An aerial night view of a city, likely Jakarta, showing a dense urban landscape with numerous skyscrapers and a complex network of roads. The image is overlaid with a series of glowing yellow arcs that connect various points across the city, symbolizing connectivity and infrastructure development. The sky is dark with some clouds, and the city lights create a vibrant, high-contrast scene.

Promoting High-Quality Infrastructure Development: Exploring the Prospective Contribution of Japanese Official Development Assistance (ODA) in Advancing Connectivity Across the Indo- Pacific Region

Mohammad Syaban

Jakarta, 19 September 2023

The AIOP is vital for ASEAN nations, boosting their economy while safeguarding sovereignty through standardized legal principles

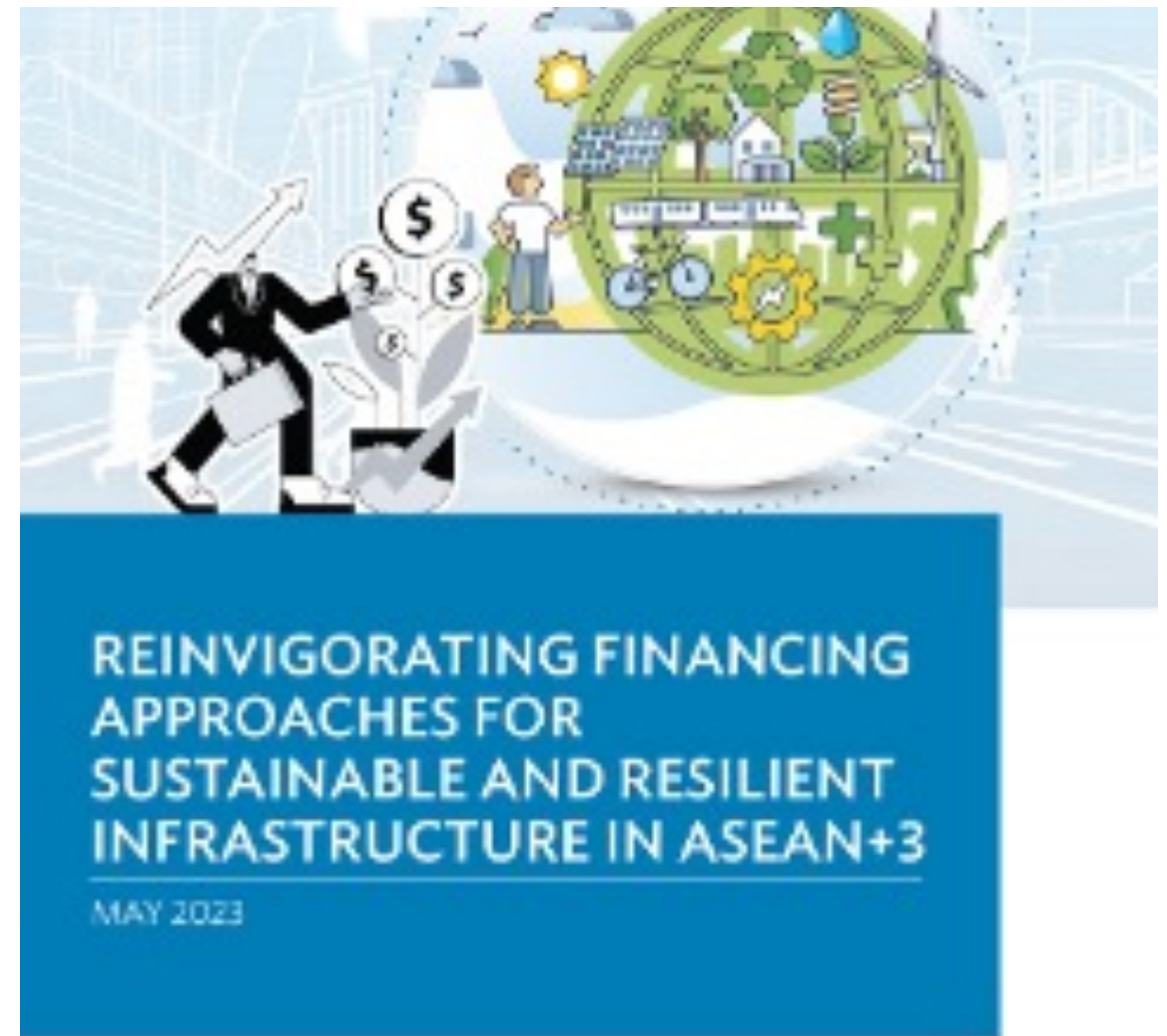
AIOP is the ASEAN regional initiative aims to:

- 1. Promote cooperation and dialogue**
 - Enhance peace, stability, and prosperity in the Indo-Pacific
 - Encourage countries to resolve disputes through peaceful means
- 2. Economic engagement**
 - **Encourage economic cooperation and connectivity** on trade, investment, and infrastructure development.
- 3. Respect for International Law**
 - Emphasize the importance of adhering to international law as the bases for maritime security and cooperation.



