The Guidelines on Value for Money

(the VFM)

The guidelines provide the details of the Value for Money (VFM) in the selection of qualified projects, etc. as one of the practical indicator for the national government in the implementation of PFI projects. The national government of Japan should implement PFI projects in accordance with the Act on Promotion of Private Finance Initiative (Act No. 117 of 1999; hereinafter referred to as the “Act”) and the Basic Policy on the Implementation of Projects on the Private Finance Initiative (Cabinet Decision of October 23, 2018; hereinafter referred to as the “Basic Policy”), and in line with these guidelines. The guidelines can also serve as a reference in PFI projects implemented by persons other than the national government.

The guidelines do not prevent each ministry and agency from devising methods, etc. according to the situation in accordance with the Act and Basic Policy for the smooth implementation of PFI projects, and implementing of the PFI projects by methods other than those indicated in the guidelines.

The PFI project has yet to be implemented in full-scale, and based on the implementation status thereof and the progress, etc. of investigations and studies pertaining thereto in the future, a part or all of the guidelines will be changed as necessary or new guidelines will be provided.

Unless otherwise provided herein, the terms used herein shall have the meanings as provided in the Act and the Basic Policy.

I. Basic Concept of VFM Evaluation

1. What is VFM?

(1) The term, Value For Money (the VFM), generally refers to the concept of "Offering the highest value for a service money can buy." When comparing two businesses with the same resolve, the one that provides the highest value for a service in terms of money, it is said that the business "there is the VFM" compared to the other, which is said not to be offering the optimum value for a service compared to the other, and therefore, that business is said to have provided a service "there is no VFM."

(2) With regard to whether or not a project related to the provision, etc., of the public facility, etc., is to be implemented as a PFI project, it can be done so based on the criteria that the project can be efficiently and effectively implemented as a PFI project. If there is more of the concept of VFM in implementing the project as a PFI project than in the case where the public sector implements the project on its own (see II-1 below), and then it satisfies the criteria for efficient and effective implementation. Therefore, when considering implementation as a PFI project, it is essential to evaluate whether or not there is the VFM.

(3) The Basic Policy specifies the evaluation standards for selecting a qualified project in Section Ⅱ 2(1), (2) and (3) of the Policy, which maintains the same purpose as the above evaluation of the VFM. As mentioned in (1) above, there are two factors to evaluate the VFM: "payment" and "value of service." In the Basic Policy, the "payment" represents the present value of the estimated amount of public financial burden throughout the project period, whereas "value of service" is the level of public service obtained through the provision, etc., of the public facility, etc.

(4) In this guideline, the present value of the estimated amount of public financial burden over the entire project period when the public sector implements the project on its own shall be referred to as the "PSC" (Public Sector Comparator), and the present value of the estimated amount of public financial burden throughout the entire project period when implemented as a PFI project shall be referred to as the "LCC (Life Cycle Cost) of PFI project."

(5) In assessing the VFM of a PFI project, the method of comparison in the assessment shall differ depending on how the level of public service is set when the public sector implements the project itself and when it is implemented as a PFI project. In case of evaluation under the same level of public service, the VFM shall be evaluated by comparing the PSC with the LCC of PFI project. In this case, if the LCC of PFI project is below that of PSC, then there is the VFM on the side of the PFI project, and if it is above, then there is no VFM.

(6) On the other hand, when evaluating without setting the same level of public service, even if the PSC and the LCC of PFI project are equal, and if the improvement in the level of public service can be expected in the PFI project, then there is the VFM on the side of the PFI project. Also, even though the LCC of PFI project may exceed the PSC, and if the PFI project can be expected to improve the level of public services more than the difference, then there is the VFM on the side

of the PFI project. However, in this case, the assumption is that the expected improvement in the level of public services can be quantified by some method on the same scale as the PSC or LCC of the PFI project.

