (see section on 'Financing'). There has been enhanced cooperation and coordination between Australia, Japan and the US at the government-level. Infrastructure cooperation also became a focus for regional multilateral frameworks such as the G7, G20 and the Quad.

Bilaterally, Australia and Japan have been looking to further the scope of our infrastructure cooperation to support the region to achieve net zero through our technologies and expertise, while maintaining their economic growth. This aligns with the OECD's evolved mantra of 'build back better' to achieve sustainable and resilient recovery from the global pandemic. More and more countries are demanding that environmentally destructive investment patterns give way to new models<sup>6</sup> while also contributing to economic growth and supporting individual countries' energy needs. Adverse effects from climate change need to be considered with conviction from the viewpoints of mitigation, adaptation and sustainability. This desire to cooperate on climate change was backed by Quad partners (Australia, India, Japan, US) namely via the launch of the Quad Climate Change Adaptation and Mitigation Package (Q-CHAMP)<sup>7</sup> in May 2022.

Despite these concerted efforts, examples of infrastructure project collaborations in the Indo-Pacific region remain limited. They include:

- i. the Australia, Japan and US governments announcing the first project under the Trilateral Infrastructure Partnership in October 2020 – a joint financing of a US\$30m Palau state-owned submarine cable project.<sup>8</sup>
- ii. Australia, Japan, US, in partnership with the Federated States of Micronesia, Kiribati, and Nauru announcing a new undersea East Micronesia Cable to improve internet connectivity to these three Pacific nations in December 2021<sup>9</sup>.

4 Asian Development Bank, *Meeting Asia's Infrastructure Needs*, February 2017 (Meeting Asia's Infrastructure Needs | Asian Development Bank (adb.org))

5 Stantec Inc., *Indonesia Australia Partnership for Infrastructure (KIAT) - Design and Implementation*, undated (<https://www.cardno.com/projects/indonesia-australia-partnership-for-infrastructure-kiat-design-and-implementation/>)

6 Organisation for Economic Co-operation and Development, *Building back better: A sustainable, resilient recovery after COVID-19*, 5 June 2022 (Building back better: A sustainable, resilient recovery after COVID-19 (oecd.org))

7 Ministry of Foreign Affairs of Japan, *Quad Cooperation in Climate Change and launch of the Quad Climate Change Adaptation and Mitigation Package (Q-CHAMP)*, undated (<https://www.mofa.go.jp/files/100347798.pdf>)

8 Pacific Island Times, *US, Australia, Japan to fund Palau's \$30M undersea cable project, 31 October 2020* (US, Australia, Japan to fund Palau's \$30M undersea cable project (pacificislandtimes.com))

9 Australia Infrastructure Financing Facility for the Pacific, *Improving East Micronesia telecommunications connectivity*, 13 December 2021 (<https://www.aifffp.gov.au/news/improving-east-micronesia-telecommunications-connectivity>); Department of Foreign Affairs and Trade, Australian Government, *Memorandum of Understanding for the East Micronesia Cable project*, 28 July 2022 (<https://www.dfat.gov.au/news/media-release/memorandum-understanding-east-micronesia-cable-project>)



# Approach



## Purpose

Our governments alone cannot finance the infrastructure needs of the Indo-Pacific region. Nor can governments replicate the important role of the private sector in making the most of commercial opportunities, attracting new capital, and ensuring that infrastructure continues to make returns over its life cycle so that it is maintained and sustainable.

This report sought to identify practical solutions to enable Australia-Japan business to capitalise on the convergence of our countries' commercial and strategic interests. These interests often intersect in traditional government infrastructure procurement.

The Future Leaders sought to:

- identify issues that could be preventing more Australia-Japan partnerships from forming in the infrastructure sector in third countries in the Indo-Pacific region
- identify ways to overcome Australia-Japan specific issues that may have made joint collaboration elusive to date
- propose practical solutions as identified by interviewees, and how to implement them effectively.

Image credit: Chris Yang-unsplash.com



## Methodology

Drawing on their networks of mid-level professionals in the Australian and Japanese private and public sectors to identify specialists driving projects and transactions day-to-day in the Indo-Pacific region, a total of around twenty practitioners were carefully selected to interview, chosen on the basis of their depth of on-the-ground experience and expertise in developing infrastructure projects in the region.

To ensure the ability to drill down to specific, practical issues and identify real on-the-ground challenges, the focus was on professionals in two key groups:

**Sponsors** of infrastructure projects, defined as those who initiate and originate projects, provide equity capital and take a leading role in projects – all essential for getting infrastructure projects off the ground. Sponsors make the key decisions on projects, solutions, design and financing, as well as decide which technologies and contractors to use.

**Non-sponsors** defined as all other key project stakeholders that participate in infrastructure projects, and can include lenders, contractors, professional service providers, and public institutions. Strategic interests in infrastructure cooperation have seen non-sponsors, especially governments, play a more active role in project origination especially for traditional government infrastructure procurement.

Perspectives from infrastructure host countries were also sought to validate findings and better understand their needs and requirements.

## Contributors

The following businesses, institutions and government agencies were interviewed for this report (in alphabetical order).

- [Ashurst](#)
- [Australian Infrastructure Financing Facility for the Pacific \(AIFFP\)](#)
- [Australian Trade and Investment Commission \(Austrade\)](#)
- [Australian National University, Crawford School of Public Policy](#)
- [Export Finance Australia \(EFA\)](#)
- [Itochu](#)
- [INPEX](#)
- [Japan Bank for International Cooperation \(JBIC\)](#)
- [Impact Infracap](#)
- [Kansai Electric](#)
- [Kokusai Business Advisory](#)
- [Lendlease](#)
- [Macquarie](#)
- [Nippon Export Investment Insurance \(NEXI\)](#)
- [Plenary Group](#)
- [Public Private Partnership Center \(PPPC\) Philippines](#)
- [PwC](#)
- [Sojitz](#)
- [Sumitomo Mitsui Banking Corporation](#)
- [Tokyo Gas](#)

## Focusing on project origination

Initial focus was on sponsors given their key role in making infrastructure projects materialise.

Interviewees stressed that a lack of funding – from private or public sources – was not a factor in the scarcity of infrastructure projects. Yet the research highlighted that both Australian and Japanese businesses could not easily identify projects to potentially invest in together despite interviewees noting that Australian and Japanese businesses had much to offer together in terms of high-quality technologies and sustainable financing for third countries.

Consequently, the issues identified that might be preventing more collaboration were likely to be occurring in the project origination phase – the stage right at the start of the project formation process when governments plan and design projects, and project sponsors identify and influence the shape of the projects with governments or other procurement parties (see Chart 3-1).

The consultants, financiers, legal professionals and government facilitators interviewed helped validate views on the importance of sponsors, and the challenges of project origination, while also placing infrastructure investment into a broader geopolitical context. These perspectives allowed a better understanding of the operating environment within the Indo-Pacific region, as well as the needs and priorities of host governments, procurement departments and agencies.

## Overview of infrastructure projects

### Scope

The concept of infrastructure projects has evolved and continues to evolve over time. This report focuses on: 'traditional' infrastructure, and energy, social, and digital infrastructure, as well as 'infra-like' assets (see Chart 3-1), in accordance with the current scope and definition generally accepted in the market.

**Chart 3-1: Scope of infrastructure projects**

The definition of "infrastructure" evolves over time, and currently it typically includes a broad range of essential assets ranging over energy, social, digital

#### Traditional



#### Traditional "core" infrastructure

- Transportation
- Regulated utilities (power, gas, water)



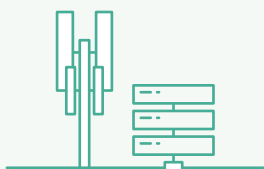
#### Energy

- Power plants (gas, coal etc)
- Renewables
- Energy infrastructure



#### Social

- Hospitals
- Schools
- Social housing



#### Digital

- Data centres
- Telecom towers
- FTTH



#### Infra-like ("core++")

- Services for infrastructure
- Recreation facilities

#### Non-Traditional

### Types of infrastructure projects

There are many ways critical infrastructure assets are procured by governments and the private sector, ranging from traditional government procurement and Public and Private Partnerships (PPPs), to pure private procurement. The full spectrum is covered in this report. This report references PPPs to the extent the model highlights capacity building needs, and traditional government infrastructure procurements where 'non-sponsors' are actively engaged.

This report also takes a closer look at energy projects given energy has historically been at the core of the Australia-Japan trade and economic relationship. With the global shift in demand toward clean energy, our complementary economies and skills were considered by interviewees as being as relevant as ever, and that there is significant potential for Australia and Japan to be global leaders in the clean and renewable energy sector.

This focus on renewables and clean energy transition projects is reflected in bilateral and multilateral infrastructure cooperation initiatives. Although power projects tend to be developed privately, the buyers of the power generated are typically government-owned utilities, and the revenue generated tends to be influenced by policy-led schemes such as feed-in-tariffs or other revenue support systems. Therefore, while these projects tend to be privately initiated and owned, they still have strong public procurement characteristics.





Chart 3-2: Types of infrastructure projects

Depending on the procurement model of the project, the degree of private sector participation and financing requirement is different

Type	Pure private	Unsolicited private proposal	Public-Private Partnership (PPP)			Pure public procurement
			Build, Operate, Transfer (BOT)	Concession	Design, Build and Operate (DBO)	
<b>Role of Public Sector</b>	<ul style="list-style-type: none"> <li>Limited to necessary approvals, permissions</li> </ul>	<ul style="list-style-type: none"> <li>Assess the proposal and structure the project into a procurement scheme</li> </ul>	<ul style="list-style-type: none"> <li>Define and procure the project</li> </ul>	<ul style="list-style-type: none"> <li>Define and procure the project</li> <li>Finances large scale capital expenditure</li> </ul>	<ul style="list-style-type: none"> <li>Define, finance and procure the project</li> </ul>	<ul style="list-style-type: none"> <li>Public sector owns and finances the projects</li> <li>Public sector procures certain parts of the project from private sector such as construction, technology</li> </ul>
<b>Role of Private Sector</b>	<ul style="list-style-type: none"> <li>Initiate, design, build, manage and operate</li> </ul>	<ul style="list-style-type: none"> <li>Proposes the project without public solicitation</li> <li>Potentially structured into a PPP scheme</li> </ul>	<ul style="list-style-type: none"> <li>Build and operate the project and transfer operation to the public sector after an agreed period</li> </ul>	<ul style="list-style-type: none"> <li>Operate the project for a certain period by paying concession fee</li> </ul>	<ul style="list-style-type: none"> <li>Design, build, operate</li> </ul>	<ul style="list-style-type: none"> <li>Fulfill specific roles according to contracts</li> </ul>
<b>Ownership</b>	Private sector	Public sector	Public sector	Public sector	Public sector	Public sector
<b>Finance</b>	Private sector	Private sector	Private sector	Private sector	Public sector	Public sector
<b>Receipt of revenue</b>	Private sector	Private sector	Private sector	Private sector	Public sector	Public sector

- Less initial financial burden to the public side
  - Less procurement capability required in the public side
- ←—————→
- More initial financial burden to the public side
  - More procurement capability required in the public side



Image source: Enel Green Power - www.py-magazine-australia.com



## Formation process of infrastructure projects

As “Chart 3-3: Formation process of infrastructure projects” outlines, there are distinct phases of project development spanning from project origination to operation. While this report looks at the entire development cycle, the interview and research findings indicate that the core issues preventing more projects from materialising between Australian and Japanese businesses in third countries appear to arise in the project origination phase.