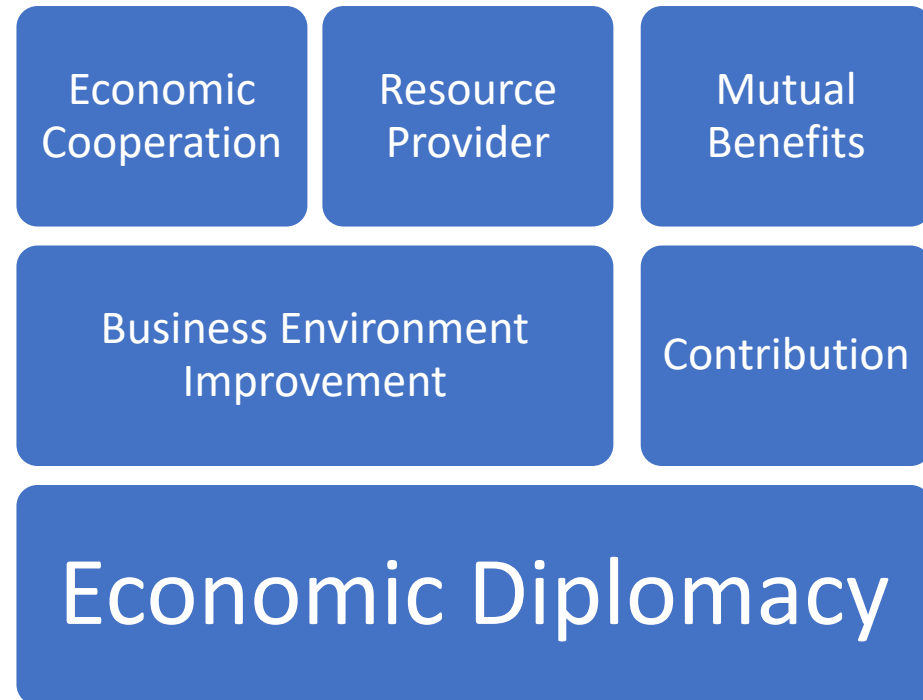
ADB research highlights a growing infrastructure funding gap in ASEAN requiring immediate attention for sustainable economic growth

1. **Baseline Estimate:** ADB estimates ASEAN's infrastructure investment need at \$2.8 trillion, necessitating an annual investment of \$184 billion.
2. **Climate Adjusted Estimate:** Taking climate factors into account, the estimated investment need rises to \$3.1 trillion, requiring an annual investment of \$210 billion.
3. **Excluded Costs:** These estimates exclude expenses related to the increasing frequency of natural disasters and extreme weather events.
4. **Urgent Attention:** The data highlights the urgency of addressing the substantial infrastructure financing gap in Southeast Asia.
5. **Sustainable Growth:** Bridging this gap is crucial for ensuring sustainable economic expansion in the region.



ASEAN nations must embrace innovative financing methods, collaborate with diverse investors, and boost regional infrastructure investment appeal for growth. Innovative finance can attract more capital to bridge the infrastructure deficit.

Utilizing innovative finance, particularly through Official Development Assistance (ODA), has the potential to enhance Japanese leadership in the AIOF's success.



Japanese ODA is a classic yet effective mechanism for building the leadership in ASEAN (Ishida, 2018).

- **Effective Diplomacy:** Japanese ODA is a robust tool for international cooperation, with a particular focus on Southeast Asia.
- **Mutual Benefits:** Southeast Asia and Japan both gain from ODA mechanisms, boosting economic performance in the region.
- **Economic Cooperation:** Southeast Asian nations anticipate Japanese ODA, economic cooperation, assistance, and investment for development.
- **Resource Provider:** Southeast Asia is a valuable resource provider and serves as a market and production base for Japan.
- **Business Environment Improvement:** Japanese ODA enhances the business environment in ASEAN countries.
- **Contributions:** It supports economic development, nation-building in education and healthcare, human resource development, and technical assistance.