(7) At the stage of selecting a qualified project, since the plans of the private businesses are not yet known, it will be essential to calculate the PSC and the LCC of PFI project based on the same level of public service, and compare them (see section V-1(1) below) accordingly. In this case, whether or not there is the VFM shall be evaluated in accordance with (5) above. If no difference is found between the PSC and the LCC of PFI project, it is appropriate to evaluate whether or not the project concerned should be implemented as a PFI project in light of the purpose of the Act, taking all other factors into consideration.

(8) On the other hand, when the plan of a private business is clarified, the public service level of the plan can be evaluated and added to the evaluation of the VFM (see section V-1(2) below). In this case, whether or not there is the VFM shall be evaluated according to (5) and (6) above.

(9) The discussion of VFM is about efficiency and not about necessity. The discussion of necessity should be made separately from the discussion of VFM. From the point of view of public nature, and from the perspective of "affordability" in subsequent years why VHM is necessary for administrative services should be considered separately. The administrator, etc. of the public facility, etc. should have an accurate understanding of VFM and must be accountable for the VFM that he/she has constructed.

(10) In addition, the VFM is not just a matter of calculation, but it should be improved while deepening the study of the project scheme at each stage of project planning, qualified project evaluation, and business selection. At that time, it is necessary to attempt a step-by-step evaluation, appropriately reflecting on the situations at each stage. From this perspective, the role of the feasibility study in VFM evaluation is extremely important.

(11) The elements of the sources for VFM include entrusting the entire life cycle to the private sector, i.e., taking appropriate risk allocation, enjoying benefits of combination, and improvement of benefits through early implementation, etc. It is important to clearly recognize these elements and discuss how to improve them.

2. Types of PFI Projects and the VFM Evaluation

(1) As mentioned above, VFM is basically evaluated by comparing the PSC and the LCC of PFI project.

(2) In a so-called "service purchase type" project (including those cases having financial support from the public sector, etc.), the cost of the PFI project is covered by the fee paid by the public sector in exchange for the public service. Since the project is implemented entirely under the burden of public finance, the VFM can be evaluated by comparing the LCC of PFI project with the PSC. In this case, VFM shall always be evaluated based on the method described below.

(3) Also, projects in which cost of the PFI project is covered by both fees collected from users and

public sector expenditures (so-called "joint venture type”) and projects in which the project cost is covered entirely by fees collected from users and no public sector expenditures are incurred (so-called “Stand-Alone-Type") shall also be evaluated as to whether they can be implemented efficiently and effectively as a PFI project.

3. Timing of the VFM Evaluation, etc.

(1) VFM evaluation must be conducted at the time of selecting a qualified project in accordance with the Basic Policy.

(2) Also, as mentioned in 1(10) above, VFM evaluation should be practiced at each stage of project planning, qualified project evaluation, and business selection, to deepen and improve the scheme of the project. In this regard, it is necessary to conduct the VFM assessment even at the stage of conducting a feasibility study.

(3) Also, at the time of business selection, it is appropriate to confirm if VFM is to be applied for the business plan of the private businesses to be selected and to verify the appropriateness of the approach through a review of the assumptions. In this case, in terms of PSC, the VMF calculated in the selection of qualified projects are used in principle.

(4) In assessing the VFM, matters following II below shall be taken into consideration, and as much accuracy as possible shall be ensured to the extent that the calculation is possible at the time. At this time, it should be noted that too much effort should not be put into the calculation. On the other hand, it is important to make efforts to gradually improve the objectivity and transparency of the PSC.

(5) For example, PFI projects such as the construction, etc. of an administrative building are typically those with a large proportion of facility development operations and maintenance and management services, and there have been many similar projects in the past. For such PFI projects, at the planning stage of the project (at the time of the basic concept or basic plan), it is considered possible to make an objective evaluation based on the actual VFM of past PFI projects calculated using similar assumptions (hereinafter referred to as "reference VFM"), and VFM calculated using actual values, etc. from similar projects in the past (hereinafter referred to as "simplified VFM). Also, even at the stage of qualified project evaluation, it is considered possible to make an objective evaluation using reference VFM and simplified VFM. Even in the case of improving accuracy, it is appropriate to conduct VFM evaluation by calculating the LCC of PFI project to match the accuracy required for calculating the estimated price.