### Chart 3-3: Formation process of infrastructure projects

#### Equity sponsors have the key roles in forming and originating projects who then select and appoints various project stakeholders

#### 1: Origination

- Public sector or private seller identifies a project and selects procurement model, prepares RFP
- Official and unofficial dialogue between the public and private sector on the project and procurement model
- Private sector players form views on the project and ideas for preliminary consortium

This is where Australia & Japan have not been successful in third countries

#### 2: Request for Proposal (RFP)- Bid

- Form consortiums and develop business plan
- Select technologies, engineering and construction partners
- Preliminary lender discussions
- Appoint advisors

#### Key private sector stakeholders: equity sponsors



#### Additional participants:



#### 3: Winning bid - Financial Close

- Sign contracts with the government (vendor) and contractors
- Select lenders, and close financing documents

#### Additional participants:



#### 4: Construction

- Procure necessary equipment and other components of the project
- Manage construction program

#### Additional participants:

(Limited Australian and Japanese companies active in this field in third countries)

#### 5: Operation

- Operate and maintain the project
- Potential to invite investment from long term, low risk investors

#### Additional participants:



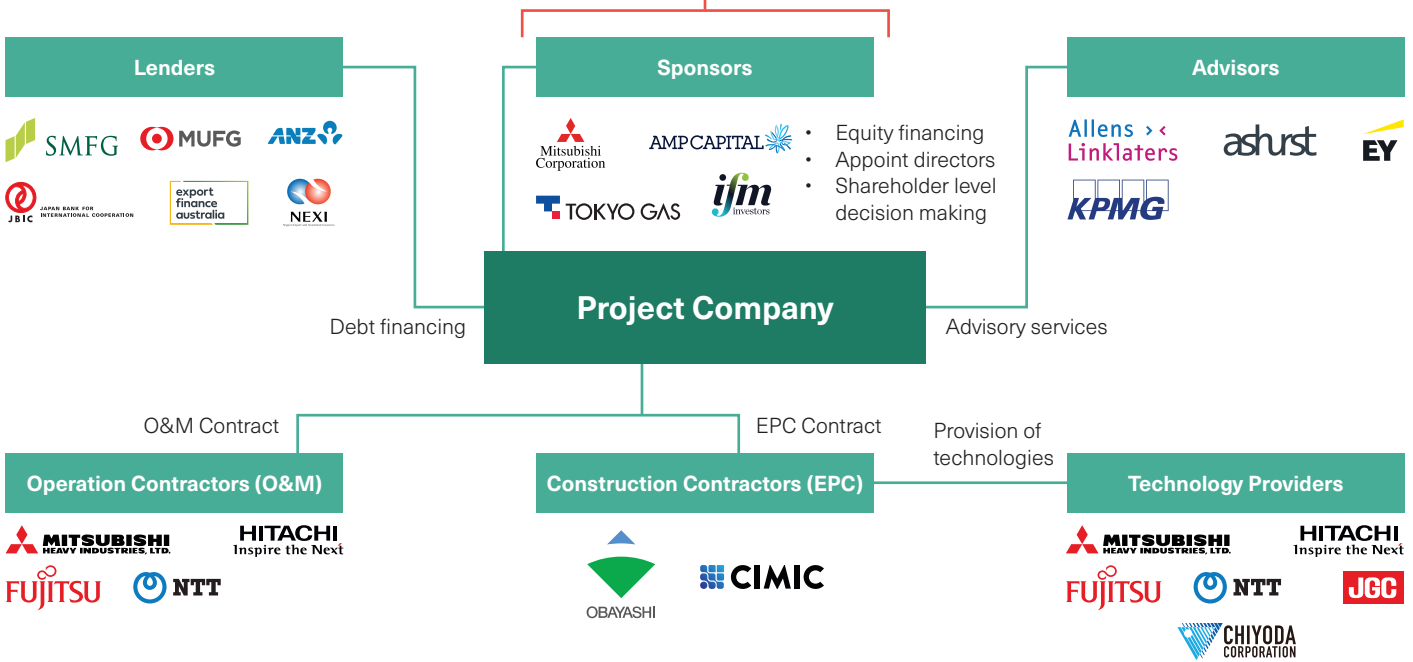
**Structure of infrastructure projects**

“Chart 3-4: Structure of infrastructure projects” maps out various infrastructure project participants and how they contribute to different capacities in the development of a project – from financing to technology procurement, professional services, construction, and operation.

**Chart 3-4: Structure of infrastructure projects**

**Project company, controlled by the sponsors, make project level decision making and enter into various contracts with stakeholders**

These are the people who make projects happen and choose which parties to involve – and the parties who A/J governments need to engage with more proactively





Part 4

# Interview outcomes





# 1. Partnerships

## – why aren't there more?

### Issues identified

#### Limited knowledge of each other's interests and capabilities

Identifying complementary skills, knowledge, experience and risk appetites is a crucial initial step for originating a project – especially in a third country. Yet collaborations between Australian and Japanese players have been unnecessarily hampered by a lack of knowledge of each other's interests beyond familiar home markets.

Despite decades of trade and active participation and collaboration with Japanese companies in Australia's infrastructure sector, little of this experience has carried over into third countries. Many interviewees admitted that they did not know which companies from the other country were interested in the third country they were seeking opportunities in. They knew even less about their capabilities and skillsets.

#### Limited Australian presence in infrastructure in the Indo-Pacific

A more fundamental issue identified by most interviewees was that there were simply not many Australian companies active in the infrastructure sector in the Indo-Pacific region. Australian companies must perceive significant strategic advantages before being willing to commit the time and resources needed to enter new markets. When presented with potential opportunities where their knowledge is lacking, Australian companies tend to push them into the "too hard basket".

Australia's infrastructure sector is one of the most mature and there are many businesses with highly valued expertise in designing, developing and operating infrastructure in Australia. But the lure of international projects has been limited while there has been an abundance of infrastructure opportunities at home thanks to strong domestic population and economic growth. Only a handful of Australian businesses have notable footprints in the Indo-Pacific region – namely AMP Capital, Lendlease and Macquarie Group – despite significant commercial gains on offer.

This domestic focus extends to banks and superannuation funds. Australian banks have long experience providing project financing for infrastructure projects within Australia while their overseas activities are limited. International investment by Australian superannuation managers in infrastructure funds primarily focuses on North America and Europe rather than Asia. By contrast, their Canadian

superannuation counterparts have become global leaders in direct infrastructure investment in overseas markets<sup>10</sup>. Put simply, yields from brownfield operating infrastructure assets at home already generating stable revenue have been too hard to pass up.

If we are to see more Australia-Japan infrastructure cooperation in third countries, then Australian businesses, investors and lenders need to be encouraged to venture into new markets.

#### Japanese companies' processes and requirements can hamper competitiveness

While Japanese companies have a long track record of active investment in infrastructure projects across Asia – and have formed extensive networks in terms of local presence and relationships with key local parties – they still face challenges.

Some interviewees noted that when presented with new deals and opportunities in new markets or sectors, the thoroughness of Japanese companies' internal processes for research and analysis can be slower than international competitors. At times, their risk-averse nature ties them up in due diligence processes causing lengthy decision-making timeframes. This makes them less competitive and seen as harder to work with by potential international partners including Australian businesses.

This mismatch between processes and project realities has been a barrier to collaboration between Australian and Japanese companies. Language and cultural barriers can further compound the problem. Other interviewees thought the extremely high standards of Japanese infrastructure can exceed what host countries actually want or need. Interviewees recommended that Japanese companies carefully assess the competitive environment of projects and adapt to appropriately meet the host country's needs.

Australian and Japanese views on the role of public funding support in infrastructure projects is another potentially problematic point of difference. Japanese project sponsors are typically unwilling to offer up the large amounts of equity required for major infrastructure projects in the Indo-Pacific region. They rely instead on governmental debt financing by institutions such as JBIC, and equity co-investment from institutions such as JOIN to make Japanese offerings more attractive.

Australian government contributions for joint projects might sometimes be sought to secure Japanese government financing. However, government approaches to supporting big businesses can differ. While bigger business size provides a level of comfort to the Japanese government of capability and capacity, in Australia, big and profitable businesses are generally considered large enough not to require government support – and indeed, big business may not welcome it.

## Potential solutions

### More targeted and coordinated networking/matching sessions

Many of the interviewees noted the usefulness of existing networking and business matching opportunities. They wanted to see more targeted opportunities jointly hosted by business umbrella groups such as the AJBCC-JABCC and trade organisations like Austrade/JETRO. These opportunities should have a clear goal to create partnerships for developing infrastructure projects in third countries.

Online access to these events was seen as important to encourage initial interest and participation. Events could be actively promoted through both official websites and social media accounts, with complementary outreach through posts on personal LinkedIn profiles.

Suggested examples of targeted networking/business matching opportunities include:

- a gathering of Australian and Japanese infrastructure sector specialists interested in investing in the Indian market, hosted in Singapore, a key gateway to Asia
- an event designed for Australian superannuation fund managers and Japanese pension fund managers focusing on how they can invest in infrastructure supporting SDG/ESG goals in third countries
- a coordinated program of events hosted by local offices of trade agencies and government financial agencies (eg EFA, JBIC, AIFFP, JICA etc) in third countries that explain and promote their policy initiatives/support tools and frameworks for business. These events could invite locally-based Australian and Japanese businesses to engage with them in active dialogue on pipeline projects in that country and what kind of support businesses need to make those projects happen
- linking Australian and Japanese infrastructure partners through collaboration with existing networks, including IPFA<sup>11</sup> (Global Infrastructure and Energy Network) or based on other country networks like the US Indo-Pacific Business Forum<sup>12</sup>.

