



Cabinet Office, Government of Japan

Japanese Policy and Implementation on PFI

The 3rd Annual Meeting for PPP/PFI
Promotion between Japan and Korea

October 9th, 2008



History of PFI in Japan

History Chart

- Jul. 1999 Enactment of “PFI Law”
- Oct. 1999 Creation of “The Committee for Promotion of PFI” in the Prime Minister’s Office
- Mar. 2000 Drawing up “Policy Framework”
- Jan. 2001 Release of “Process Guideline” and “Risk Sharing Guideline”
- Jul. 2001 Release of “VFM Guideline”
- Dec. 2001 Revision of “PFI Law”
- Jun. 2003 Release of “Contract Guideline” and “Monitoring Guideline”
- Jun. 2004 Release of “Interim Report of the committee for promotion of PFI”
- Aug. 2005 Revision of “PFI Law”
- Nov. 2006 “Procedures for Selection of and Agreements with Private Companies for PFI Projects,” an arrangement paper by the directors of the PFI Liaison Committee of Relevant Ministries and Agencies
- Dec. 2006 Issue of Annual Report 2005(the 1st Annual Report)
- Jun. 2007 Revision of “VFM Guideline” and “Process Guideline”
- Nov. 2007 Release of “Report of the committee for promotion of PFI”
- Jul. 2008 Revision of “VFM Guideline”



Outline of the Act on Promotion of PFI (Purpose)

The Act on Promotion of Private Finance Initiative (PFI)

Enacted in July 1999, revised in December 2001 and in August 2005

Purpose (Article 1)

The purpose of this Act is to improve the social infrastructure efficiently and effectively and to ensure the provision of affordable and good service to the citizen by taking measures for promotion of provision etc. , of Public Facility etc. through utilization of private finance, management abilities and technical capabilities, thereby contributing healthy development of the national economy



Outline of the Act on Promotion of PFI (Definition)

Public Facility etc. (Article 2)

Roads, railways, ports and harbors, airports, rivers, parks, water services, sewage systems, and industrial water supplies;

Government buildings and accommodation;

Public housing, educational and cultural facilities, waste treatment facilities, medical facilities, social welfare facilities, offender rehabilitation facilities, parking, and underground malls;

Information and communications facilities, heat supply facilities, new energy facilities, recycling facilities (excluding waste treatment facilities), tourist facilities, and research facilities.

Administrator of Public Facility etc. (Article 2)

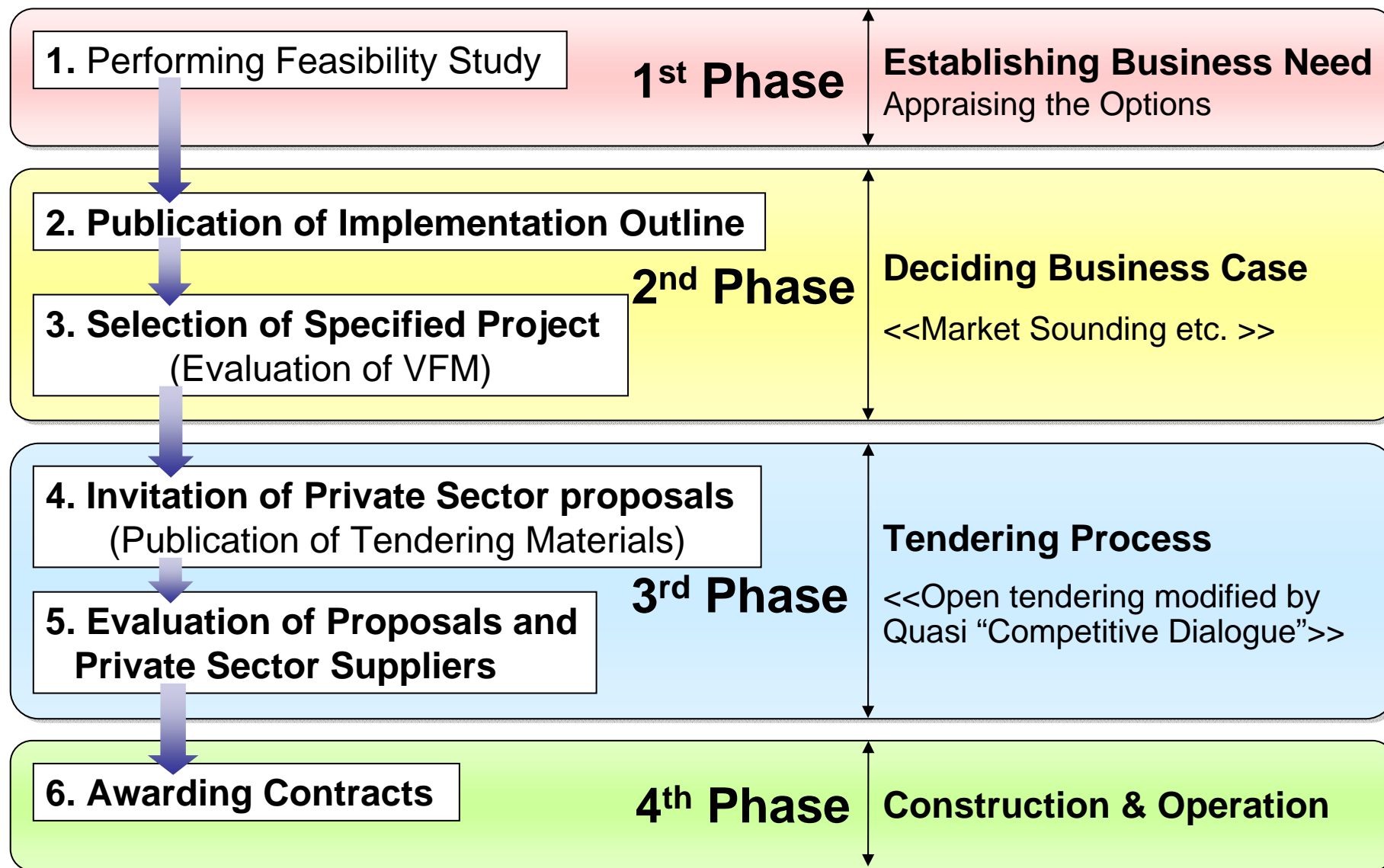
The Chairperson of the House of Representatives, the Chairperson of the House of Councilors, the Chief Justice of the Supreme Court, the President of the Board of Audit, and other ministers;