II. Calculation of PSC

1. Prerequisites for Calculation

The PSC refers to the present value of the expected amount of public financial burden based on appropriate project cost projections over the entire project period when the public executes the project itself. The financial burden refers to the total amount of the project cost or the financial expenditure to cover it, based on the assumption that it will be compared with the life cycle cost (LCC) of the PFI project. For the calculation, in case the project is implemented by the administrator, etc. of the public facility, etc., the calculation shall be based on the project form that is expected to be adopted at that time. For example, if the project is to be partially implemented by a private business operator through contracting, outsourcing, etc., the type of business is assumed.

At present, for a more accurate understanding of financial situation and project costs, various attempts have been made to incorporate corporate accounting methods into public accounting. It is recommended that the administrator, etc. of the public facility, etc., adopts corporate accounting methods according to the prevailing conditions, etc. and the form of each project, and ensures accuracy of the PSC to the extent possible.

2. Calculation Method

(1) At each stage of design, construction, maintenance, and operation, accumulate the costs based on the project form as assumed in section 1 above. In this case, the accrual basis shall be used in principle.

(2) Implement "appropriate adjustments" in Basic Policy II-2 (2) in accordance with the following item IV-2.

(3) Calculate the total amount of the project cost, which will be the public financial burden for each fiscal year, by converting it into the present value based on the following IV-3. (Cost comparison method, Table 1)

(4) When comparing the PSC and the LCC of the PFI in total present value of fund expenditure, further calculate the cash flow from (1) through (3) above. (Cash flow comparison method, Table 2)

(5) Also, in accordance with section IV-1 below, calculate the risks for each stage of design, construction, maintenance, and operation, as well as the risks for the entire project that cannot be separated for each stage, by quantifying them separately.

(6) Regarding the accumulation of costs in (1) above as noted for reference purposes, a sample format for calculation when comparing the LCC of a PFI project with the PSC based on the double-entry bookkeeping accounting method is provided as a separate table.

(7) For the accuracy of the calculation, refer to I-3(3) above.

3. Indirect Costs

(1) Indirect costs refer to overhead costs of the public sector, such as labor costs and administrative costs, etc. during the planning stage and project period, necessary for the implementation of the project.

(2) It is appropriate to include indirect costs in the PSC to the extent that they can be reasonably calculated.

III. Calculation of the LCC of PFI project

1. Assumptions for Calculation

(1) In performing PFI, it is possible to reduce project costs and the financial burden by handling the design, construction, maintenance, and operation of public facilities, etc. in an integrated manner. In calculating the LCC of PFI project, it is assumed that the PFI project operator will promote all of these stages in an integrated manner.

(2) If the PFI project does not include all stages of design, construction, maintenance, and operation of public facilities, etc., it is assumed that the project promotes all of the stages included in the PFI project in ａ unified manner.

(3) It is also assumed that a private business implements a project by adding the ancillary facilities (project) portion to the facilities (project) originally required by the public sector. However, when in principle, calculating the LCC of PFI project at the selection stage of a qualified project, only those facilities (projects) that are essentially required by the public sector are assumed.

However, if it is foreseen that the PFI project will be combined with ancillary facilities (projects), and the details of the facilities (projects) are specifically indicated in the implementation policy, it is acceptable to calculate the LCC of PFI project by calculating the overall project cost including the ancillary facilities (project) concerned, and then extracting the portion corresponding to the original public facilities.

(4) In confirming the VFM at the stage of selecting a private business, based on the business plan of the private business to be selected, the LCC of PFI project shall be calculated by extracting the portion corresponding to the original public facilities from the overall project cost, including ancillary facilities (projects).

2. Calculation Method

(1) Estimate and accumulate the cost of the project by the private businesses in each stage of design, construction, maintenance, and operation, and then calculate the cost borne by the administrator, etc. of the public facility, etc., throughout the project period.