Coordinated promotion of government initiatives, support tools and frameworks could complement these kinds of events hosted by government institutions like Austrade, EFA, AIFFP, DFAT, JETRO, JBIC, JICA, and bilateral business umbrella groups like AJBCC-JABCC.

To reinforce government policy priorities and encourage more Australian and Japanese businesses to team up in third countries, Australian and Japanese governments could usefully:

- identify and concentrate efforts on priority markets
- streamline engagement by development agencies and Export Credit Agencies (ECA) with candidate companies that could receive structured or concessional financing initiatives
- follow-up networking and business-matching activities.

Infrastructure host countries can also have an important role to play in disseminating information on their own infrastructure initiatives, projects and needs, including through multilateral forums. For example, as the 2022 G20 President, Indonesia effectively used its presidency to address infrastructure challenges through public-private sector collaboration in a post-COVID operating environment, under the theme 'Recover Together, Recover Stronger'.

### Leverage complementary skillsets and risk appetites

Interviewees already experienced in partnerships with a company from the other country shared views on how Australian and Japanese companies could make the most of partnering with each other. They advised that the key is to take advantage of each other's complementary skillsets and appetite for risk.

#### Complementary skillsets of Australian and Japanese Companies

	Australia	Japan
<b>Capital</b>		✓
<b>Financing vehicles</b>	✓	
<b>Deal structuring expertise</b>	✓	
<b>Operation expertise</b>	✓	
<b>Technological expertise</b>		✓
<b>Relative expertise in Asia</b>		✓
<b>Relative expertise in Pacific Island countries</b>	✓	
<b>Long-term mindset</b>		✓

<sup>11</sup> <https://www.ipfa.org/>

<sup>12</sup> <https://indopacificbusinessforum.com/>



Lowering transaction risks was one of the main advantages of using each other's technical strengths, market knowledge, experience, and track record in third country markets. Lowering risks makes it easier for ECAs and other financiers to support projects.

One interviewed specialist thought Japanese companies' long track records and relationships with key stakeholders in third countries in the region worked extremely well with Australian infrastructure players' expertise in deal structuring and operation of infrastructure projects. Such complementarity could lead to Australia-Japan partnerships on social infrastructure projects in Southeast Asian countries.

Different risk appetites provided further complementarity. Despite their extensive experience in investing across the Indo-Pacific region, Japanese companies are often slow to enter new markets due to a more risk averse nature and highly structured corporate approval processes. So combining Japanese corporate thoroughness and Australian corporate nimbleness offers the potential for mutual benefit. Japanese companies can identify greater opportunities to support projects originated by Australian players, while Australian companies can share risk with a trusted partner.

### Strengthen local presences

Some interviewees stressed that it was essential for Australian and Japanese companies to have a local presence in host countries. They considered that localised teams with staff fluent in the local language who have strong local networks are a necessity in any third country where companies wanted to be successful.

One interviewee suggested that Japanese companies needed to move from the traditional Japanese expat model where local offices were still attached and answerable to a department within headquarters. They suggested that local offices become a dedicated business development team that operates independently. This flexibility would enable them to capture opportunities without being beholden to headquarter organisational structures that can be rigid and delay decision making.

### Focus on sectors with the greatest potential - hydrogen and ammonia

Many interviewees shared the view that infrastructure supporting the energy transition offered the greatest potential for Australia-Japan cooperation in third countries. Collaboration in this sector should be accelerated – especially on projects related to creating green hydrogen and ammonia supply chains for export from Australia to countries in the Indo-Pacific region.

Interviewees advised infrastructure cooperation could build on the extensive experience Japanese companies already have in developing and operating LNG liquefaction and receiving terminals, and LNG transportation and gas distribution business. This would help meet the growing fuel and electricity needs of many of the economies in the Indo-Pacific region while also aligning with host countries' decarbonisation goals. Creating networking and business matching activities focused on this sector, in specific markets, to create strong connections between Australian-Japanese businesses was considered an urgent imperative.

### Encourage construction/engineering companies into the region

There are many variables in infrastructure projects, including project scope, timeframe, funding models, procurement structure and risk allocation. Decisions to participate in projects are highly dependent on these variables so influencing how parameters are set at the outset is critically important when originating projects. Host governments typically hire a global engineering firm to design an infrastructure project procurement process that captures their preferred parameters within the procurement documents. If Australian and Japanese areas of expertise and technology offerings are not well understood by the engineering company designing the project procurement process, this puts them at an immediate disadvantage. Boosting the profile of Australian and Japanese engineering and construction firms in the region by encouraging them to establish a stronger presence in the Indo-Pacific is essential to overcoming this issue.

Another long-standing issue is that even though Japanese engineers are highly capable and follow high standards, their capabilities are not necessarily well matched or recognisable against international standards. Conversely, many Australian companies have a wealth of experience and can provide international standard engineering services, but few show appetite in engaging in overseas markets and could stand to benefit from partnering with Japanese companies with their experience and networks. Finally, interviewees identified limited numbers of bankable construction contractors – especially engineering procurement construction companies – in the Indo-Pacific region as an additional hurdle to more project developments in the region.

## Taiwan's Formosa offshore wind project



The partnership between Macquarie and JERA is a successful example of the mutual benefits that can be achieved when collaboration between Australia-Japan business partners is based on complementary risk appetites.

In 2017, Macquarie entered the Taiwanese offshore wind market in its infancy. It joined with local partner Swancor to develop the Formosa 1, 2, 3 project, Taiwan's first commercial scale offshore wind farm, over five years and opted to accept high risk during the development phase.

Macquarie received support from JERA which, despite an ambitious renewable target and strong financial capacity to invest, had only limited experience in renewables – especially in offshore wind. Consequently, JERA was looking for an opportunity to invest alongside an experienced co-shareholder.

Over 2018-2020, JERA and Macquarie agreed that JERA would acquire stakes in the three projects when the projects reached the start of construction (in the case of Formosa 1 and 2) at which point, the risk would be significantly lower for JERA. This would then enable JERA and Macquarie to progress Formosa 3 through the development phase together.

Formosa 1 commenced operation in 2019, and the partners have been working together to take Formosa 2 through a challenging construction phase while developing Formosa 3 together.



## Sojitz to provide green hydrogen from Australia to the Pacific

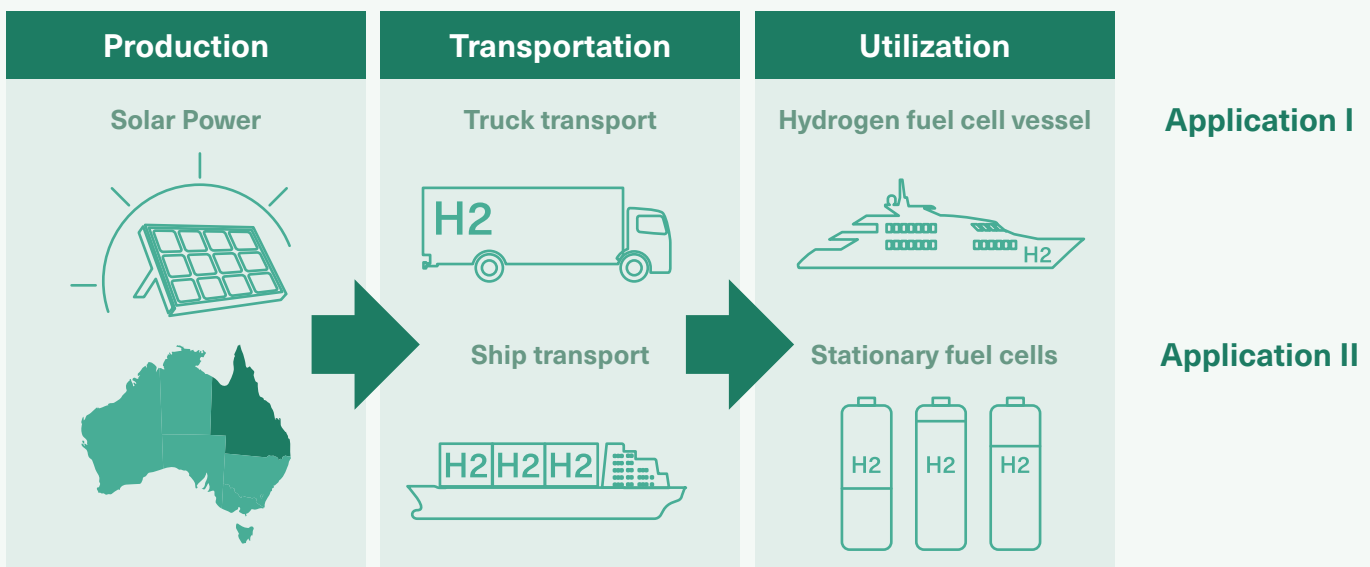
Sojitz Corporation (“Sojitz”) will begin a demonstration project together with CS Energy Ltd. (“CS Energy”) and Nippon Engineering Consultants Co., Ltd. (“Nippon Engineering Consultants”) to transport renewable hydrogen produced in Australia to the Republic of Palau for utilisation in fuel cells and hydrogen fuel cell vessels.

This demonstration project involves the use of solar power generation to produce green hydrogen in Queensland which will then be transported to Pacific Island countries for utilisation in small fuel cells and hydrogen fuel vessels that have the potential to popularise green hydrogen use on the islands. Sojitz will serve as the representative for the project, conduct a field study in Palau, and support the implementation of equipment.

Declarations by both the Japanese and Australian governments serve as the backdrop for this hydrogen demonstration project. In June 2021 the Japan and Australian governments announced their commitment to the Japan-Australia Partnership on Decarbonisation through Technology to pursue a decarbonised society through mutual cooperation on hydrogen policies. In the following month, both countries reiterated their willingness to promote the use of green hydrogen at the 9th Pacific Islands Leaders Meeting (PALM9).



Image source: lh2a.com



## 2. Financing

### Issues identified

#### Australia-Japan public infrastructure cooperation initiatives and available tools are not sufficiently known to parties originating projects on the ground

With a great need for infrastructure projects, comes demand for infrastructure financing. Private sector financing is critical to meeting infrastructure needs and filling financing gaps in host countries as public sector financing alone is insufficient and subject to budgetary and political constraints. In addition to financing gaps, interviewees noted that some countries in the Indo-Pacific are perceived by sponsors as high risk from a financing perspective.

As such, funding by public financing agencies was seen as important for attracting private investment where infrastructure procuring parties need an investment grade credit rating or some form of credit support (eg from the Asian Development Bank, World Bank etc) in order to become bankable. In the absence of an investment grade credit rating, sponsors look to the public sector to provide 'risk capital' through concessional lending or export insurance which reduces the risk that the private sector takes. One interviewee added that grants and subsidies could usefully provide a differentiating factor to help Australian-Japanese public financing become more competitive when vying for infrastructure projects.

