

Statement by the Honorable SUZUKI Shunichi
ADB Governor for Japan
at the Fifty-seventh Annual Meeting of the Board of Governors of
the Asian Development Bank
(Tbilisi, Georgia, 5 May 2024)

1. Introduction

Chairperson of the Board of Governors, Mr. President, Governors, Ladies and Gentlemen:

Firstly, I would like to express my sincere gratitude to the Government of Georgia for hosting this year's Annual Meeting and for their warm hospitality. I believe that this Annual Meeting will be an opportunity for further strengthening the bilateral relationship between Georgia and all the member countries, including Japan.

2. Japan's Expectation for the ADB

The Asia-Pacific region accomplished strong economic growth in 2023, accounting for 60 percent of global growth in the same period. However, a wide variety of arduous challenges are ahead of us, including chronic poverty and widening inequality, both exacerbated by the COVID-19 pandemic, and the urgent need to address climate change. We expect the ADB to present solutions to address these challenges with agility and strong expertise, based on its proven track record of close dialogue with client countries, also in partnership with the entire membership. Moreover, given these challenges are not confined to the region but are pervasive throughout the world, the ADB could serve as a role model for all multilateral development banks (MDBs), in the context of the ongoing MDB Evolution.

(1) Strategy 2030/Corporate Results Framework

In today's world, development challenges are increasingly complex and cross-sectoral, as well as evolving over time. Moreover, investment needs to be promoted further to achieve sustainability and inclusiveness, with an aim to meet the Sustainable Development Goals (SDGs). Against this backdrop, the action taken by the ADB must be nimble, decisive, and bold, with a clear focus on bolstering regional prosperity. The ADB's solutions need to involve innovative thinking, cutting-edge technology, and an accurate assessment of the needs of Development Member Countries (DMCs). In this context, the mid-term review of Strategy 2030 is critical. The review should pay greater attention to pandemic response and human capital development, based on the severe short- and long-term impact of the COVID-19 pandemic on the region's lives and economies. Moreover, we expect that the Strategy continue to prioritize regional connectivity, since collaborative efforts among neighboring countries yield greater outcomes in delivering Global Public Goods (GPGs), such as climate resilience and natural capital conservation.

Furthermore, effective monitoring and evaluation must be established to ensure that the mid-term review of the long-term strategy will be duly linked to a greater developmental impact. We anticipate

that the forthcoming Corporate Results Framework from 2025 will adopt outcome- and impact-oriented approaches.

(2) Capital Adequacy Framework/concessional resources

Ensuring that the ADB is fully equipped with financing capacity is essential, given the growing need to tackle climate change and other global challenges in the Asia-Pacific region. In this light, Japan commends the ADB for generating a cumulative additional \$100 billion in lending capacity over the next ten years by reviewing its risk measures in accordance with the recommendations from the G20 independent review of the MDBs Capital Adequacy Framework (CAF). This is the largest amount among all the MDBs who have conducted their respective CAF reviews. Japan encourages the ADB to actively share with other MDBs the lessons gained from this successful experience as an epitome of the collaboration among different MDBs and use the additional lending capacity to tackle global challenges.

Further, it is imperative to consider providing DMCs with certain financial incentives to tackle global challenges, in terms of both volume and pricing, as an attempt to alleviate their financial constraints and thus support their policy responses. This could warrant the use of limited concessional resources, and thus the eligibility of beneficiary countries needs to be well calibrated. This includes an explicit target of low-income countries that need support the most, as well as vulnerable countries, including small island developing states (SIDS), which are disproportionately impacted by climate change; and lower middle-income countries, which are often facing constrained market access. Japan hopes that the ADB will take the lead in discussions regarding concessionality to address global challenges.

3. Japan's Development Priorities

In this section, I would like to highlight three policy areas: (i) climate change, (ii) fiscal sustainability and (iii) quality infrastructure, as the areas where Japan expects the ADB to play a greater role to foster sustainable growth and development in the Asia-Pacific region.

(1) Climate Change

The Asia-Pacific region accounts for almost half of the world's greenhouse gas emissions, indicating that the ADB's decarbonization efforts matter greatly for determining the future direction of climate change globally. At the same time, the region is one of the most vulnerable to climate change, suffering from rising sea-levels, typhoons and tropical cyclones, and chronic droughts. Addressing these challenges requires substantial financial resources, as well as the right balance between mitigation and adaptation.

In this context, Japan will help the ADB enhance its climate finance capacity, by providing a credit enhancement of \$600 million through the Guarantee Window of the Innovative Finance Facility for Climate in Asia and the Pacific (IF-CAP), which is an innovative mechanism to boost climate finance by leveraging donor contributions. In conjunction with a previously announced contribution of

\$25 million to the Grant Window, this contribution is expected to increase its lending capacity by approximately \$3 billion. Given the urgency to respond to climate challenges, Japan requests the early operationalization of IF-CAP.

Moreover, the role of the Energy Transition Mechanism (ETM) is an essential initiative to accelerate the early retirement of coal-fired power plants and the introduction of substitutable renewable energy.

We expect that the outcomes of IF-CAP and the ETM will be materialized as soon as possible, so that they can be replicated by other MDBs.