(2) In accumulating the cost, clarify the basis for calculation by using consultants, etc. or conducting a study of actual condition and market research on similar projects, and calculate the project cost by assuming the profit and loss plan, etc. and cash flow of the private business for each fiscal year. Also, note that it is necessary to factor in appropriate profits and dividends as required by private businesses.

(3) Include indirect costs in the LCC of PFI project in accordance with II-3 above.

(4) Provide "appropriate adjustments" in Basic Policy II-2(2) in accordance with IV-2 below.

(5) Convert the amount of public financial burden for each fiscal year as assumed above into present value in accordance with IV-3 below, and obtain the total amount.

(6) For the accuracy of the calculation, refer to I-3(3) above.

IV. Points to be Noted for VFM Evaluation

1. Quantification of Risk

(Concept of Risk Adjustment)

(1) In case of a private business project, when certain risks associated with the project are borne by the operator, the cost of the project generally includes a commensurate compensation for bearing those risks. Therefore, the LCC of PFI project usually includes compensation for the risks assumed to be borne by the private business in any PFI project.

(2) These risks shall be borne by the public sector if the public sector implements the project itself, and if there is a financial burden associated with these risks, the burden shall be a public financial burden (in some cases, it may be a reduction rather than a burden). When comparing the PSC and the LCC of PFI project, as in (1) above, the LCC of PFI project includes the consideration of the risk assumed to be borne by the private business operator for the PFI project. Therefore, it is necessary to calculate and add the corresponding risk to be assumed by the public sector in the PSC as well (see the attached reference figure).

(Identification of Risks to be Adjusted)

(3) In order to include risks in the PSC, it is necessary to first identify the risks, etc. to be included. The types of risks are summarized in the "Guidelines on Risk Allocation, etc. in PFI Projects." Based on the above approach, identify the risks that should be included in the PSC from among these risks as stated above.

(4) The identified risks should be quantified as much as possible and included in the PSC. However, quantifying risks is very difficult, and therefore it is unavoidable to focus on the risks that have a great impact on the VFM. In this case, it should be noted that there are risks that are not included in the PSC.

(5) It should be noted that the burdens caused by cost and time overruns are considered to be of considerable impact.

(Quantification of Risk)

(6) The quantification of risk to be included in the PSC is expected to be the value of the financial burden that the public sector would bear if the project was implemented by the public sector. In other words, for a given risk, it is expressed as the product of the financial burden that the public sector would bear if it were to occur and the probability of its occurrence being high.

(7) For a given risk, the probability of incurring a financial burden of X yen in the i-th year of the project period is P(x), and the sum of $x \times P(x)$ is the expected value of the risk in the i-th year. The amount of financial burden caused by a risk essentially depends on the circumstances of the situation that occurred. Therefore, the value of x can range from 0 yen to the maximum amount that can be assumed, and if a strict calculation is performed, the expected value can be calculated by $\int \{x \times P(x)\}$. However, in the current situation, it is difficult to perform such a calculation

due to the lack of data, etc.

(8) Therefore, it is appropriate to simplify it. One approach is to assume one or several sets of numerical values for each year for a certain risk, such as the amount of the financial burden, if any, and the percentage probability (%) of its occurrence. For example, the probability of incurring a financial burden of 100 million yen in the fifth year is 1%, the probability of incurring a financial burden of 200 million yen is 2%. Then, for each fiscal year, calculate the sum of the products of these figures, discount them to present value, and then calculate the sum.

(9) Another approach is to simplify this further by assuming two values for a given risk, the probability of incurring a financial burden throughout the project period (rather than each fiscal year) and the amount of the financial burden (present value) assumed in that case, and calculating the product of these two values.

(10) The burden amount and the probability of occurrence of financial burden for a certain risk vary depending on the type of risk and the situation, etc. of the project, etc., and it is difficult to present a uniform indicator in the guidelines. It is appropriate for the administrator, etc. of the public facility, etc. to make assumptions based on their experience and data, etc. obtained through market research, etc. In order to quantify the risk in the future, it is beneficial for the administrator, etc. of the public facility, etc. to accumulate data on the risk.