As noted earlier, boosting the quality of life and maintaining growth in our third country neighbours provides both commercial and strategic benefits to Australia and Japan. To facilitate this, there have been recent amendments to mandates to enhance the ability of our respective ECAs to be more adept and responsive to the current market environment:

#### Japan Bank for International Cooperation (JBIC)

broadened operations, which came into effect on 30 June 2022, and enabled JBIC to co-finance new areas including emerging clean energy technology (eg fuel ammonia) and measures that contribute to the reduction of greenhouse gases<sup>13</sup>.

#### Nippon Export and Investment Insurance (NEXI)'s

work was expanded as part of broader revisions to Japan's Trade Insurance and Investment Act. To strengthen international cooperation, NEXI can now invest in foreign corporations that conduct insurance business similar to trade insurance<sup>14</sup>. (14 June 2022 and 18 February 2022)

**Export Finance Australia** was provided with broader powers to finance transactions that serve Australia's national interests and priorities<sup>15</sup>. (24 June 2021)

New funding mechanisms have been established that provide greater flexibility through a blend of concessional loans and grants to meet the unique circumstances in host countries, such as the Australian Infrastructure Financing Facility for the Pacific or (AIFFP) set up on 1 July 2019.

However, most interviewees had never heard of these newly introduced infrastructure initiatives or available public financing support tools. Some of those who regularly communicate with trade promotion agencies and ECAs had not heard of the Trilateral Infrastructure Partnership, the Quad or other infrastructure cooperation initiatives. Nor were some aware of existing public financing tools offered by the institutions in the other country. Interviewees identified a need to raise awareness of government policies promoting Australia-Japan cooperation on infrastructure and ECAs need to "do even more in developed countries in difficult sectors." Australia-Japan financing tools are listed in the appendix for reference (see Appendix).

#### Room to update government financing tools for the current market environment

Interviewees identified a need for ECAs to reduce the complexity of their requirements for access to public financing. Governments need to weigh up the advantages of a speedier, simpler financial framework compared to overly sophisticated financial frameworks which can contribute to lengthy approval processes.

One interviewee cited the difficulties companies faced in utilising available concessional loans for infrastructure projects provided by public financial institutions. This includes requirements for guarantees by corporates or from the host country government; fixed repayment schedules with no flexibility to change these over the course of the project; and approximately six-month long lead time required to obtain commitments from public ECAs – a timeframe that is too slow for bidding processes which normally require companies to obtain commitments from financiers within two to three months.

13 Japan Bank for International Cooperation, *Announcement and Enforcement of the "Cabinet Order for Partial Revision to the Enforcement Order of the Japan Bank for International Cooperation Act"*, 30 June 2022 (<https://www.jbic.go.jp/en/information/news/news-2022/0630-016517.html>)

14 Ministry of Economy, Trade and Industry of Japan, *Cabinet Decision on the Cabinet Order for the Partial Revision of the Order for Enforcement of the Trade and Investment Insurance Act and the Cabinet Order to Set the Effective Date for the Act on the Partial Revision of the Trade and Investment Insurance Act*, 14 June 2022 ([https://www.meti.go.jp/english/press/2022/0614\\_001.html](https://www.meti.go.jp/english/press/2022/0614_001.html))

15 Minister for Trade, Tourism and Investment, Australian Government, *Reforms to Export Finance Australia*, 24 June 2021 (<https://www.trademinister.gov.au/minister/dan-tehan/media-release/reforms-export-finance-australia>)



An interviewee also indicated that public financial institutions do not always offer capital that is any more attractive than what is already available through commercial banks. Therefore, public financial institutions needed to keep evolving their offerings to ensure they match what the market is looking for.

Another interviewee from the procurement side suggested a new type of financial support. This would enable local governments who do not have sufficient financial strengths to provide revenue support schemes necessary for international standard PPP structures. The schemes supported by this new facility could include availability payments or viability gap payments – both of which compensate uncertainty of future revenue and so give both project sponsors and non-sponsors greater confidence to invest.

### Potential solutions

To overcome these financial challenges, interviewees suggested some practical solutions:

- More opportunities for businesses to have direct interactions with ECAs to understand their requirements and parameters, and provide feedback on their requirements and processes via information sessions, possibly jointly hosted by Austrade/JETRO or AJBCC-JABCC. These could also be held for Australian and Japanese businesses in third countries.
- Information sessions on available support tools and frameworks for infrastructure projects in third countries, jointly hosted by Austrade/JETRO for local offices of Australian and Japanese companies in the region.
- Information sharing sessions for Australian and Japanese businesses on the outcomes of joint ECA missions like the Trilateral Infrastructure Partnership ‘virtual joint mission’ to Vietnam in January 2022<sup>16</sup>. These sessions could provide early information to the private sector on upcoming project proposals.
- Closer cooperation between Australia-Japan ECAs to identify which countries/sectors businesses from each country are interested in, then sharing this information with their counterparts.

- Closer cooperation and regular communication between Australian and Japanese ECAs to:
  - Establish recognition of due diligence outcomes conducted by other ECAs.
  - Establish an exchange of officials between ECAs to expand understanding of each other’s functions and approaches to financing.
  - Develop a joint due diligence model to potentially enable ECAs to share due diligence processes and speed up the overall time needed to complete due diligence.
- Government official placements in ECAs to expand their understanding of how ECAs function and their approaches to financing, similar to the short-term placements DFAT officials undertake within Export Finance Australia
- Government assistance with business introductions to ECAs and key contacts in host governments
- ECAs to consider flexible internal and board approval processes for time-critical infrastructure opportunities to enable approvals to be made between board meetings.
- Australian-Japanese governments could consider providing local governments (or other similarly sized procurement parties) in the region with funding for viability gap or availability payments, to help them create more projects that are investable by Australian and Japanese companies. This could be done through extension of existing facilities like the Asian Development Bank’s Project Development and Monitoring Facility<sup>17</sup> (PDMF) in the Philippines.

<sup>16</sup> Japan Bank for International Cooperation, *Trilateral Infrastructure Partnership Meets with Communist Party of Vietnam Central Economic Commission and Relevant Ministry*, 22 February 2022 (<https://www.jbic.go.jp/en/information/topics/topics-2021/0202-015853.html>)

<sup>17</sup> Public-Private Partnership Centre, Philippines, *Project Development and Monitoring Facility Guidelines*, January 2022 ([https://ppp.gov.ph/wp-content/uploads/2020/01/PDMFS\\_200190128\\_REP\\_Revised-Guidelines-January-2020.pdf](https://ppp.gov.ph/wp-content/uploads/2020/01/PDMFS_200190128_REP_Revised-Guidelines-January-2020.pdf))

## Trilateral Infrastructure Partnership investment in the Indo-Pacific



While in Vietnam in October 2020, the Foreign Ministers of Japan, the US and Australia announced that developing a second submarine cable system into Palau would be the first project under the Trilateral Infrastructure Partnership Investment in the Indo-Pacific.

Established by MOU in 2018, the partnership seeks to promote an Indo-Pacific region that is free, open, inclusive, prosperous, and secure, through support for infrastructure projects that adhere to international standards and principles.

For the Palau project, Australia signed a series of agreements with Palau and the Belau Submarine Cable Corporation (BSCC) through the Australian Infrastructure Financing Facility for the Pacific (AIFFP) to provide financing for the construction of an undersea fibre optic cable. Valued at USD\$30 million, the project will connect Palau to the world's longest undersea cable from Singapore to the US via a trunk cable.

The cable will aid Palau's economic development by enhancing the nation's digital connectivity and appeal as an international investment destination.



### 3. Regulatory, policy and procurement issues

Clear and stable regulatory and policy environments are fundamental for attracting foreign investment, providing the certainty needed to undertake major public projects of long duration. Interviewees pointed to a number regulatory, policy and procurement shortcomings in the Indo-Pacific region, many of which have existed in the region for a long time.

Interviewees indicated that more than ever, better coordination and communication across private and public sectors is needed so that together our countries can best help meet the needs of the region. More public-private sector collaboration is especially relevant for traditional government infrastructure procurement and will help enable efficient infrastructure procurement to flourish.

#### Issues identified

Rather than inadequate access to financing holding back more Australia-Japan infrastructure cooperation in third countries in the Indo-Pacific region, interviewees noted that before investing, Australian-Japanese investors look for confidence in the market, demonstrated by whether it has fair competition, open procurement, transparency, and anti-corruption systems. Interviewees said they assess confidence in the market on general political risk; currency risk; profit repatriation; uncertainty around obtaining and maintaining local licences; permits or approvals needed to develop a project; and difficulty assessing risks peculiar to the local environment.

The most frequent key issues raised by interviewees were:

#### Long lead times and relative risks in government processes in host countries

Project bidders typically need to make a large up-front commitment to participant in project tenders in terms of time, resources, and costs, including consultancy fees. Ad hoc tender process delays and suspensions, delays that are not well communicated, or unduly long delays, all serve to undermine investor confidence in both the tender process and the local government's ability to facilitate the project. Inadequate governance and corruption frameworks, dispute resolution systems and processes complicate this.

Project owners typically compare the risks of portfolio investments across different countries at the same time when deciding on whether to commit these up-front costs. When risk is perceived to be higher in some countries, those projects become relatively less attractive than other options. Interviewees noted that this was one of the main reasons why companies did not allocate more time and resources to investing in the Indo-Pacific.

#### Instability in policies related to infrastructure projects in host countries

Policy instability makes it hard for project owners to commit time and resources to tender processes. Next to transparency issues, it was considered by interviewees as the next biggest obstacle to project origination.

Sudden and drastic policy changes can dramatically alter the economics or even the feasibility of a planned project. These can include abolition of feed-in tariffs for renewable power projects; changes in national master plans for infrastructure development; changes to key terms under power purchasing agreements; fundamental changes to the structure of projects themselves; and even moving an oil and gas project onshore from offshore.

Specific examples cited included:

- the delayed announcement of Vietnam's Power Development Plan VIII, which will set out the country's vision for the power sector for 2021-2030. Although the first draft was published in February<sup>18</sup> 2021, a number of drafts followed with unexpected changes<sup>19</sup> to each. The lack of a final official plan poses difficulties for Japanese and Australian companies trying to prepare for significant investments that could position Vietnam as a key market for renewable power investment.
- Then Philippine President Duterte's 2020 review of existing concession (PPP) agreements with Manila Water Co and Maynilad Water Services. Manila Water Co and Maynilad together serve 16.8 million customers in Manila. They were accused by President Duterte as having contracts that were "onerous and disadvantageous" to the public and he threatened to cancel their concession agreements. The two companies conceded and signed a new contract that saw them forgo a 3.4 billion pesos (\$71 million) award that they had won in an arbitration case against the government<sup>20</sup>. This, as well as the Philippine Government's pivot away from PPPs, undermined foreign investor confidence in the Philippines' PPP market which had historically been attractive to both Australian and Japanese investors.