Heads of local governments;

An independent administrative agency, a corporation having a special status, and another public corporation.



Outline of PFI (Process)





Outline of the Act on Promotion of PFI (Supports)

Supports

Extend Government Debt Burden from 5 to 30 Years (Article 11)

Lease of Administrative Properties (Article 11-2, Article 11-3)

Free Use of National Property (Article 12)

Loan without Interest (Article 13)

Consideration to Secure Funds and Local Bonds (Article 14)

Consideration to Acquisition of Land (Article 15)

Supports (Article 16)

Deregulation (Article 17) etc.



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Outline of the Act on Promotion of PFI (Framework)

Basic Policy (Article 4)

Spells out the PFI principles and the methods to implement them.

Formulated by the Prime Minister following the approval by the Committee for Promotion of PFI

Carried in the March 2000 Prime Minister's Office bulletin

Guidelines

Practical guidelines for the implementation of PFI projects

1. **Process** (January 2001, revised June 2007)
2. **Risk Sharing** (January 2001)
3. **Value For Money (VFM)** (July 2001, revised June 2007 and July 2008)
4. **Contract** (June 2003)
5. **Monitoring** (June 2003)

The Committee for Promotion of PFI (Articles 21,22)

Established under the Cabinet Office.

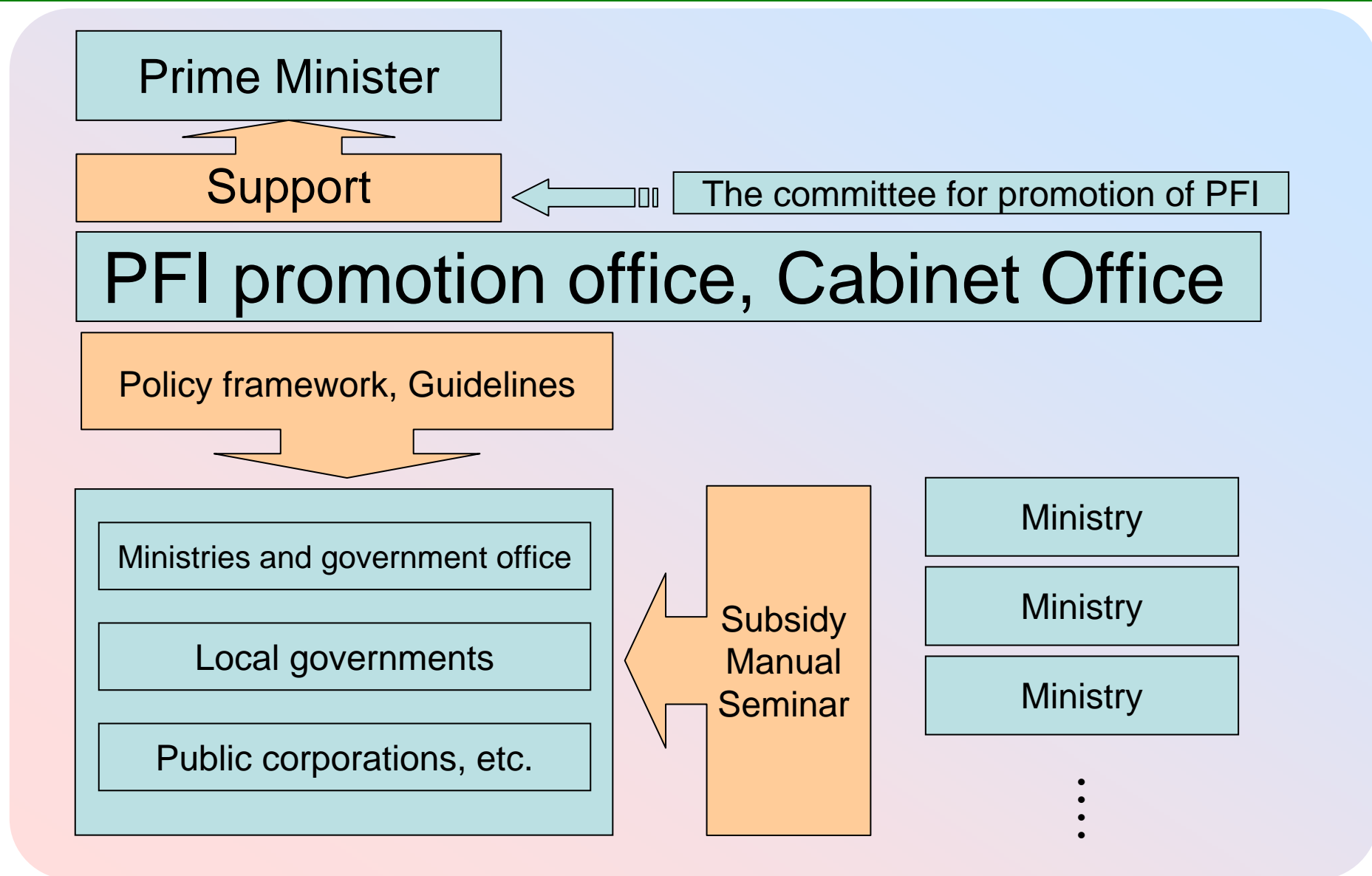
Prime Minister appoints members from academic experts and specialists.