Amid global uncertainties, such as U.S.-China rivalry, Japanese ODA remains a vital diplomatic tool for peace and prosperity as well as to realize ASEAN community vision.

1. **JAIF Commitment:** JAIF is committed to enhancing ASEAN integration and strengthening cooperation in various domains.
 - **Strengthening Ties:** JAIF fosters development, trade, culture, and regional stability in the ASEAN-Japan relationship.
2. **China's BRI:** China's Belt and Road Initiative (BRI) involves loans and infrastructure projects, primarily in Asia, Africa, and Latin America.
 - **Debt-Trap Concerns:** There are concerns that BRI loans may lead recipient countries into a debt trap, potentially compromising their assets and infrastructure.



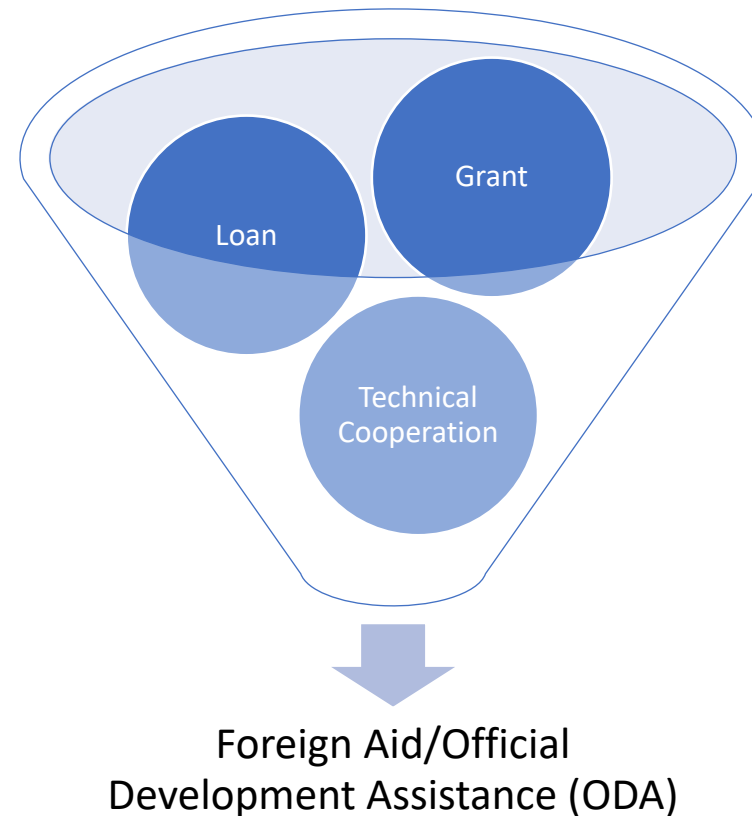
Official Development Assistance and Japan's Diplomacy in ASEAN