18 Tachev, V., *The Proposed Vietnam PDP8 Update and the Risks From the Coal Pivot*, 22 June 2022 (The Proposed Vietnam PDP8 Update and the Risks From the Coal Pivot (energytracker.asia))

19 Baker McKenzie, *Vietnam: October 2021 updates to the Draft PDP8*, 8 October 2021 (<https://insightplus.bakermckenzie.com/bm/projects/vietnam-october-2021-updates-to-the-draft-pdp8>)

20 Reuters, *Philippines signs new deal with water utility after Duterte criticism*, 19 May 2021 (<https://jp.reuters.com/article/philippines-utilities-maynilad-idUSL3N2N61O8>)

## Lack of international standard frameworks for risk allocation in projects in host countries

Generally accepted approaches to infrastructure project risk structuring in Australia (and other markets where they exist) have been established through a history of trial and error and are yet to gain acceptance in many Indo-Pacific countries.

Without international standard frameworks for risk allocation on projects in host countries, Australian and Japanese companies find it difficult to identify projects to invest in. For host countries, these can also result in missed opportunities to attract foreign investment and expertise, and potentially higher project implementation costs due to limited competition between a narrower range of investors.

Credit risk is a particular problem in power projects where the sole source of income is from a government-owned utility, even if that income stream comes with a government guarantee. Some interviewees noted that, while the Indo-Pacific region contains major growth markets for clean energy related investments, the risk allocation in power purchase agreements offered in the region placed a higher degree of risk on project owners than what they were comfortable with.

Japanese companies have successfully provided several independent power projects in the Indo-Pacific, particularly in Indonesia. However, those countries are under pressure to shift away from coal and gas fired power plants and develop less carbon intensive sources of power generation, due in part to commitments under the Paris Agreement. Countries in the region need to attract foreign capital investment into the clean energy sector and this need is expected to grow, offering opportunities for Australia-Japan energy transition infrastructure cooperation in those countries. However, realising this potential will require appropriate risk allocation in power purchase agreements.

## Lack of universally accepted standards for quality infrastructure

Australian and Japanese investors support infrastructure that uphold certain international environmental and social safeguards. However, this can make them less price competitive. Since there are no universally agreed principles on infrastructure quality and standards, the price advantage for project providers that do not uphold these principles can be magnified when project proposal assessors also have insufficient capacity to determine the true cost of infrastructure including on the local environment and over the life of the asset.

21 Japan International Cooperation Agency, *Technical Cooperation Project for Capacity Development in Public-Private-Partnership (PPP) Project Formulation - Project Completion Report*, December 2017 (1000035289\_01.pdf (jica.go.jp))

22 Public-Private Partnership Centre, Philippines, *JICA Capacity Development Training Roll-out for DPWH: Baguio City Field Visit*, 24 January 2017 (JICA Capacity Development Training Roll-out for DPWH: Baguio City Field Visit | PPP Center)

23 Public-Private Partnership Centre, Philippines and Asian Development Bank, *Technical Assistance on Strengthening Public Private Partnerships Program in the Philippines (2011-2021) - Final Evaluation Report*, 13 December 2021 (<https://www.dfat.gov.au/sites/default/files/public-private-partnerships-program-philippines-final-report.docx>)

## Potential solutions

### Systematic, large-scale capacity building programs to create standard procurement frameworks

A consistent message from interviewees was the need for systematic, large-scale capacity building programs for infrastructure procurement across the Indo-Pacific. This report recommends that Australian and Japanese governments, in cooperation with the private sector, introduce formal and coordinated joint capacity building programs. These programs could be designed to provide host governments with the relevant tools to make the most of the technical expertise and capital investment that Australia-Japan can offer, and that best meet their needs.

Infrastructure project procurement-specific capacity building would seek to develop efficient and transparent infrastructure procurement processes. Capacity building could cover project design and tender processes, improving governance, finance and technical, and risk analysis and allocation capabilities.

Existing programs could be drawn upon for designing and implementing a capacity building program tailored to the Indo-Pacific region:

- JICA<sup>21</sup> has long provided capacity building programs in the Asia-Pacific as part of its technical cooperation program. It developed and implemented a program in the Philippines over 2015-17 designing and executing a feasible and bankable PPP framework for the Department of Health, Department of Public Works and Highways, and the Department of Transportation and Communication. Three-month training courses were created and taught<sup>22</sup> for specific sectors (healthcare, road, sewage and septage) by JICA and PPP Centre specialists. JICA delivered similar programs for Mongolia in 2016.
- DFAT<sup>23</sup> has also funded capacity building programs. Implementation is typically through multilateral institutions such as the Asian Development Bank. DFAT contributed US\$22m to a 10 year program (2011-2021) in the Philippines that was designed and implemented by the ADB and the Philippines National Economic and Development Authority (NEDA) to:

1. improve the PPP enabling framework
2. strengthen the institutional set-up and capacity in PPPs
3. institutionalise PPP best practices
4. help establish infrastructure investment financing and risk guarantee mechanisms to facilitate private sector interest
5. help structure bankable PPP projects through sustainable project development financing.



NEDA was the executing agency, while the PPP Center and the Department of Finance (DOF) were the implementing agencies. The program contributed to a pipeline of major projects, strengthened the policy environment for major projects, and improved government capacity to administer major projects and integrate safeguarding requirements for climate resilient infrastructure.

Complementary support and capacity building could assist local governments with project and concept scoping, feasibility studies, tender processes, and project operation. The Philippines' Project Development and Monitoring Facility<sup>24</sup> was given as an example of an available innovative subsidy facility.

Other solutions already utilised in some host countries include engaging procurement advisors to enhance tender and procurement processes, and conducting market-sounding sessions. One interview suggested Australia-Japan could assist by extending the reach of market-sounding sessions.

### **Export Australia's mature PPP model and project management capabilities**

Australia has a mature PPP market built on international best practice. The Australian model has been refined over 30-plus years of projects in Australia. The current framework is encapsulated in the National PPP Policy & Guidelines, a uniform framework agreed for use across Australia by all federal and state government agencies.

In contrast to traditional project delivery models, PPPs are intended to be solution-oriented, aimed at unlocking private sector innovation and optimising the cost to benefit ratio. Many countries including advanced economies such as Japan and the US have modelled their PPP frameworks on Australia's model which work particularly well with countries with robust legal and transparent frameworks. There may be opportunities for the Australian Government to assist local governments in the Indo-Pacific region to study and adapt the model to best suit their own local contexts in order to achieve the best outcomes, combined with complementary capacity building programs.

### **Exchange programs between government procurement offices**

Reciprocal inter-government exchange programs on infrastructure procurement between Australia/Japan and host countries in the region can serve to form part of deeper, immersive knowledge and capacity building.

Public-private sector coordination and information exchange could see highly experienced organisations in infrastructure procurement such as Infrastructure Australia, or state government infrastructure procurement departments in Australia, invite counterparts from the Indo-Pacific region. Participants would have opportunities to gain practical experience in executing international standard contracts and tackling challenges in operating projects procured through such frameworks. Exchanges would also enable both Australian and Japanese organisations to gain insight on the limitations of their own frameworks and processes in an Indo-Pacific context.

### **Leverage existing private-public initiatives to support Indo-Pacific countries' project procurements**

There are a number of existing multilateral and bilateral initiatives in addition to the JICA and DFAT initiatives. A new joint capacity building program could be created with training implemented by these institutions to leverage their existing experience and capabilities. For example, a program could be delivered by JICA to tap into JICA's experience in designing and conducting capacity building programs. Australian practitioners could be added to those programs as trainers given their deep experience and current knowledge in designing and executing projects in Australia, using real life Australian case studies. Examples of existing private-public initiatives to support Indo-Pacific countries' project procurement include:

#### **Partnerships for Infrastructure (P4I)**

P4I was established by DFAT in partnership with EY, Asia Foundation and two other organisations in 2021, to develop infrastructure expertise with partner governments and the Association of Southeast Asian Nations (ASEAN) by leveraging Australia's highly qualified infrastructure network and the comprehensive capabilities and significant expertise of Australia's talent pool. In their advisory and knowledge sharing services, they provide advice from an extensive network of high-calibre infrastructure experts. They also offer longer-term inputs across a wide range of areas and sectors to improve infrastructure decision-making and development throughout Southeast Asia.

## **Global Infrastructure Hub (GI Hub)**

The GI Hub is a not-for-profit organisation, formed by the G20, that advances the delivery of sustainable, resilient and inclusive infrastructure. Among the GI Hub's plentiful online resources is a PPP Risk Allocation Tool that serves as a reference guide for governments and other relevant stakeholders in deciding on the appropriate allocation of project risks in a particular PPP project, as well as potential risk mitigation measures: <https://ppp-risk.gihub.org/>

## **Transparency International Australia (TIA) - Accountable Infrastructure**

TIA launched a tool that provides a practical, easily applicable roadmap to identify and mitigate loopholes that enable corruption in the infrastructure sector in the Asia-Pacific region. TIA estimates that corruption, mismanagement and inefficiency, will cause losses of as much as a third of the expected global construction output value annually by 2030. The tool is designed to help government, industry, civil society, and other stakeholders ask the right questions and hold those responsible for commissioning, selecting and financing public infrastructure to account – from project identification right through to approval stages.

## **World Bank PPP Knowledge Lab and Legal Resource Centre**

The World Bank has assembled a comprehensive set of sector-specific materials which can assist in the planning, design and structuring of any infrastructure project, especially PPPs, with a focus on structuring within the project's particular enabling environment.

## **Indonesia Australia Partnership for Infrastructure (KIAT)**

KIAT is a ten-year A\$300 million facility implemented by Cardno. KIAT is a partnership between the governments of Indonesia and Australia to support sustainable and inclusive economic growth through improved access to infrastructure for all people. KIAT works with government at national and sub-national levels to provide short and long-term technical assistance and advisory services to improve infrastructure policy, planning and delivery.

## **Involve the private sector in capacity building programs**

Private sector involvement is essential for bridging the gap between government policy and the implementation of targeted capacity building initiatives. One interviewee provided the example of Tokyo Gas which actively provides consultancy services for improving project procurement processes in Thailand, Bangladesh and Indonesia – indicating that there is the demand for private sector led capacity building initiatives.