(11) Apart from this, insurance premium estimates can also be used to quantify risks. For a given risk, if it is possible to obtain an insurance policy to cover this adequately, it is to quantify it in terms of the amount of premium required.

2. "Appropriate Adjustment" of Basic Policy II-2(2)

(1) The "appropriate coordination" in Basic Policy II-2(2) shall be based on coordination based on the current system. Specifically, in case if it is actually expected that financial and monetary support for the PFI project to be implemented will be considered as the financial burden for the administrator, etc. of the public facility, etc. related to the project, add that amount to the LCC of PFI project (see attached reference figure). Also, for each of the projects assumed in the calculation of the LCC of PFI project and the calculation of the PSC, in case where tax revenue and other income from the private business as the administrator, etc. of the public facility, etc. is actually expected, reduce the amount of the respective revenues from the LCC of PFI project and the PSC (see attached reference chart). In this case, it would be the same if the amount of additional income brought in by the implementation of the project as a PFI project were to be reduced from the LCC of PFI project. Also, in case of a PFI project implemented by one ministry or agency, and if the above expenditures or revenues are expected to be provided by other ministries or agencies, then the national government's expenditures and revenues shall be treated as an integral part of the project, and adjustments shall be made accordingly for those provided by other ministries or agencies.

(2) In comparing the LCC of PFI project with the PSC, if the administrator, etc. of the public facility,

etc. considers that there are other adjustments that should be made in addition to those based on the current system as described in (1) above, then it is also beneficial to adjust them and show them together with the results of (1) above.

3. Conversion to Present Value

(1) Basic Policy II-2(2) specifies that when comparing the LCC of PFI project with the PSC, the comparison shall be made by converting the LCC into present value. For example, even if the inflation rate is set at zero, the value of 100 million yen at the present is different from the value of 100 million yen 10 years from now. Thus, in comparing these two values, it is necessary to convert the value of 100 million yen 10 years from now into the present value. In this way, the conversion of future values to present values is called "converting to present values." The conversion rate used in this conversion is the discount rate. When converting 100 million yen in 10 years to present value using the discount rate r (annual rate), the calculation is 100 million yen / $(1 + r)^{10}$.

(2) For the discount rate, it is appropriate to use the risk-free rate. For example, one method is to use the historical average of long-term government bond yields or long-term forecasts, etc.. Using the risk-free rate assumes that the risk is properly adjusted in IV-1 above.

(3) If the amount of public financial burden for each year before discounting is calculated in nominal terms, the nominal discount rate shall be used, whereas if it is calculated in real terms (nominal value excluding only inflation), the real discount rate shall be used. Also, the same discount rate must be used for the PSC and the LCC of PFI project.

4. Publication of Evaluation Results

(1) The PSC and LCC of the PFI project as calculated by the administrator, etc. of the public facility, etc. shall, in principle, be published when the qualified project is selected. At that time, from the perspective of ensuring the transparency and objectivity of the VFM assessment, the process and methodology of the VFM assessment shall also be published.

(2) The following matters need to be considered when making public announcements.

① PFI projects shall provide low-cost, high-quality public services to the public, and the administrator, etc. of the public facility, etc., shall ensure the transparency and objectivity of the decision-making process, etc., when implementing the project, and fulfill its accountability to the public (taxpayers).

② By publishing the process and method of VFM evaluation along with specific figures at the time of selection of a qualified project, private businesses can better understand the requirements presented by the administrator, etc. of the public facility, etc. As a result, it is expected that proposals will be more in line with the ideas of the administrator, etc., of the public facility, etc.

③ Ensuring the transparency and objectivity of VFM evaluation is expected to raise the awareness of the administrator, etc. of the public facility, etc., which will lead to more appropriate evaluation of VFM and other relevant evaluations.

