



SMART CITY: Turning Vision into Investment in ASEAN with Japan's Strategic Role

Smart city initiatives are becoming increasingly central to ASEAN's development and are expected to expand further as urbanization accelerates across the region. These initiatives have the potential to drive long-term economic growth, enhance public services, and improve overall quality of life. Although financing from public, private, and multilateral sources is growing, many projects still struggle to attract investment due to weak preparation, unclear feasibility, and a lack of measurable real-world impact.

With Japan taking on an increasingly strategic role in ASEAN's smart city financing, combining investment support with technical expertise, this article explores the key criteria and practical pathways cities can adopt to secure Japanese capital.

Smart City Development in ASEAN Will Continue to Grow as Urbanization Accelerates

As of September 2024, the ASEAN Smart Cities Network (ASCN) has recorded 108 active smart city projects across the region. These initiatives cover six key focus areas: civic and social services, quality environment, built infrastructure, industry and innovation, safety and security, and health and well-being.

Smart city development in ASEAN is expected to **continue expanding alongside the region's rapid urbanization**, with the urban population projected to rise from approximately 350 million today to nearly 405 million by 2030, representing around 56 percent of the region's total population. This growth will place increasing pressure on infrastructure, mobility, energy systems, public services, and the environment.

Smart city initiatives are expected to play a crucial role in addressing these challenges by integrating technology-driven solutions across sectors such as healthcare, education, transport, housing, and public services. The goal is not only to enhance quality of life but also to drive sustainable economic growth and strengthen regional competitiveness.

Funding Exists — But Not for Underprepared Projects

Financing opportunities for smart city projects in ASEAN are **increasing, yet investment readiness**

remains a significant barrier. Funding is available through public budgets, bilateral and multilateral programs, and private sector participation.

Despite this growing pool of funding, many smart city proposals fail **to attract investment**. Beyond regulatory and governance challenges, the main barriers include insufficient data, weak feasibility assessments, and misalignment with investor expectations. Many initiatives present compelling visions but fail to provide the economic, social, and technical justification required to demonstrate true viability.

Moreover, **project developers often fail to align with investor expectations**—such as return potential, risk structure, and the tangible value a project will deliver. Without alignment to these criteria, even well-intentioned projects struggle to gain investor confidence and fail to progress beyond the conceptual stage.

From Expertise to Investment: Japan's Deepening Involvement in ASEAN Smart Cities

Japan's commitment to smart city development in ASEAN has progressed from offering technical advice to actively sharing end-to-end project expertise. Through initiatives such as the Japan-ASEAN Smart Cities Network (JASCA) and Smart JAMP, Japan supports cities not only with best practices and knowledge exchange but also across the entire project lifecycle—from feasibility studies and planning to implementation guidance. This collaborative approach ensures that solutions are context-specific, practical, and aligned with local development needs.

Beyond knowledge support, Japan is now playing a direct investment role in smart city initiatives across the region. The Japanese government has committed ¥250 billion (approximately USD 2.4 billion) to support Japanese companies to participate in smart city projects in Southeast Asia.

This financing includes ¥50 billion (USD 483.5 million) from the Japan Overseas Infrastructure Investment Corporation for Transport and Urban Development (JOIN) and ¥200 billion (USD 1.9 billion) from the Japan Bank for International Cooperation (JBIC). By combining financial backing with technical partnership, Japan is positioning itself as both a knowledge leader and a strategic investor in ASEAN's urban transformation.

Building Investor-Ready Smart Cities

Investors assess the broader ecosystem and economic foundations of a city before committing capital. **Two recurring success factors** consistently shape investor confidence: **Sustainability as an Economic Engine** and **Digital Evolution as a Growth Catalyst**.

1) Sustainability as an Economic Engine

Many emerging smart city developments have struggled over time because they focus on livability,

housing, or aesthetics without establishing the economic engine needed for long-term growth. **For a smart city to be viable, sustainability must operate as an integrated ecosystem—one that improves quality of life while actively supporting economic activity.** This includes creating conditions where businesses can invest, operate, and expand, supported by enabling infrastructure, sound regulation, and accessible markets. In short, a city becomes attractive to investors when it combines social well-being with economic scalability.

2) Digital Evolution as a Growth Catalyst

Digital evolution plays a critical role in signaling future readiness. **Cities that leverage digital transformation as a growth driver are better positioned to attract capital.** This typically begins with a shift from “heavy to light,” where traditional physical infrastructure is reduced or replaced through solutions such as digital twins, smart street lighting, or IoT-based systems. As these digital layers expand, the development cycle eventually shifts “from light back to heavy,” prompting new investments in infrastructure like data centers, 5G networks, and advanced connectivity. Cities that can manage both phases show adaptability, resilience, and long-term scalability—qualities that significantly increase investor confidence.

Japanese Playbook: Investment Criteria for Smart Cities (IGPI's Perspective)

Japanese companies follow a clear investment philosophy when making decisions about smart city development. Beyond the pursuit of attractive economic returns, IGPI, a Japan-based investment firm, anchors its approach on two core principles: **citizen-centricity** and **value creation**.

1) Citizen-Centric Smart City Development

Japanese companies, including IGPI, **prioritize** smart city initiatives that respond to **real community needs rather than being driven solely by technological trends.** Technology is viewed as an enabler to create tangible value and improve citizens' quality of life.

The focus is on solving pressing urban challenges such as congestion, housing, mobility, public health, education, and access to essential services. A project is considered “**smart**” only when it delivers **visible and measurable improvements that citizens** can experience, adopt, and benefit from in their daily lives.

2) IGPI's Value-Driven Investment Approach

In line with the broader Japanese investment philosophy in ASEAN smart cities, IGPI considers a **project investable** only when it **offers opportunities to add value beyond capital injection.** Rather than acting solely as a financier, IGPI seeks opportunities where its involvement can influence strategy, strengthen implementation, and improve the overall viability of the project.

Equally important, IGPI looks for opportunities to bring in Japanese strengths—such as advanced technologies, operational expertise, and private-sector partners—to support delivery

and long-term sustainability. The focus is on contributing capabilities, know-how, and networks that elevate both the quality and bankability of a smart city initiative.

Unlocking Japanese Investment: What Cities Need to Do

To attract investment—particularly from Japanese investors—cities must rethink how they design, frame, and communicate their smart city initiatives.

This begins with **a clear vision and a clearly defined problem to solve.**

A city's vision **must be more than aspirational language.** It should align with social, economic, and environmental priorities while also reflecting investor expectations. The vision needs to articulate tangible benefits for both citizens and businesses, rather than presenting broad or abstract ambitions that are difficult to operationalize or measure.

In addition, smart city projects gain traction when **they address specific, well-scoped challenges**—such as mobility, waste management, energy efficiency, or public service delivery. A targeted problem makes it easier to quantify outcomes, assess impact, and present a credible investment case. Investors are more confident when they can clearly evaluate expected returns, risks, and measurable benefits.

In short, ASEAN cities that link vision with evidence-backed execution can unlock Japanese investment and accelerate their path toward sustainable, smart urban transformation.

To find out more about how IGPI Group can provide support for businesses, browse through our **[insight articles](#)** or **[get in contact with us](#)**.

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