Deliberates on basic policies and other matters.



Organization of Promotion of PFI in Japan

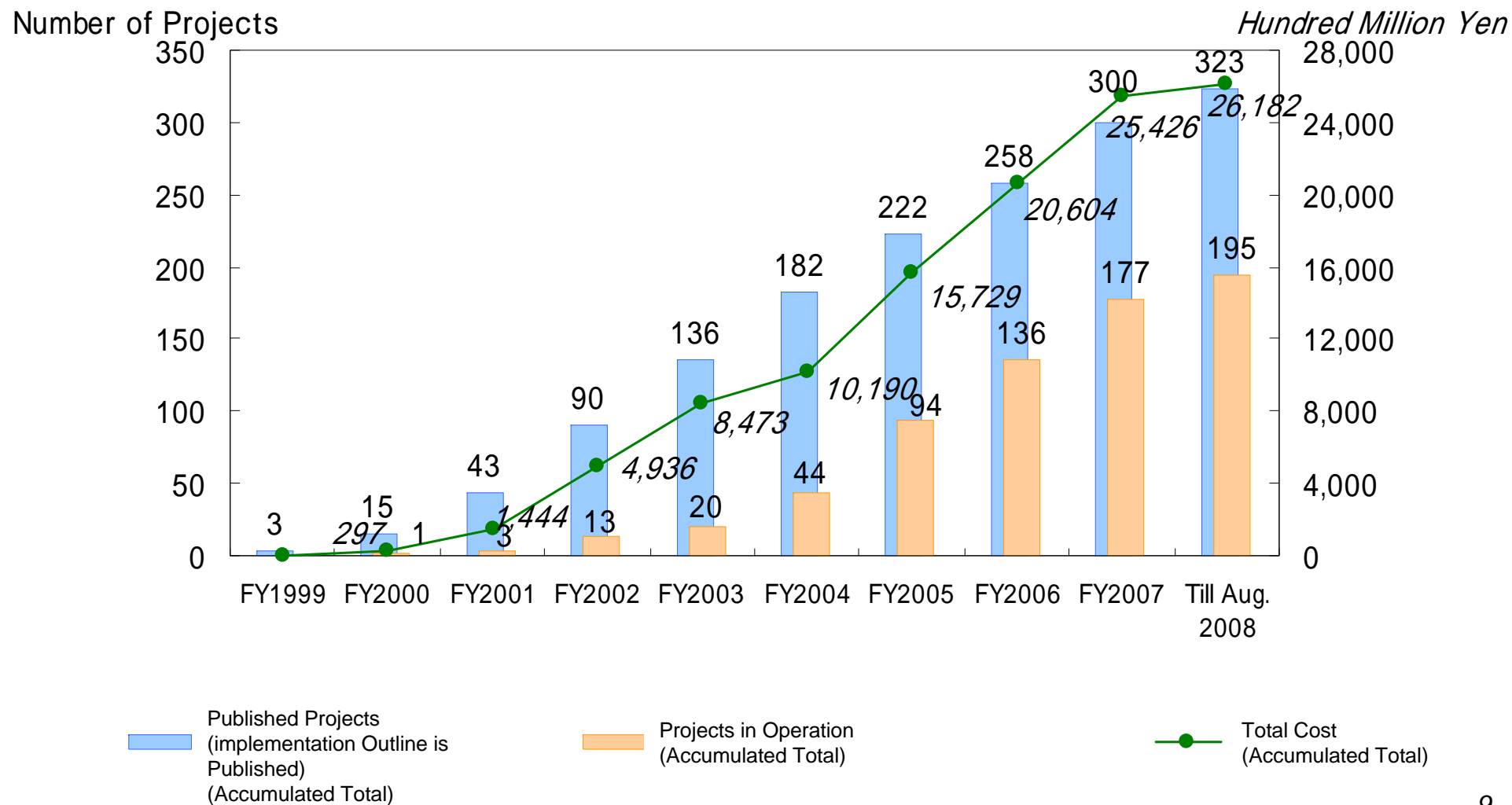
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Growth in Number and Cost of Projects

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Number of Projects in Each Fields

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Fields	Administrator			Total
	State	Local	Other	
Education and Culture (e.g. school, library, etc.)	1 (1)	75 (40)	28 (27)	104 (68)
Life and Welfare (e.g. facility for social welfare for aged, etc.)	0	15 (12)	0	15 (12)
Health and Environment (e.g. hospital, waste disposal facility, etc.)	0	54 (35)	2	56 (35)
Industry (sightseeing facility, etc.)	0	14 (7)	0	14 (7)
Town Development (parks, etc.)	6 (2)	30 (23)	0	36 (25)
Public Safety (police office, prison, etc.)	6 (4)	13 (5)	0	19 (9)
Government building and accommodation	39 (16)	4 (3)	1 (1)	44 (20)
Others (e.g. complex facilities, etc.)	2	33 (19)	0	35 (19)
Total	54 (23)	238 (144)	31 (28)	323 (195)

Number of facilities (number of projects in service)

(As of Aug. 31th, 2008)

