

Some Finance Problems in the Japanese Private Finance Initiative

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The Japanese government has begun the Private Finance Initiative methodology to build the public infrastructure for a few years. In the PFI⁽¹⁾ methodology, the special purpose company, which is to be established by the entrepreneur in the private sector, builds and operates the entity. The SPC by PFI finances the capital to enforce the project by itself based on the estimated cash flow of the project.

I found some problems in the finance of the SPC⁽²⁾. The difference of the business risk between the SPC and ordinary companies is also found. Hereby I propose some financial schema to lighten the difficulty of finance.

⁽¹⁾ PFI stands for the Private Finance Initiative.

⁽²⁾ Hereafter, SPC stands for the SPC by PFI.

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