## **Targeted government-to-government (G2G) bilateral dialogue to encourage host countries to implement policies that take advantage of available investments by Australia and Japan**

To date, high-level multilateral efforts involving Australia and Japan like the Trilateral Infrastructure Partnership have led to the installation of new undersea telecommunications and internet cables in Timor-Leste, Micronesia, Kiribati and Nauru. But there are more opportunities for Australian and Japanese government agencies to work together to identify particular countries and sectors presenting infrastructure partnership opportunities and to engage on a country, sector or project specific basis.

G2G dialogues with infrastructure host countries could most effectively address particular regulatory and policy risks as outlined in 4.3. Agencies like NEXI, JBIC, DFAT and Austrade have had a successful track record of advocating for projects that suit the requirements of Australian and Japanese businesses. More advocacy could successfully open doors to more opportunities.

As an example, one interviewee from the procurement side noted that Japanese infrastructure investment in their country was almost solely concentrated in the transport sector. So as part of this G2G dialogue, governments could look at the regulatory framework characteristics of the transport sector that managed to attract Japanese investment, and consult with the host country on how other sectors could make the appropriate adjustments to existing procurement frameworks to replicate those characteristics.

Scoping and sizing of infrastructure projects could also be discussed at the G2G level. Australian and Japanese investors cannot consider projects that are so large as to be outside their investment criteria. At the same time, individual projects in local provinces are often too small to be of interest to foreign investors. So G2G discussions could include dialogue on bundling small projects in multiple local provinces to make them large enough to be of interest to Australian and Japanese investors, but of small enough scope to remain within investors' reach.



### Encourage and support host countries' climate targets

Global momentum for businesses to improve the sustainability of infrastructure and energy sectors is rapidly gathering pace. Agreement at COP26 for member countries to phase out coal power generation and commit to national emission reduction goals has added a sense of urgency to this ambitious task.

Australia and Japan are committed to action against climate change, announcing various frameworks to support the region's transition to net zero, including the Japan<sup>25</sup>-Australia Partnership on Decarbonisation through Technology and the Quad Climate Change Adaptation and Mitigation Package (Q-CHAMP<sup>26</sup>).

For these initiatives to materialise, there is a role for governments to mobilise private sector expertise and investment. This could be backed by G2G dialogue to support host governments in attracting Environmental, Social, and Governance (ESG) related private inbound investment and ensuring they have the necessary policy support in place. This includes policy clarity and consistency, unrestricted foreign capital flows, appropriate tax arrangements, access to policy stakeholders, and financial support schemes for sustainable technologies (eg offshore wind, hydrogen/ammonia production and transport, decarbonisation of high emission industries). Appropriate risk allocation structures then need to underpin these projects accompanied by host government commitments to decarbonise.

Trilateral Infrastructure (Australia-Japan-US) partners conducted joint missions to Indonesia<sup>27</sup>, Vietnam<sup>28</sup>, and Papua New Guinea<sup>29</sup>, but more systematic, frequent, and deeper engagement is needed, with outcomes shared with the private sector.

### Promote 'life cycle' assessments

Promoting 'life cycle' assessments is also crucial to the development of a clean energy sector in the Indo-Pacific region. Life cycle assessments take into account the total cost of infrastructure over its lifetime, including asset recycling and decommissioning, and puts a value on the benefits of environmental and social safeguards (eg workplace safety). So constructive G2G discussions with third country governments and capacity building for project assessors should also focus on introducing new evaluation methods that recognise the life cycle costs of infrastructure.

### Scheme to close the "green premium" for new clean technologies

One of the biggest hurdles to introducing new, greener technologies to countries in the Indo-Pacific region is cost. Nascent but highly promising technologies, like those needed to create green hydrogen, need effective financial support to close the "green premium", – the gap between the cost of traditional technologies and the new greener technologies. Assisting host countries to pay for green premiums is critical for the hydrogen/ammonia sector development and participation by Australian and Japanese businesses. Interviewees stressed that government support is critical to provide the private sector with the financial incentives to commit to long-term clean/green energy infrastructure projects. This support can be progressed under the framework of the Japan-Australia Partnership on Decarbonisation through Technology<sup>30</sup> announced by leaders in June 2021.

25 Ministry of Foreign Affairs of Japan, *Japan-Australia Partnership on Decarbonisation through Technology*, 13 June 2021 (100199970.pdf (mofa.go.jp))

26 Ministry of Foreign Affairs of Japan (n7)

27 Export Finance Australia, Australian Government, *Trilateral Infrastructure Partnership driving economic growth in the Indo-Pacific*, 27 August 2019 (<https://www.exportfinance.gov.au/newsroom/trilateral-infrastructure-partnership-driving-economic-growth-in-the-indo-pacific/>)

28 Japan Bank for International Cooperation (n16)

29 Japan Bank for International Cooperation, *JBIC Announces Joint Statement with OPIC, DFAT and Efic Reaffirming Commitment to Indo-Pacific Infrastructure Development* | *JBIC Japan Bank for International Cooperation*, 25 June 2019 (<https://www.jbic.go.jp/en/information/press/press-2019/0625-012293.html>)

30 Ministry of Foreign Affairs of Japan (n25)

## PPP law in Vietnam



Image credit: shutterstock.com

In June 2020, when the Government of Vietnam reviewed its draft Law on Public-Private Partnership (“the Law”), trilateral partners Australia, Japan and the US outlined issues, either in or outside of the Law, that the Law would need to address in order to attract more foreign investors in PPP in Vietnam:

1. the scope of the Law should be flexible enough to cover sectors such as power generation
2. strong host country government support, including a guarantee by the Government of Vietnam of the payment obligations of state enterprises
3. flexibility in the foreign currency convertibility and in the scope of PPP contract termination payments
4. protection of investors from changes in law and adequate provision for force majeure events
5. reasonable room for the application of foreign laws should be secured, as there were matters that were not captured by the Vietnamese legal system.

To date, only the first point has been reflected in the Law.

Law 64/2020/QH14 of National Assembly of the Socialist Republic of Vietnam date issued 18/06/2020 (<https://english.luatvietnam.vn/>)

Decree No. 35/2021/ND-CP detailing the implementation of the Law on Investment in the Form of Public-Private Partnership (<https://english.luatvietnam.vn/>)

Decree No. 28/2021/ND-CP the financial management for public-private partnership investment projects (<https://english.luatvietnam.vn/>)





# Development of PPP framework in India

India has implemented one of the most established PPP markets in the world by successfully adapting international standards to a local context. How the scheme developed out of key PPP aspects is outlined below:

### Revenue models

The initial power and national highway PPP models were structured on 'availability payments'. These provide greater visibility of future revenue, helping project bidders make more secure business plans and de-risk their investment. Most Australian and Japanese investors tend to require this structure especially in higher risk countries. Over time, steps were taken to create a competitive market for power, resulting in delicensed power generation. Merchant power plants, based on partial or no long-term contracts, emerged.

This, and the example of private toll roads in Europe, are believed to have in turn encouraged India's national highways program to start transferring revenue risk to investors and the 'viability gap funding' model was also developed. This required private investors to invest in the expansion of highways and take on the traffic risk where toll levels were predetermined, while providing a capital grant which was competitively determined. A slew of failed projects likely due to exuberant bidding underpinned by a lack of experience led to a realisation that high risk models were not conducive for sustainable infrastructure financing. Sectors like roads and transmission now have availability payments, while airports also now have the comfort of regulated returns.

### Project readiness

Greenfield projects have been propagated as a way to build infrastructure in India. However, it became clear that private developers were ill-equipped to handle permitting risks. Thanks to an abundance of assets, the market has now pivoted towards trading in completed PPP projects.

A significant driver of investor interest has been the scale of infrastructure in India. Just 1GW can power 750,000 homes – and India's privately owned power generation is c.200GW. Airport capacity is around 175 million passengers per annum which is comparable to large-scale infrastructure investment opportunities in developed markets.

### Regulatory reform

The ecosystem around PPPs has also significantly evolved in India. The initial program of Independent Power Projects (IPPs) highlighted that sector and regulatory reforms were essential. This led to India's Electricity Act 2003. There is now sufficient confidence in the regulatory framework for airports and ports, given regulatory framework amendments that have resulted in a transition from a revenue-cap model to much fewer tariffs.

### Financial market development

Development of Infrastructure Investment Trusts (INVTs) over the last five years has created a mechanism to invite investors with low-risk appetites to the market, while yielding results similar to pension funds and retail investors. This has allowed the market to expand beyond the early developer-private equity participants. Investments by global international institutional investors in infrastructure reached nearly US\$5.5 billion in 2021 and contributed to an increase in buyout deals to nearly half from a third a year earlier, indicating growing investor trust in long-term infrastructure investments in India.



	<b>Baby steps, limited projects</b>	<b>Large number of developments but haphazard developments</b>	<b>Slowdown induced by excesses of previous phase</b>	<b>Market clean-up governance reset, INVITs led resurgence</b>
<b>Commercial framework</b>	<ul style="list-style-type: none"> <li>• Cost plus approach to revenue</li> <li>• Federal guarantees for payment security</li> </ul>	<ul style="list-style-type: none"> <li>• Availability based projects - highways</li> <li>• Tariff bidding based projects - highways, power</li> </ul>	<ul style="list-style-type: none"> <li>• Shift towards competitive bidding based projects</li> </ul>	<ul style="list-style-type: none"> <li>• Strong focus on competitive bidding across sectors - airports, renewables, ports, roads</li> </ul>
<b>Policy and Regulatory framework</b>	Administered by Provincial/ Federal government	<ul style="list-style-type: none"> <li>• Energy and telecom regulators in place</li> <li>• NHAI nodal agency for roads</li> </ul>	Regulations evolved around competitive bidding processes	<ul style="list-style-type: none"> <li>• Standardised processes for bidding</li> <li>• Extensive case law for concessions</li> <li>• INVIT regulations - a game changer</li> </ul>

	<b>1995</b>	<b>2003</b>	<b>2011</b>	<b>2015</b>	<b>2020s</b>
<b>Industry Participants</b>	International strategic investors	Domestic developers backed by international strategic/financial investors	Domestic developers with limited participation of international investors	International financial investors take the centre-stage	



Image credit: Hardik Joshi-unsplash.com







Whether more collaboration between Australia and Japan on infrastructure projects in the Indo-Pacific region eventuates will be determined by the ability of both nations to adapt a more dynamic approach to infrastructure projects – one in which better public-private sector collaboration, effective dialogue and clear communication will be vital.

The scope of the Indo-Pacific region’s infrastructure sector is vast – and expanding exponentially as the world advances towards net zero. Government regulations and frameworks alone won’t be able to realise this ambition.