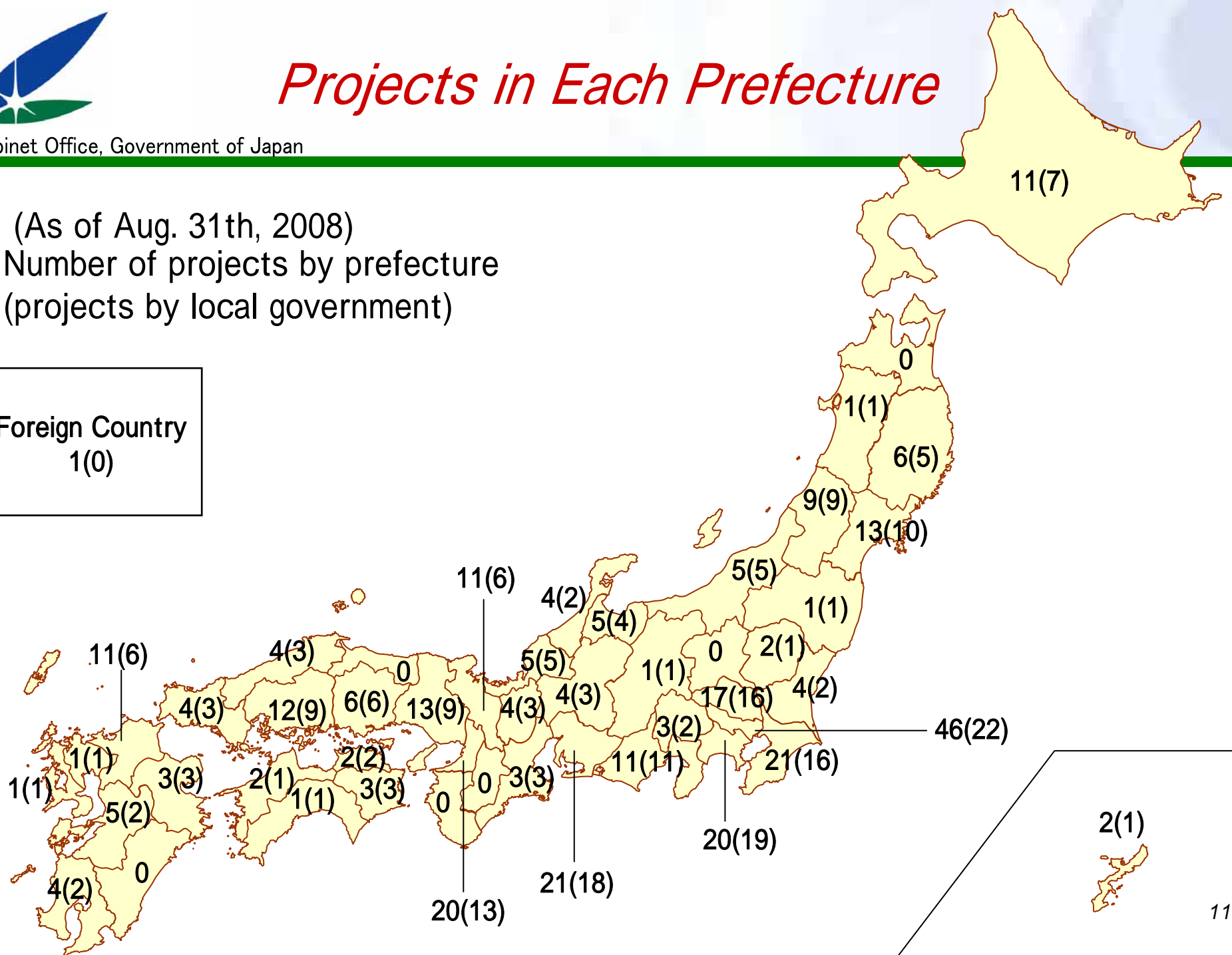


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Projects in Each Prefecture

(As of Aug. 31th, 2008)
Number of projects by prefecture
(projects by local government)