(3) From the above perspective, it is necessary, in principle, to publish the items indicated in the format below. However, if there is a risk that the presentation of the PSC and the LCC of the PFI project will inhibit legitimate competition, etc. in subsequent bidding, etc., then, only the degree of VFM can be indicated by showing the difference or ratio between the PSC and the LCC of PFI project. In that case, it should be announced based on the same format after the business selection.

* VFM Publication Format

1. Values of PSC, PFI-LCC and VFM		
Item	**Value**	**If not published, the reason to be given**
① PSC (on the basis of present value)		
② PFI-LCC (on the basis of present value)		
③ VFM (amount)		
④ VFM (percentage)		

2. Assumptions for VFM Study		
Item	**Value**	**Basis for calculation (if not published, the reason to be given)**
① Discount rate		
② Price inflation rate		
③ Risk-adjusted value *1		

*1 The risk-adjusted value refers to the value that is quantified by the product of the financial burden that the public sector would bear if the risk were to occur and its probability of occurrence, which is to be included in the PSC. However, due to the fact that it is difficult to quantify the risk by using the above methods, premium estimates can be used (see IV-1 "Quantification of Risk").

3. Method of Calculation of Project Costs, etc.			
Item	**PSC cost item**	**PFI-LCC cost item**	**Basis for calculation (if not published, the reason to be given)**
① Calculation method for user income, etc.			
② Calculation method for facility maintenance costs			
③ Calculation method for operating costs*2			
④ Calculation method for maintenance and management costs			
⑤ Calculation method for procurement of fund costs			
⑥ Other costs			

*2 The term "operational services" or "service provision services, etc." may be used to clarify the purpose of the term.

(4) The administrator, etc. of the public facility, etc. shall publish the VFM based on the project plan of the private business to be selected in accordance with the following format. At this time, it is appropriate to publish the evaluation method of VFM (PSC, LCC of PFI project, etc.).

4. VFM Based on Business Plan of Private Business to be Selected			
Item	**Value**	**Remarks *3**	**If not published, the reason to be given**
① PSC (on the basis of present value)			
② PFI-LCC (on the basis of present value)			
③VFM (amount)			
④VFM (percentage)			

*3 In case the conditions for calculation are the same as those for PSC, the specific details shall be described.

V. Evaluation of the Level of Public Services, etc.

1. Level of Public Service

(1) In calculating the PSC and the LCC of PFI project when selecting a qualified project, it is appropriate, in principle, to calculate them by setting the same level of public service (see I-1(7) above).

(2) In case it is necessary to evaluate the level of public services as planned by applicants at the time of selecting private businesses, the evaluation shall be conducted based on the evaluation standards specified in the call for private businesses (see I-1(8) above). The items to be evaluated shall be specified in the call for applications, and in principle, those not specified shall not be evaluated.

2. Others

(1) In calculating the PSC and the LCC of PFI project for the selection of a qualified project, it is appropriate, in principle, to set the same construction period for the calculation. In this case, if the administrator, etc. of the public facility, etc. has a reasonable criteria, it is acceptable to set different construction periods for the calculation.

(2) In selecting a private business, the evaluation standards may include items related to shortening the construction period, and based on this, the shortening of the construction period planned by the applicant may be evaluated.

Supplementary Provisions

The guidelines shall come into effect as of October 23, 2018.

Attached Table: Sample reference forms for PSC calculation

Table1: Cost comparison method

Fiscal year			・・・	-2	-1	0	+1	+2	・・・	Final year	Total	Remarks
Design construction project cost	Direct cost	Labor cost										
		Property cost										
	Indirect cost	Personnel cost										
		Property cost										
	Depreciation and amortization											
	Repair cost											
	Other costs											
	Total											
Maintenance operation project cost	Direct cost	Labor cost										
		Property cost										
	Indirect cost	Labor cost										
		Property cost										
	Depreciation and amortization											
	Repair cost											
	Disposal cost											
	Other costs											
	Total											
Finance cost	Interest paid											
	Payment fees											
	Total											
Project cost total												
Risk	Design and construction phase											
	Maintenance and operation phase											
	Total											
Total cost												
Present value												

Note: When preparing the statement of administrative costs, figures are entered in accordance with the procedure for posting figures from the balance sheet and other financial statements. This format assumes that the project is service purchase type.