Set against the backdrop of a geopolitical climate that’s highly volatile at times, it’s essential we address the barriers to our nations collaborating now because the opportunities are already waiting. With commercial and strategic interests in the region converging, it has never been more desirable to see increased public-private collaboration – especially across the bilateral divide.

In particular, there’s enormous potential to take the historically significant Australia-Japan energy relationship, if we’re bold enough, and refine our approach to collaboration. Australia and Japan’s natural economic complementarities lend themselves to a perfect partnership on new and emerging decarbonisation technologies and fuels such as hydrogen and ammonia, and these can continue to be progressed under new initiatives like the Australia-Japan Partnership on Decarbonisation through Technology. Concerted and coordinated efforts to close the “green premium” gap will be essential to realising the full potential of this future energy partnership and bringing renewable and low-carbon energy exports to scale. This will be critical for meeting the growing energy needs of developing countries in the Indo-Pacific region in a manner that improves quality of life and promotes economic growth.

The Future Leaders propose the AJBCC-JABCC plays a role advocating for the implementation of the proposed solutions outlined in this report to unlock the unrealised potential of Australia-Japan infrastructure cooperation. In recognition of the incredible amount of work so far by relevant Australian-Japanese government agencies, ECAs and trade promotion agencies, these organisations are urged to continue coordinating and engaging with stakeholders to incorporate some of the potential solutions or tools identified above in **partnerships; financing and regulatory support**. AJBCC-JABCC members also play a role in bringing these proposals to the attention of governments at national and state levels should policy settings lag especially in relation to emerging sectors, such as support for decarbonisation technology developments.

Based on findings in this report, the eight major issues that practitioners face day to day that hinder more Australia- Japanese business collaborations on infrastructure are summarised in Chart 5-1. Chart 5-2 follows with recommended practical solutions to address these issues. Finally, a proposed implementation structure of recommendations is outlined in Chart 5-3:

Chart 5–1: Identified issues

**Issues identified through interviews of infrastructure project specialists**



**Partnership**

- **Limited knowledge** of each other’s interest and capabilities
- **Limited Australian presence** in infrastructure in the Indo-Pacific
- **Japanese companies processes and requirements** can hamper competitiveness



**Financing**

- Australia-Japan public infrastructure cooperation **initiatives and available tools are not sufficiently known** to parties originating projects on the ground
- **Room to update government financing tools** for the current market environment



**Regulatory support**

- **Long lead time and relative risks** in government processes in the recipient countries
- **Instability in policies** related to infrastructure projects in recipient countries
- **Lack of international standard framework** for risk allocation on projects in recipient countries

Chart 5-2: Proposed solutions

Discussions with the interview participants led to proposed practical solutions to address the identified issues and facilitate further infrastructure projects developed between Australia and Japan



### Partnership



More targeted and coordinated **networking/matching sessions**



Encourage **construction/engineering sectors** into the region



### Financing



**Coordinated promotion** of government initiatives



Dialogue between the government and private sector to **review/improve available financing tools**



### Regulatory support



Systematic, large scale **capacity building program** to create standard procurement frameworks



**Targeted G2G dialogue** to encourage host countries to implement policies that take advantage of A-J investments appetite

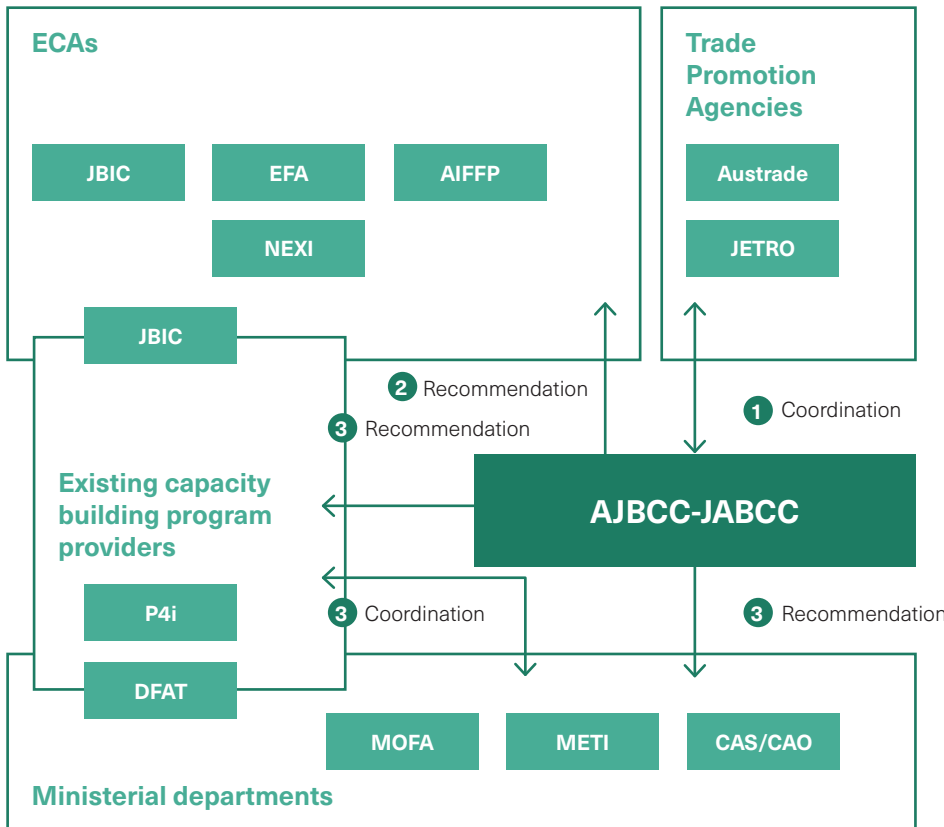


**Scheme to close "green premium"** for new clean technologies



Chart 5-3: Proposed implementation structure

This report recommends the AJBCC-JABCC advocate the proposal to relevant organisations and ministerial departments who are best placed to action implementation



**1 Partnership**

- AJBCC-JABCC coordinate with the trade promotion agencies
- Jointly host networking/matching events
- Engage engineering and EPC companies

**2 Financing**

- AJBCC-JABCC to recommend proposed solutions of this report to the ECAs
- ECAs to jointly host explanatory sessions of existing financing tools for on the ground origination specialists
- ECAs to jointly engage with on the ground origination specialists for potential updating of existing tools

**3 Policy Support**

- AJBCC-JABCC to recommend proposed solutions of this report to relevant ministerial departments
- Both governments to jointly implement proposed capacity building program in coordination with existing program providers
- Both governments to jointly implement the G to G policy dialogue with host countries and support scheme for new clean technologies

Finally, the Future Leaders provide a suggested three-year timeline for resolution of the issues identified in this report as shown in Chart 5-4.

It is proposed the AJBCC-JABCC use its unique, longstanding relationships within both countries to act as an advocate to implement the above-mentioned proposed solutions, by issuing recommendations to relevant stakeholders and a playing a coordinating role between Australian and Japanese organisations.

Each initiative should be jointly led by the most appropriate organisations from both countries and the AJBCC-JABCC to be actively involved where their expertise is relevant, for example by hosting joint networking/matching events for practitioners originating infrastructure project opportunities in a specific third country as suggested in the Partnerships section.

The proposed implementation schedule recommends that the stakeholders conduct a joint study to identify target sectors and markets, appropriate on the ground practitioners, and existing initiatives during the first 6 to 12 months. Based on this outcome the stakeholders from both countries should engage with the targeted specialists for focused networking activities, designing a support scheme for engineering and EPC companies, dialogue to obtain feedback for existing financing tools, and designing a targeted joint capacity building program and other regulatory framework related support tools.

The timelines set out in Chart 5-4 chart are for initial implementation of the proposed solutions. It is expected that as initiatives gather momentum, period reviews will optimise outcomes.

**Chart 5-4: Timeline for resolution of issues**

**This report recommends that the AJBCC-JABCC, as well as relevant governmental departments and ECAs, consider taking the actions proposed below to unlock A-J infrastructure cooperation**

### Partnership

Owner	Process	Year 1	Year 2	Year 3
AJBCC/JABCC coordinated with Austrade/JETRO	Select focus markets/sectors based on complementarity between A-J companies	→		
	Plan, organise, promote and host A-J joint networking and matching event targeting on the ground project origination specialists in the region		→	→
	Interview A-J engineering and EPC companies to identify support needed in third countries	→		
	Plan, coordinate and implement support scheme for A-J engineering and EPC companies expand their business in third countries		→	→

### Financing

Owner	Process	Year 1	Year 2	Year 3
Australian and Japanese ECAs	Jointly review and map existing support tools and develop target list of on the ground project origination specialists in the region	→		
	Plan, organise, promote and host A-J joint explanatory sessions of financing tools for the target specialists		→	
	Plan, organise, promote and host A-J joint dialogue session with the target specialists to discuss potential update of existing financing tools	→	→	
	Plan, coordinate and implement update of existing financing tools and promote such new products		→	→

### Regulatory Support

Owner	Process	Year 1	Year 2	Year 3
DFAT and CAS/ CAO/MOFA/METI coordinated with existing providers of capacity building programs	Jointly identify and map existing capacity building programs and available funding	→		
	Develop a new capacity building program targeting to provide host countries with tools to take advantage of A-J expertise and technologies		→	
	<ul style="list-style-type: none"> <li>Based on the best practices from Australian infrastructure procurement experiences</li> <li>Include exchange program with Australian government's infrastructure procurement offices</li> <li>Focus on the concept design that is suitable for A-J businesses' skills and appetite</li> </ul>	→	→	→
DFAT and CAS/ CAO/MOFA/METI	Jointly review and map existing support tools and develop target list of on the ground project origination specialists in the region	→	→	
	Plan, organise, promote and host A-J joint explanatory sessions of financing tools for the target specialists			→
	Plan, organise, promote and host A-J joint dialogue session with the target specialists to discuss potential update of existing financing tools	→	→	
	Plan, coordinate and implement update of existing financing tools and promote such new products		→	→



**With implementation of these recommended practical solutions, the Future Leaders seek to contribute to the longevity and underscore the validity of the Australia Japan Special Strategic Partnership. The Future Leaders' ability and commitment to work as a team to deliver this report, drawing on the expertise of our private and public sector members, stands as testament to Australia and Japan's capacity for cooperation and trust for our mutual benefit. We personally look forward to working with each other for many years to come and deepening the Australia-Japan partnership beyond the bilateral.**

# APPENDIX

## Japanese Government Support for Business

(see also [www.meti.go.jp/english/policy/external\\_economy/cooperation/infrastructure/pdf/toolkit.pdf](http://www.meti.go.jp/english/policy/external_economy/cooperation/infrastructure/pdf/toolkit.pdf) for details)