Furthermore, mobilization of private capital is crucial to meet the enormous demands for climate action in DMCs. I look forward to the ADB's proactive role in this regard through its ongoing initiatives, such as the facilitation of digital ESG bonds and transition finance, as well as knowledge sharing. Japan will continue to cooperate closely with the ADB in these areas, with a view to promoting the use of advanced technologies and innovative approaches.

I hope that the ADB will continue to play an instrumental role in climate finance.

(2) Fiscal sustainability

DMCs need to have full ownership in strengthening their capacity for mobilizing domestic resources and securing adequate development finance in order to achieve sustainable and self-sustained growth. In this regard, I commend the ADB for supporting DMCs' reforms that aim at expanding their tax revenue base and enhancing tax administration capacity through technical assistance and various capacity building efforts. Also, it is imperative to promote the steady implementation of international taxation initiatives, such as the two-pillar approach, in Asia-Pacific countries. To this end, Japan will contribute to the Asia-Pacific Tax Hub and the Domestic Resource Mobilization Trust Fund and hope that this issue will be a high priority in the ADB's strategic approach.

It is also essential to develop domestic bond markets, thereby channeling savings in the Asian region to productive domestic investments in the respective countries. In this regard, Japan expects that the ADB will further contribute to the development of local currency bond markets in the region, through various ongoing activities of the Asian Bond Markets Initiative (ABMI).

Debt vulnerabilities remain severe in some middle-income countries, as well as low-income countries. It is critical that creditor countries provide the necessary debt treatments to restore the debt sustainability of these countries. Equally important, MDBs should continue to play their unique role, such as responding to financing needs for DMCs in vulnerable debt situations, where official bilateral creditors and the private sector are unable to provide financing. I hope that the ADB, working closely with other MDBs, will play an indispensable role in supporting the economic stability and

development of DMCs. This support should include policy advice and technical assistance for securing debt sustainability and strengthening debt management capacity.

(3) Promotion of Quality Infrastructure

The Asia-Pacific region continues to face a huge infrastructure gap. Bridging this gap is essential. However, sustainable growth cannot be achieved by just a focus on quantity, rather a renewed focus on the quality of infrastructure. In this regard, Japan emphasizes the importance of procurement procedures, which is a necessary condition for high-quality infrastructure investment. This issue is particularly of high relevance to SIDS, where the bidding in public procurements tend to be less competitive due to their small sizes and remote geographical locations. Thus, we look forward to the ADB promoting and conducting procurement on a regional basis.

Furthermore, mobilizing private finance is essential for realizing high-quality infrastructure. From this perspective, Japan will contribute a further \$10 million to the Asia-Pacific Project Preparation Facility (AP3F). Through this contribution, we aim to enhance the capacity of DMC governments to formulate and implement public-private partnership (PPP) infrastructure projects and support institutional reforms.

Since 2016, Japan has also facilitated private capital mobilization for quality infrastructure through the Leading Asia's Private Infrastructure Fund (LEAP), a cooperative framework between the ADB and the Japan International Cooperation Agency (JICA). Last December, Japan and the ADB launched LEAP2 as a successor to LEAP. This new framework aims to leverage up to \$1.5 billion in JICA investments and loans, with improvements such as the addition of target sectors.

Through these efforts, we hope to see the ADB play a pivotal role in enhancing both the quality and quantity of infrastructure investment in the Asia-Pacific region.

4. The Asian Development Fund (ADF) Replenishment

We welcome the successful completion of the ADF14 replenishment prior to this Annual Meeting. By increasing the ADB net income transfer as much as possible, the ADF14 represents the largest capital increase of approximately \$5 billion since the consolidation of the balance sheets of the ADF and Regular Ordinary Capital Resources by Project Galaxy in 2017.

The ADF is an important vehicle in addressing development challenges faced by low-income and fragile countries. It helps tackle, inter alia, poverty, economic and gender inequality, climate change, and natural disaster response. In this context, Japan played a leading role in the series of the ADF14 replenishment negotiations. We are preparing to contribute approximately 162 billion yen, representing 35% of total donor contributions, which would proudly remain the largest contribution.

Among the ADF's beneficiaries, a particular emphasis should be placed on SIDS, which are confronting the negative impact of climate change such as natural disasters, aggravated by their

idiosyncratic characteristics such as small domestic markets and geographical remoteness from major economies. In this regard, Japan strongly supports the expansion of the ADF's assistance to SIDS, which we believe will help the region foster its resilience and promote regional cooperation and integration.

5. Conclusion

The ADB is approaching its 60th anniversary. The Asia-Pacific region has witnessed remarkable growth throughout this period, however, as discussed above, various development challenges remain. Under President Asakawa's leadership, the ADB must continue to be the regional home doctor and most reliable development partner in the region, while leading by example for other regional development banks. The importance of the ADB will continue to be elevated over the next decade and beyond.

Against this backdrop, I am pleased to announce that Japan would like to host the 60th ADB Annual Meeting in 2027. We would like to seek the understanding and support of the Governors from member countries and all relevant stakeholders for this proposal. Japan is committed to continuing its close cooperation with the ADB and contributing to the region's further development.