Table 2: Cash flow comparison method

Fiscal year			・・・	-2	-1	0	+1	+2	・・・	Final year	Total	Remarks
Design construction project cost	Direct cost	Labor cost										
		Property cost										
	Indirect cost	Labor cost										
		Property cost										
	Depreciation and amortization											
	Repair cost											
	Other costs											
	Total											
Maintenance operation project cost	Direct cost	Labor cost										
		Property cost										
	Indirect cost	Labor cost										
		Property cost										
	Depreciation and amortization											
	Repair cost											
	Disposal cost											
	Other costs											
	Total											
Finance cost	Interest paid											
	Payment fees											
	Total											
Project cost Total												
Risk	Design and construction phase											
	Maintenance and operation phase											
	Total											
Total cost												

(Cash Flow)

I. Cash Flow from Business Activities										
Design construction project cost									— ×××	
Maintenance operation project cost									— ×××	
Finance cost									— ×××	
Depreciation and amortization									×××	
Disposal cost									×××	
-										
Total									×××	
II. Cash flows from Investment Activities										
Expenditure for purchase of tangible fixed asset									— ×××	
Income from sale of tangible fixed asset									×××	
-										
Total									×××	
III. Cash Flow from Financing Activities										
Repayment of loans payable									— ×××	
Income from borrowing									×××	
-										
Total									×××	
IV. Risk									— ×××	
V. Total Cash Flow (Total of I-IV)									×××	

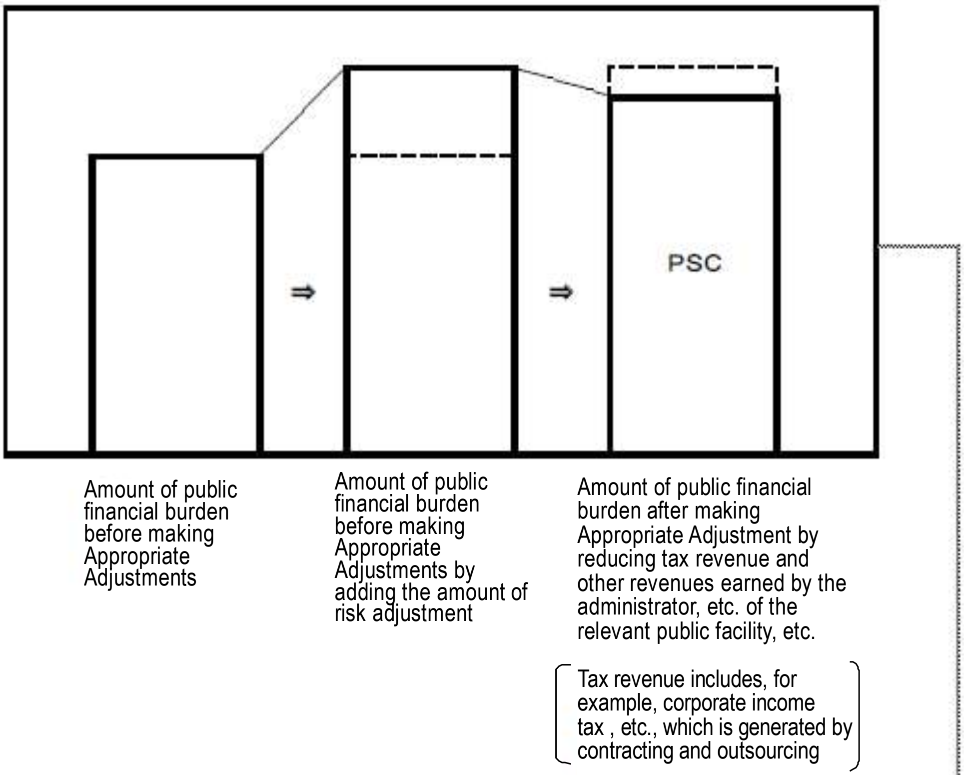
Present Value										

Note: When preparing the statement of administrative costs, figures are entered in accordance with the procedure for posting figures from the balance sheet and other financial statements. This format assumes that the project is service purchase type.