Ministry/Agency	Examples of support they provide
<b>METI Ministry of Economy, Trade and Industry</b>	Feasibility Study to Produce Infrastructure Projects
<b>JOGMEC Japan Oil, Gas and Metals National Corporation</b>	Financial and technical assistance for Japanese private companies, capacity building for oil and natural gas producing countries, hydrogen support
<b>JBIC Japan Bank for International Cooperation</b>	Export Loans, Import Loans, Overseas Investment Loans, Untied Loans, Equity Participation, Guarantees
<b>NEXI Nippon Export and Investment Insurance</b>	Export Credit Insurance, Overseas Investment Insurance, Loan Insurance, Buyer's Credit Insurance, Overseas Untied Loan Insurance, Loan Insurance for Natural Resources and Energy
<b>JICA Japan International Cooperation Agency</b>	JICA, with its partners, takes the lead in forging bonds of trust across the world, aspiring for a free, peaceful and prosperous world where people can hope for a better future and explore their diverse potentials.
<b>JETRO Japan External Trade Organization</b>	Holds public-private seminars and symposium - inviting foreign business key persons, dispatches experts, overseas basic survey with industry groups, dispatches business missions with industry groups, support for the realisation of overseas projects of individual companies

## Japan's Economic Cooperation and Infrastructure Portal – list of support platforms for SMEs

(from 3 June 2022)

### Cabinet Office

Public-Private Liaison Group for the Overseas Deployment of Disaster Prevention Technology (JIPAD)  
Financial Services Agency - Investigation on ASEAN's Financial Inclusion

### Ministry of Economy, Trade and Industry

Feasibility Study for the Overseas Development of Quality Infrastructure and Energy Infrastructure  
International Demonstration Projects of Japanese Technologies Contributing to Efficient Energy Consumption  
Private Sector-led Low Carbon Technology Dissemination and Promotion Project

### Ministry of Land, Transportation and Tourism

Joint Network for Overseas Real Estate Business (J-NORE)  
Japan-Bangladesh Joint PPP Platform  
Council for the International Development of Aviation Infrastructure  
Japan Association for Smart Cities in ASEAN  
Japan-Africa Infrastructure Development Association (JAIDA)  
Council for Overseas Port Logistics Projects  
Commissioned Investigation on Economic Cooperation in the Rail Sector  
Overseas Infrastructure Project Engineer Recognition and Award Policy  
Project Supporting the Overseas Expansion of Housing Construction Technology  
Support for the Overseas Expansion of Japanese Construction-related Companies through the Japan Construction International Award  
Overseas Construction and Real Estate Market Database  
Investigation on Overseas Infrastructure Projects in the Aviation Sector  
Investigation on Overseas Infrastructure Projects in the Port Sector

### Ministry of Environment

Japan Platform for REDESIGN: Sustainable Infrastructure  
Joint Crediting Mechanism Scheme (JCM) Equipment Subsidy Program  
Low-carbon technology innovation creation project for developing countries (co-innovation)  
Supplementary grants for research on environmental conservation (Support project for research and development of environmental start-ups to create innovation)  
Environmental Start-up Award  
Environmental technology demonstration projects (ETV projects)  
Services to promote the commercialisation of the overseas development of Japan's recycling industry  
Projects to support the strategic international development of Japan's recycling industry to reduce CO<sub>2</sub> emissions overseas  
Asian Water Environment Improvement Model Project

Third-country cooperation project for hydrogen production and utilisation  
Inter-city cooperation projects for realising a decarbonised society

### Ministry of Agriculture, Forestry and Fisheries

Overseas Expansion of the Food Sector via the Global Food Value Chain  
Green Food System Strategy  
Overseas Expansion of Smart Agriculture Technologies

### Ministry of Internal Affairs

Japan Platform for Driving Digital Development: JPD3  
ICT (Information and Communications Technology) International Expansion Package Support Project

### Ministry of Justice

Promoting International Arbitration  
Judicial Symposium on Intellectual Property (JSIP)  
Legal System Establishment Support Investigation to Consider Legal Support Measures for Japanese Companies and Japanese Nationals  
Promotion of Translation of Laws and Regulations into Foreign Languages

### Ministry of Health, Labour and Welfare

Projects for Global Extension of Medical Technologies (TENKAI Project)  
Workshops on Promoting Global Expansion of the Water Sector

### JBIC - Japan Bank for International Cooperation

Export finance (JBIC)  
Investment finance (JBIC)  
Investment (JBIC)  
Post-Corona Growth Facility (JBIC)

### JETRO - Japan External Trade Organization

Facilitate Collaboration and Alliances with Overseas Start-ups (J-Bridge)  
Overseas Supply Chain Diversification Support Project  
Trade and investment consultation  
Overseas exhibitions  
New Export Powerhouse Consortium  
Local support platform for overseas expansion of SMEs  
Overseas mission dispatch

### JICA - Japan International Cooperation Agency

JICA's Private Sector Partnership Programme (Enterprise Co-Creation Platform)

### JICT – Fund Corporation for the Overseas Development of Japan's ICT and Postal Services

Support for overseas business development in the digital sector (JICT)

### JOIN – Japan Overseas Infrastructure Investment Corporation

Various types of support, including co-financing (JOIN)

### JOGMEC - Japan Oil, Gas and Metals National Corporation

Financial and technical assistance  
Capacity building

### NEXI - Nippon Export and Investment Insurance

LEAD Initiative  
Support through overseas investment insurance

### Urban Renaissance Agency

Japan Conference on Overseas Development of Eco-Cities (J-CODE)

### JIBH - Japan International Association for the Industry of Building and Housing



## Examples of Australian Infrastructure Financing Mechanisms

<b>Australian Infrastructure Financing Facility for the Pacific (AIFFP) - DFAT</b>	<p>In the Pacific and Timor-Leste, the A\$3.5 billion AIFFP provides grants and loans to finance projects in key sectors such as energy, transport, telecommunications and water. To date, the AIFFP has finalised over A\$950 million in financing (including A\$730 million in lending) for ten major capital works across eight countries.</p> <ul style="list-style-type: none"> <li>• Investments to date span PNG, Fiji, the Solomon Islands, Palau, Nauru, Kiribati, the Federated States of Micronesia and Tonga. Upstream support is also being provided for projects in Timor-Leste.</li> <li>• Seven projects have been signed already in 2022, and the AIFFP's lending cap was doubled to A\$3 billion in the recent 2022-23 Budget.</li> <li>• The broader AIFFP pipeline holds over A\$2 billion in finalised and potential projects across 11 countries.</li> </ul>
<b>Export Finance Australia (EFA) – DFAT</b>	<p>EFA provides finance solutions for Australian exporters and overseas infrastructure development that delivers benefits to Australia.</p> <ul style="list-style-type: none"> <li>• EFA has been provided with more flexible infrastructure financing power, including an increased callable capital by A\$1 billion and the power to make equity investments.</li> <li>• since 2019 EFA has supported over 50 infrastructure transactions across the Pacific and Indo-Pacific.</li> <li>• In October 2021, EFA was provided with an equity power to be used to better support overseas infrastructure development and export-linked Australian businesses in sectors of economic significance.</li> </ul>
<b>Australian overseas development assistance (ODA) program - DFAT</b>	<p>Australia provides substantial existing support to regional infrastructure development through ODA</p>
<b>Partnerships for Infrastructure (P4I) (formerly the Southeast Asia Economic Governance and Infrastructure Facility, SEAGIF) – a team of five organisations including DFAT</b>	<p>P4I program partners with Southeast Asian governments and ASEAN on improving the development of high-quality infrastructure.</p> <ul style="list-style-type: none"> <li>• P4I specialises in planning and prioritisation, procurement implementation support, sector policy and regulation, gender equality and social inclusion, and disaster risk reduction and climate change</li> <li>• P4I provides partner governments with access to high-calibre infrastructure experts for rapid response requests or longer-term technical assistance.</li> </ul>
<b>Support through Multilateral Development Banks (MDBs)</b>	<p>Australia supports infrastructure financing and development through MDBs.</p> <ul style="list-style-type: none"> <li>• A\$32m committed to the South Asia Regional Infrastructure Connectivity initiative (through the World Bank and IFC), which supports a pipeline of transport and energy projects and training for public and private sector entities involved in these projects</li> <li>• A\$88 million in average annual core financing to the MDBs (IDA A\$13m, Asian Development Fund A\$75m).</li> </ul>
<b>Australian Climate Finance Partnership (ACFP)</b>	<p>ACFP is a concessional financing facility managed by the Asian Development Bank (ADB) and funded by the Australian Department of Foreign Affairs and Trade (DFAT) through a grant contribution of up to A\$140 million.</p>
<b>Private Infrastructure Investment Group (PIDG)</b>	<p>PIDG is an innovative infrastructure development and finance organisation funded by six governments (including the Australian Government) and the IFC.</p>
<b>Emerging Markets Impact Investment Fund trust (EMIIF)</b>	<p>EMIIF is a development financing mechanism for the Australian Government. It provides investment capital and technical assistance to financial intermediaries who in turn provide access to financing for SMEs in South Asia, Southeast Asia and the Pacific.</p>







# About Us

In March 1961, Mr. Shigeo Nagano, a Vice Chairman of the Tokyo Chamber of Commerce & Industry and President of Fuji Steel led a Trade Mission to Australia.

In Canberra, when meeting with Australian industry associations, he proposed the establishment of a bilateral business co-operation committee with an aim to:

- contribute to the development of the Japan-Australia economic relationship
- promote mutual understanding and cooperation between the two countries' business communities

The Australia Japan Business Co-operation Committee (AJBCC) was established in Australia on 28th August 1962 and its counterpart, the Japan Australia Business Co-operation Committee (JABCC) was inaugurated on 6th February 1963.

Since their establishment, the two committees have met annually, alternatively in Australia and Japan. It is possibly one of the longest established joint bilateral business committees, a fact owed to its leadership both in Australia and Japan. It underscores the importance of the business relationship between Australia and Japan.





# The Future Leaders Program

Established in 2014, the Future Leaders Program supports the next generation of Australia-Japan business leaders.

Future Leaders are individuals who are considered prospective leaders both within their own companies and of the wider Australia-Japan relationship.

In 2022 the program has over 40 participants from Australia and Japan who are active in a broad range of sectors contributing to the bilateral relationship.

Each year Future Leaders participate in a broad range of industry conferences, professional networking events and deep-dive working groups leading up to the annual AJBCC-JABCC Joint Business Conference.













For more information

[ajbcc.com.au](http://ajbcc.com.au)

[tokyo-cci.or.jp](http://tokyo-cci.or.jp)