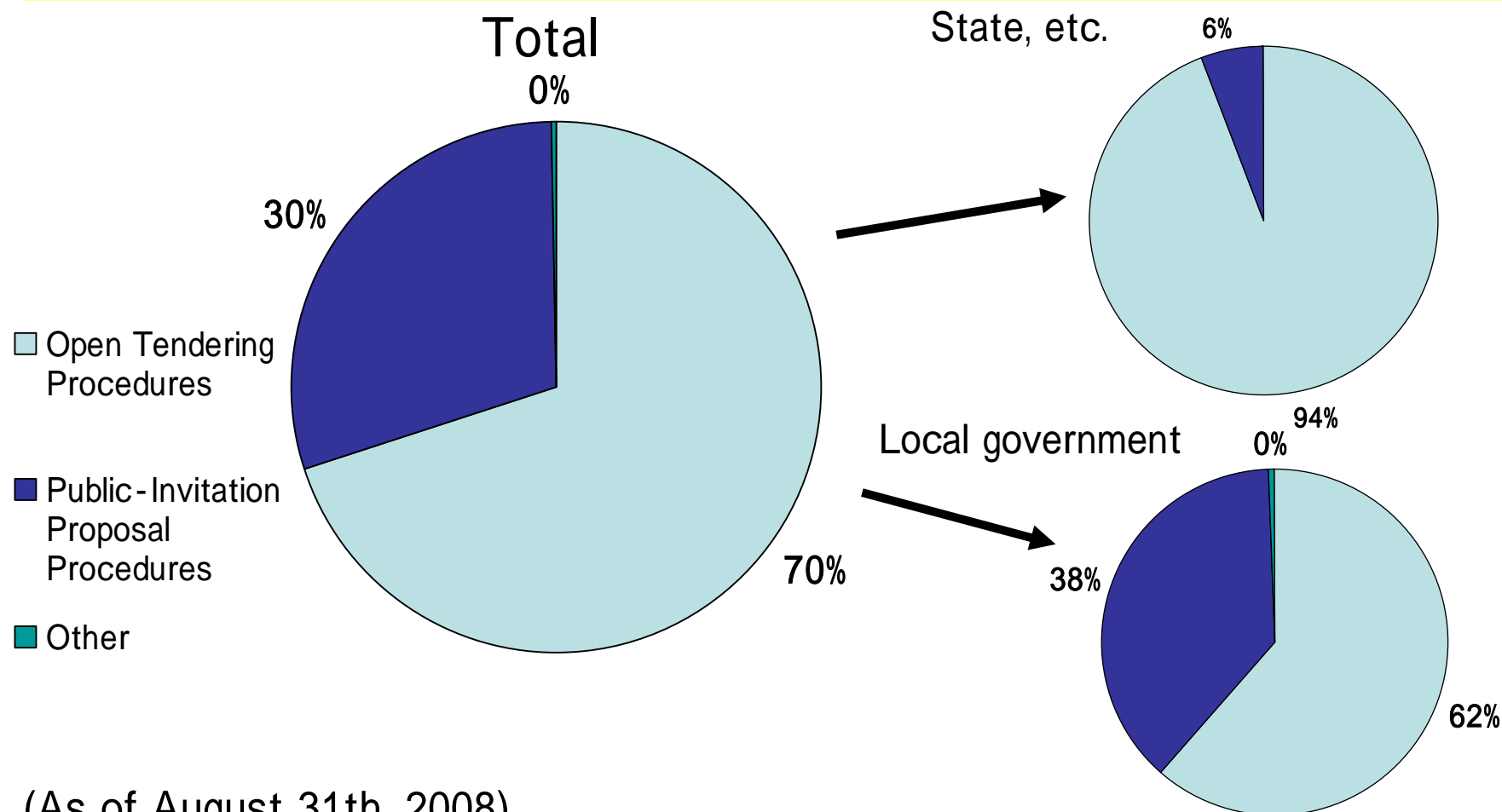
Foreign Country
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Procurement Procedures

- In 70 percent of PFI projects, the contractor is selected through open tendering, while the remaining 30 percent use a public-invitation proposal system (one type of “negotiation”).



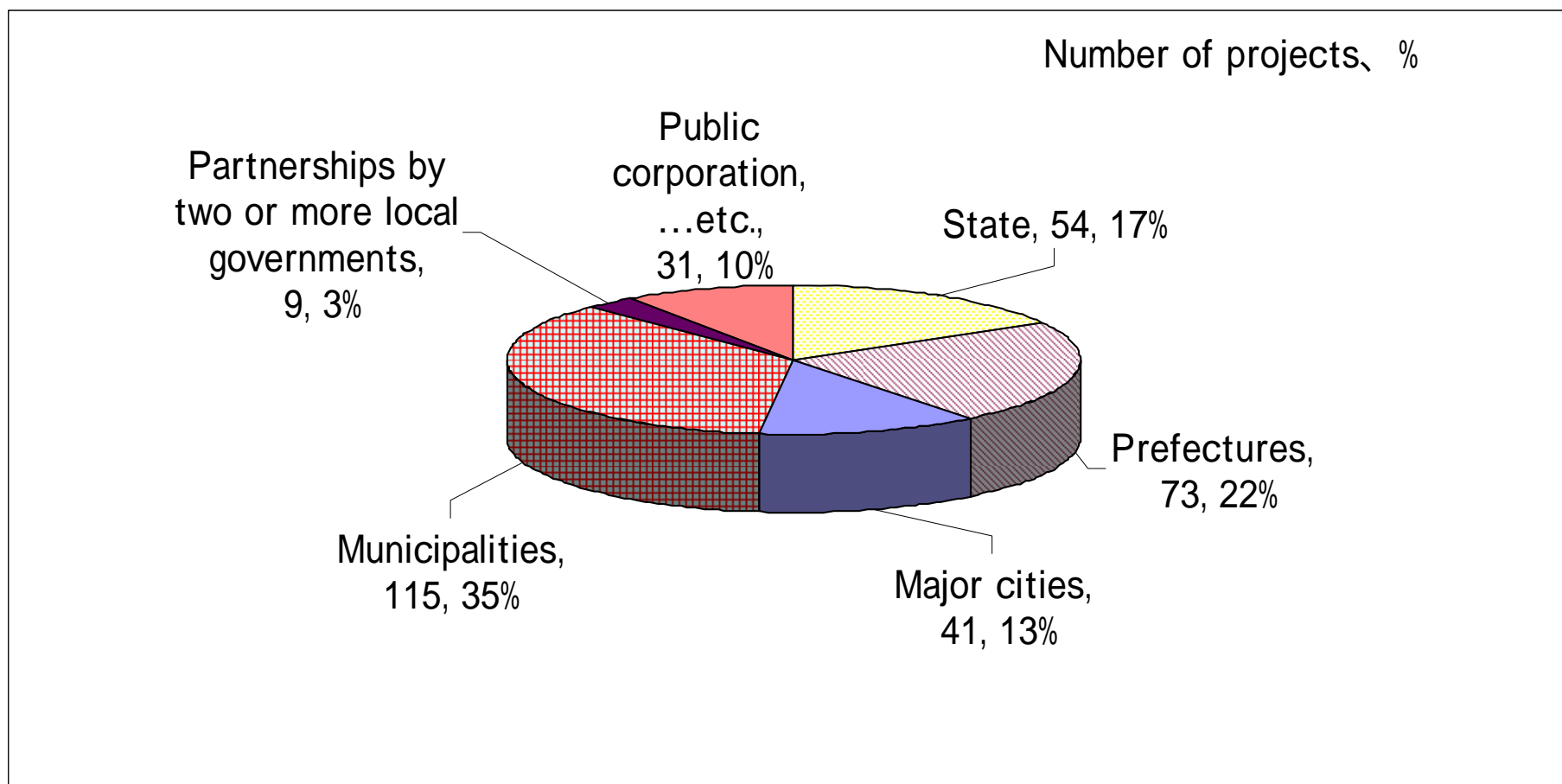
(As of August 31th, 2008)



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Administrator of Facilities

- Roughly 75 percent of PFI projects are administrated by local governments.