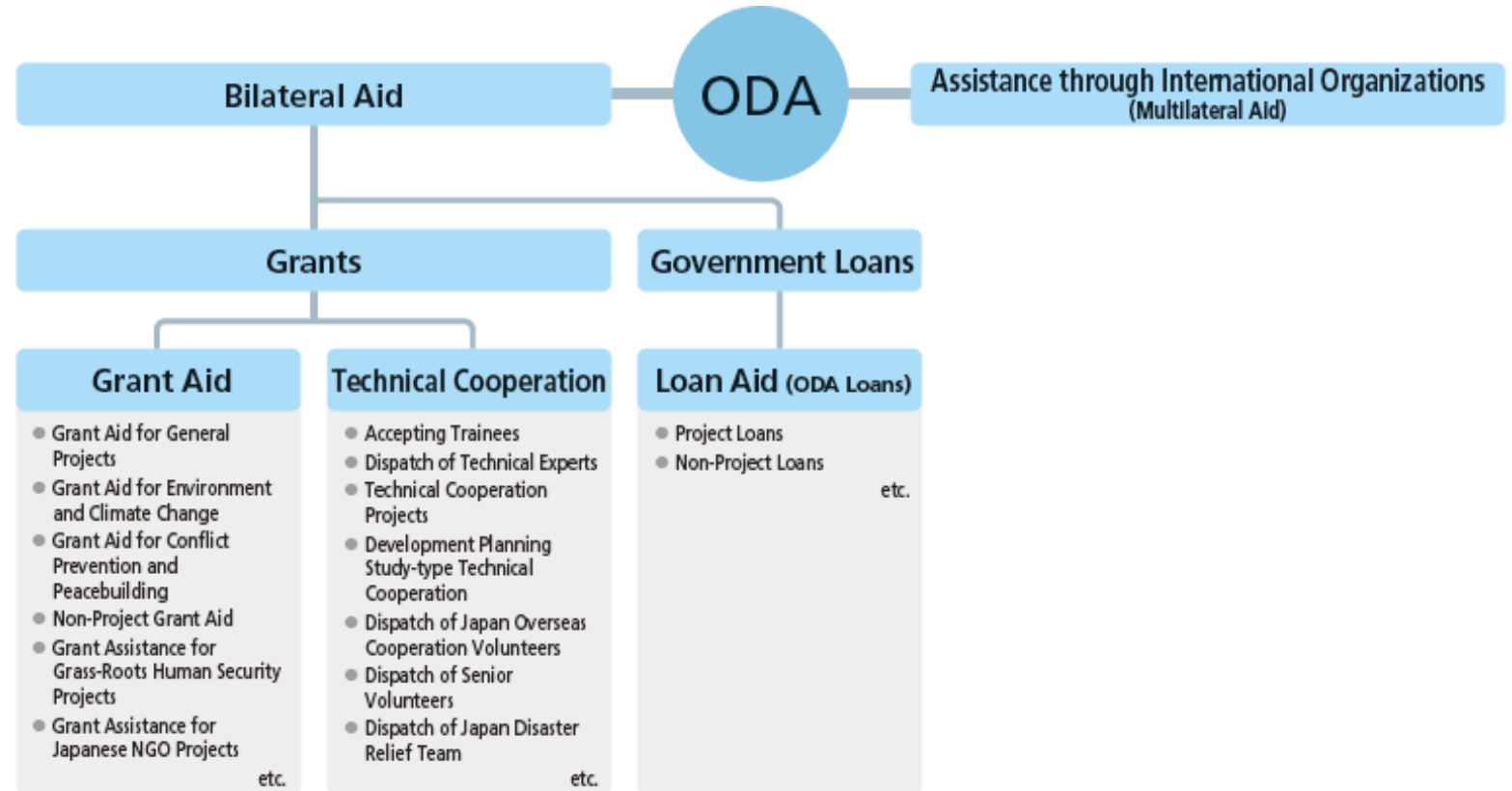
Understanding Foreign Aid

- Grants or loans to countries and territories on the DAC List of ODA Recipients (developing countries) and to multilateral agencies which are (OECD-DAC, 2013)*
 - (a) Undertaken by the official sector
 - (b) Promotion of economic development and welfare as the objective
 - (c) At concessional financial terms (Min 25% grant if the mechanism is loan)
- Technical cooperation is included.
- The purpose of the ODA is to help its recipients for the development acceleration.

The Organization for Economic Cooperation and Development – Development Assistance Committee (OECD-DAC) is a forum to discuss issues surrounding aid, development and poverty reduction in developing countries consisted of 27 country members)



ODA in Economic Cooperation



Entering the 50th year of ASEAN-Japan relations, the diplomatic doctrine has evolved from economic motives towards people-to-people cooperation.

Fukuda Doctrine (1977)

1. Japan is committed to peace, and rejects the role of military power;
2. Japan will do the best for consolidating the relationship and trust based on 'heart-to-heart' understanding as an equal partner;
3. Japan will cooperate positively with ASEAN while aiming at fostering relationship with the countries of Indochina and will contribute to the building of peace and prosperity throughout Southeast Asia.

Abe's Five Principles of Japan's ASEAN Diplomacy (2013)

1. Protect and promote together with ASEAN member states universal values, such as freedom, democracy and basic human rights;
2. Ensure in cooperation with ASEAN member states that the free and open seas, which are the most vital common asset, are governed by laws and rules and not by force, and to welcome the United States' rebalancing to the Asia-Pacific region;
3. Further promote trade and investment, including flows of goods, money, people and services, through various economic partnership networks, for Japan's economic revitalization and prosperity of both Japan and ASEAN member states;
4. Protect and nurture Asia's diverse cultural heritages and traditions;
5. Promote exchanges among the young generations to further foster mutual understanding.

"Regardless of the diplomatic doctrine used, the use of ODA remains relevant and effective in building Development cooperation and achieving ASEAN's agenda successfully."



ASEAN OUTLOOK ON THE INDO- PACIFIC

The menu's significance concerning
Japan's interests within the ASEAN region.

The ten key AIOP initiatives are vital for ASEAN to expedite quality infrastructure development.