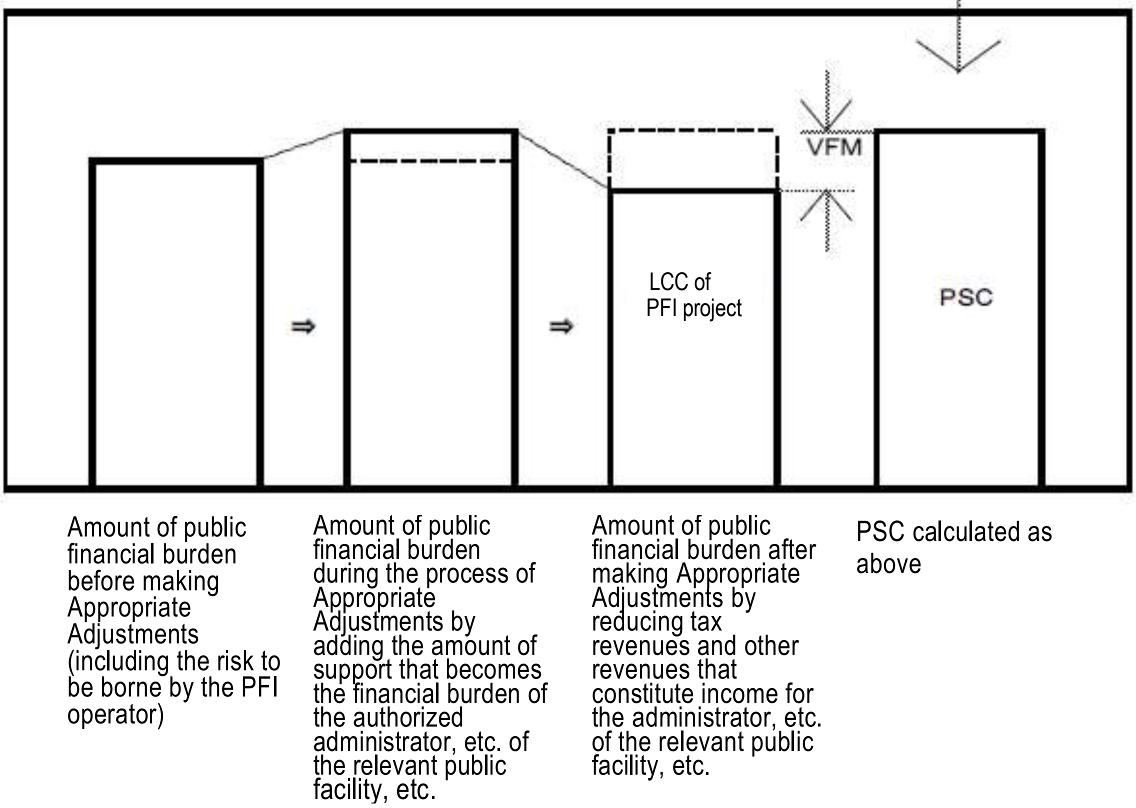
(Reference Figure)

Calculation of the PSC, LCC of PFI project, and VFM

○ Calculation of PSC



○Calculation of LCC of PFI project and VFM



(Note) 1. If other parties provide support other than that which is the financial burden of the administrator, etc. of the public facility, etc., the processing of whether or not to include the support in the calculation shall be the same for the PSC and the LCC of PFI project.

2. In case of PFI projects implemented by one ministry or agency (PFI project) where support or income from other ministries or agencies is expected, the national government's expenditures and income shall be treated as an integral part of the project, and adjustments shall be made for those by other ministries or agencies as well.