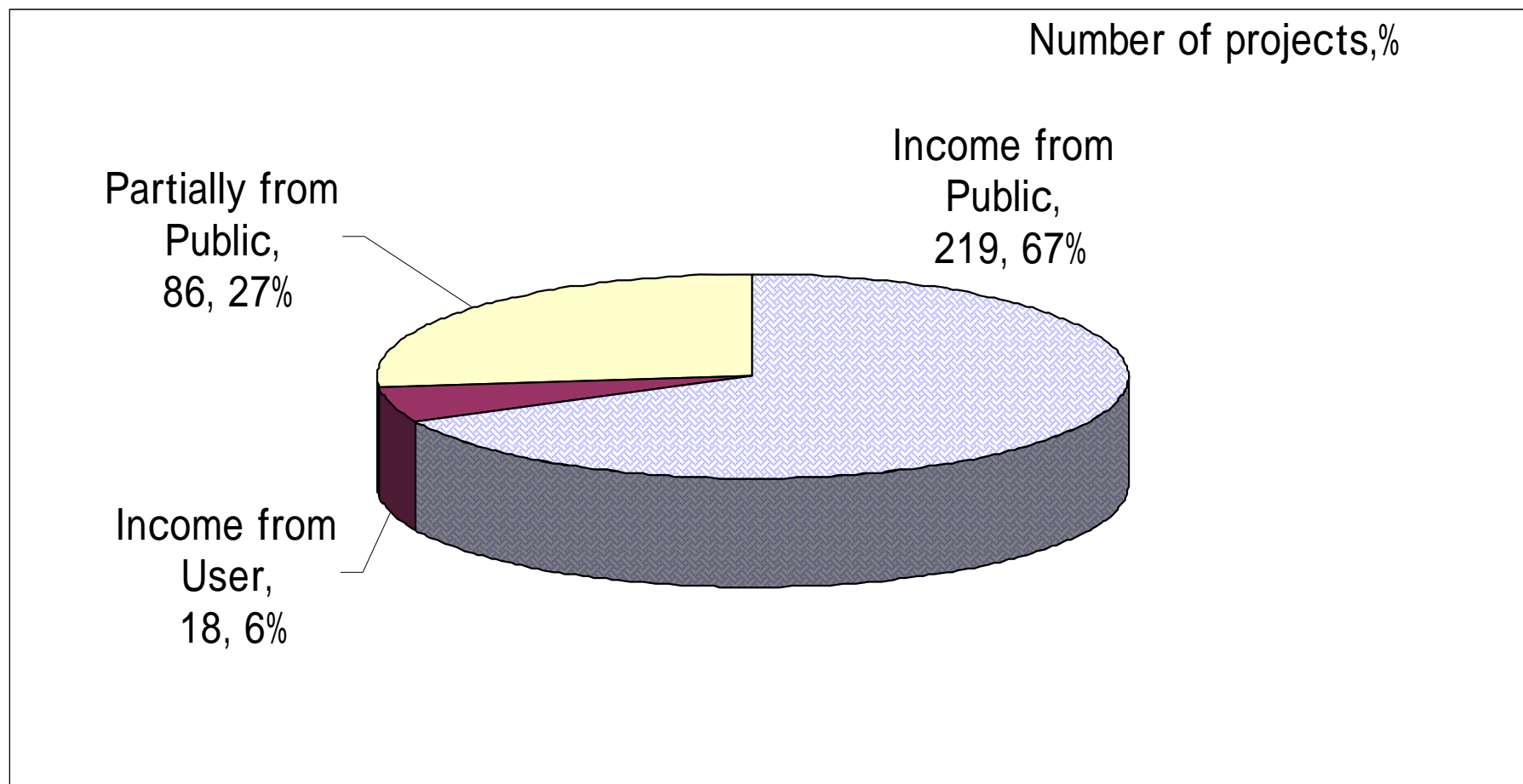
(As of Aug. 31th, 2008)



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Types of Gaining Income

- Income-from-Public projects represent nearly 70 percent of all projects.