1. **Economic Integration:** Promoting economic growth, trade, and investment within the Indo-Pacific region to enhance prosperity and connectivity.
2. **Maritime Security:** Ensuring freedom of navigation and adherence to international law, including the United Nations Convention on the Law of the Sea (UNCLOS), to maintain peace and security in the maritime domain.
3. **Sustainable Development:** Focusing on sustainable development practices, including environmental conservation and climate change mitigation, to address regional and global challenges.
4. **Connectivity:** Enhancing physical and digital connectivity, including infrastructure development and the promotion of digital technologies, to facilitate economic integration.
5. **Cultural and Educational Exchange:** Promoting people-to-people connectivity, cultural exchanges, and educational cooperation to strengthen ties and mutual understanding.
6. **Humanitarian Assistance and Disaster Relief:** Collaborating on disaster preparedness, response, and recovery efforts to address natural disasters and crises in the region.
7. **Conflict Resolution and Peacebuilding:** Encouraging peaceful dialogue and conflict resolution mechanisms to prevent and address regional conflicts and disputes.
8. **Capacity Building:** Supporting the development of institutional and human capacity within ASEAN member states to better address regional challenges.
9. **Public Health and Pandemic Preparedness:** Enhancing cooperation in public health, pandemic response, and healthcare infrastructure development, as demonstrated by the COVID-19 pandemic.
10. **Security and Defense Cooperation:** Strengthening security partnerships to address regional security challenges and counter non-traditional security threats.



Economic Integration

Maritime Security

Sustainable Development

Connectivity

Cultural and Educational
Exchange

Humanitarian Assistance and
Disaster Management

Conflict Resolution

Capacity Building

Public Health and Pandemic
Preparedness

Security and Defense
Cooperation

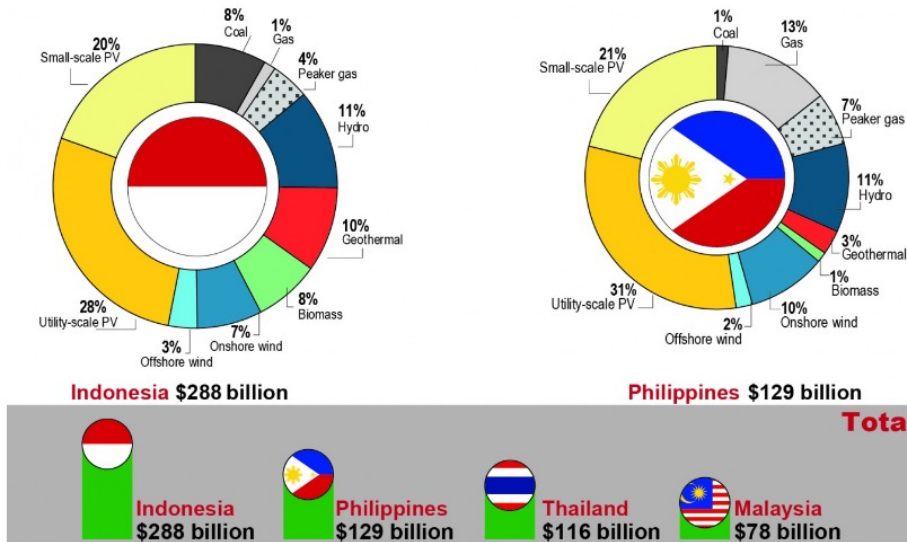
Energy infrastructure represents the most critical gap for ASEAN to achieve AIOP success with strong development partnerships.

- **Infrastructure Gaps:** There are significant infrastructure gaps in ASEAN, including energy-related infrastructure, which need substantial investment to bridge.
- **Post-COVID-19 Economic Recovery:** The post-COVID-19 economic recovery is expected to drive increased economic activities and energy demand, intensifying the need for infrastructure development.
- **Huge Investment Requirement:** A substantial amount of investment, estimated in the hundreds of billions of dollars, is necessary for energy-related infrastructure by 2040, according to projections.
- **Power Sector Dominance:** Energy investment is primarily directed towards the power sector, with a significant portion allocated to transmission and distribution systems.
- **Development Partnerships:** Various stakeholders, including development partners, are involved in infrastructure improvement efforts, emphasizing the importance of long-term development sustainability, quality infrastructure, human resource development, and innovation in the region.



ASEAN should aim high with quality energy infrastructure

SE Asia 2018-2050 investment in generation



Source: BloombergNEF. Note: Charts are not to scale

JP/Swi

Conclusion