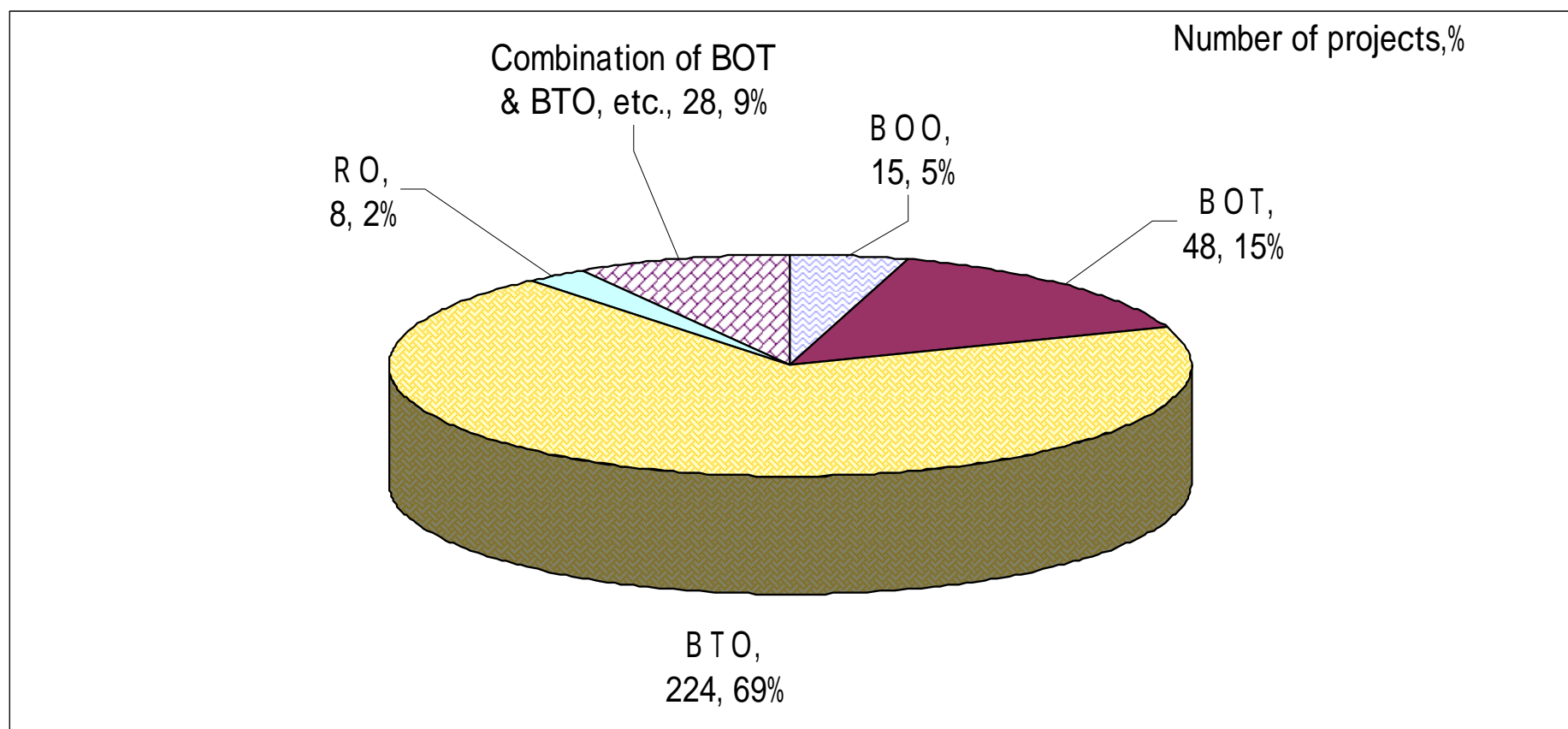
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Facility Ownership

- BTO projects account for almost 70 percent of all projects.

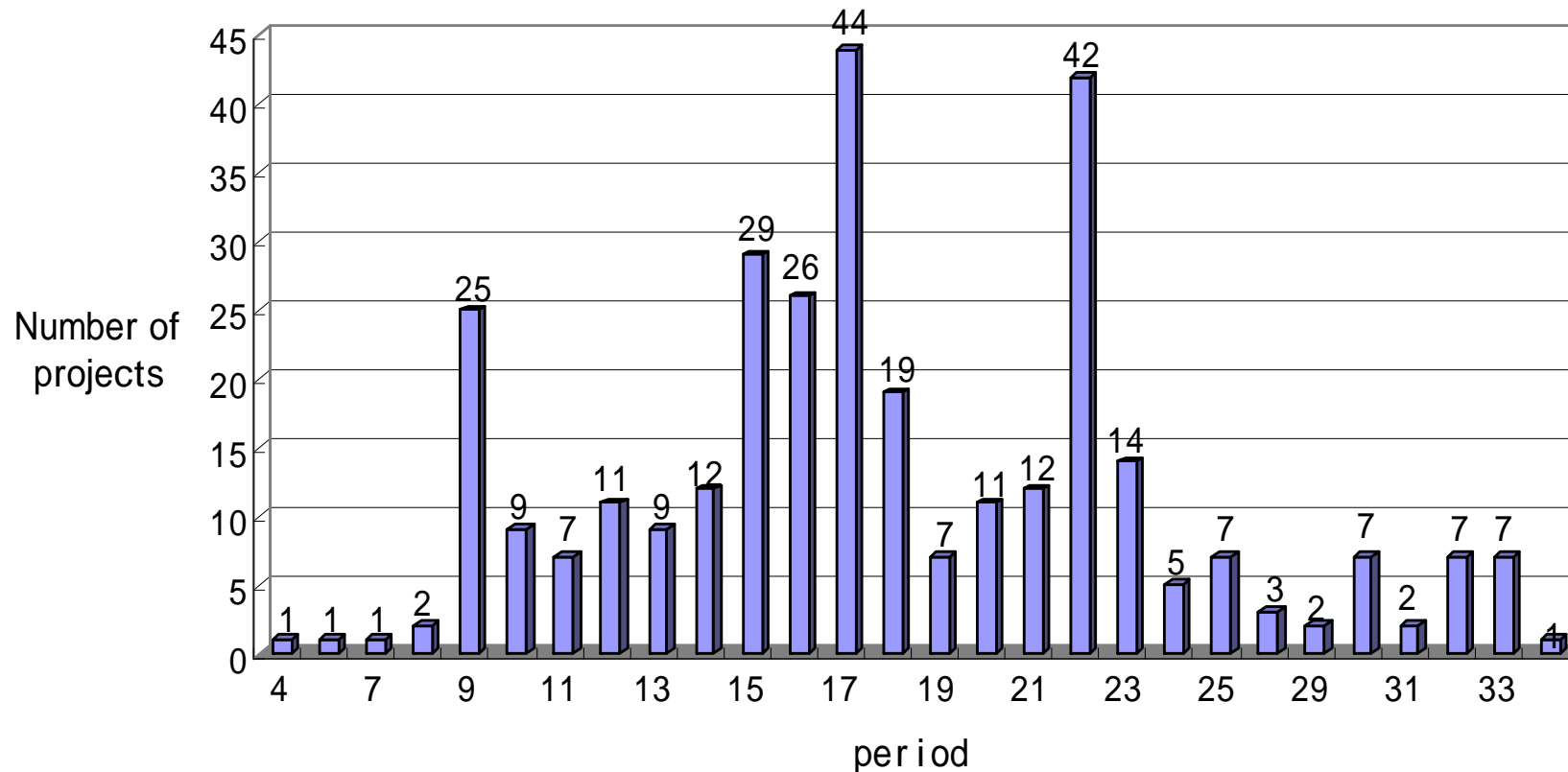


(As of Aug. 31th, 2008)



Period of PFI Projects

- Projects of 17 years (2 years-construction, 15years-operation) and 22 years (2years-construction, 20years-operation) in length are common.

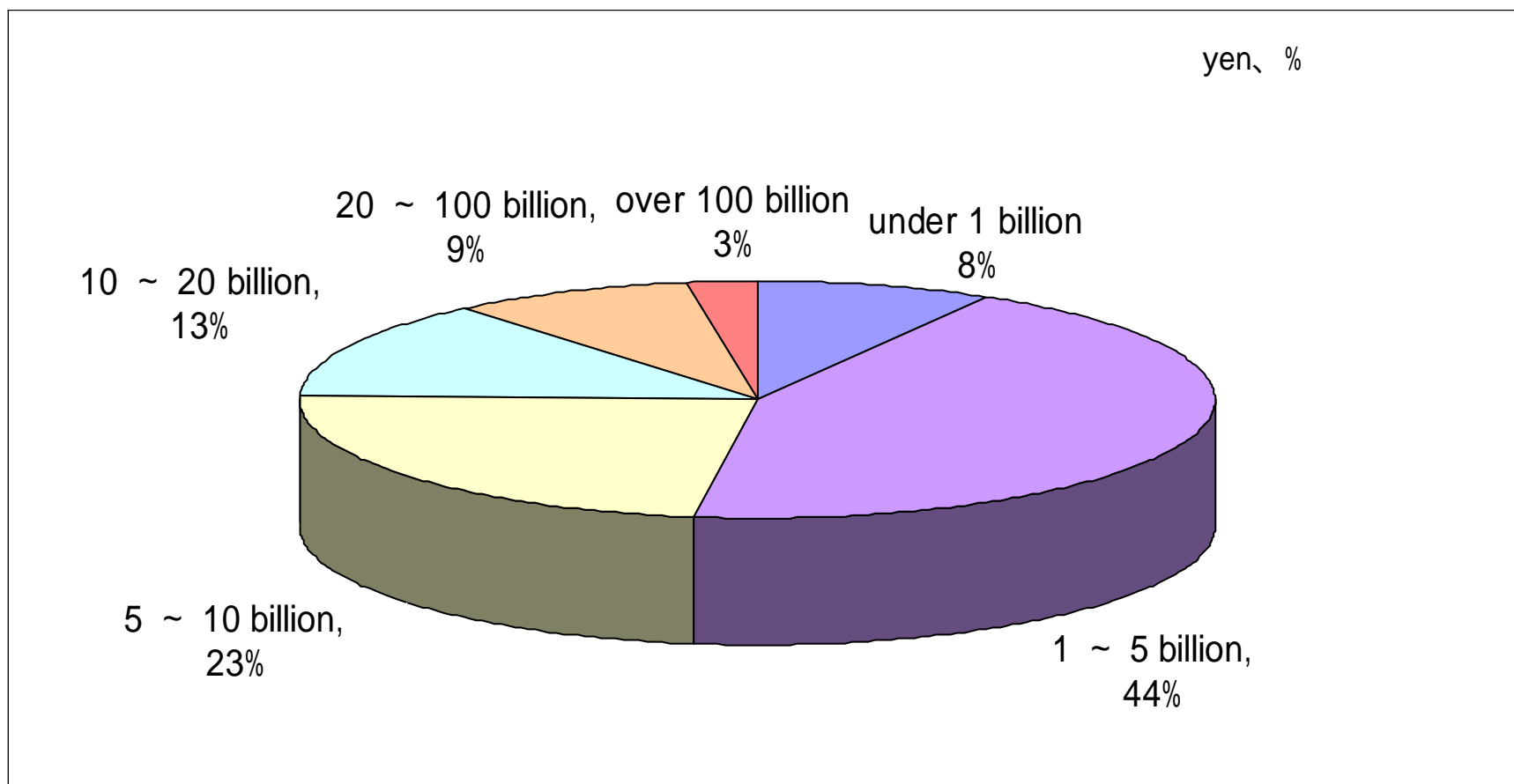


(As of Aug. 31th, 2008)



Cost of PFI Project

- About half of PFI projects are relatively small — under 5 billion yen — but large-scale projects over 100 billion yen have been appearing recently.



(As of Aug. 31th, 2008)