

**Statement by the Honorable Minoru Kihara,
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At the 26th Annual Meeting of the European Bank for Reconstruction and Development
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1. Introduction

Mr. Chairman, Mr. President, distinguished Governors, ladies and gentlemen,

It is a great honor to have this opportunity to speak at the 26th Annual Meeting of the European Bank for Reconstruction and Development (EBRD) on behalf of the Government of Japan. I would like to express my sincere gratitude for the warm welcome extended by the government of the host country, Cyprus, and by the people of Nicosia. Last year, the EBRD celebrated its 25th anniversary. Over the years, the international situation surrounding the EBRD has changed dramatically. The EBRD has expanded its operations beyond the former communist countries into the Southern and Eastern Mediterranean (SEMED) region. As a result, the profile of the EBRD's countries of operations has become more diverse and the notion of an ideal open market economy has become relative. In consideration of this situation, Japan has high regard for the EBRD's adoption last year of the new Transition Concept emphasising the quality of transition to an open market economy as a timely response.

2. Expectations for the EBRD under the new Transition Concept

We believe that the EBRD should perform well-targeted operations aimed at high-quality transition to an open market economy taking into consideration the EBRD's added value, in pursuing its mission to mitigate the transition gap faced by countries of operations to promote a sustainable open market economy under the new Transition Concept. Specifically, it is essential to ensure that the EBRD-supported projects will be targeted to the areas in which the greatest transition impact can be achieved in order to utilise EBRD's limited resources in the most effective and efficient manner. Concerning advanced transition countries, Japan also believes that it is important to encourage self-sustaining reform while implementing carefully selected measures and to continue discussions on "graduation" so that they can draw a roadmap for graduation from EBRD country of operations status.

3. Japan's proposition on the EBRD's priorities

Japan would like to share its four priorities for areas in which the EBRD can play an important role.

(1) Support for Early Transition Countries (ETCs)

In order to maximise the transition impact within the constraints of limited funding, it is important to focus efforts on support for Early Transition Countries (ETCs), such as Central Asian and Caucasian countries, where the transition to an open market economy is lagging. As support for ETCs is at the core of the EBRD's mandate, we believe that the EBRD should continue to prioritise its strong efforts here. In this context, Japan welcomes the EBRD's recent re-engagement with Uzbekistan, one of the ETCs, with a Memorandum of Understanding (MOU) signed between President Shavkat Mirziyoyev and Sir Suma Chakrabarti, President of the EBRD, in March this year. We expect that EBRD's support such as providing advisory services for small and medium-sized enterprises and promoting trade facilitation will steadily proceed and intend to consider extending our support to promoting such activities, possibly including funding from the Japan-EBRD Cooperation Fund (JECF).

(2) Quality Infrastructure Investment

In order to achieve sustainable growth, it is necessary to promote "Quality Infrastructure Investment," which emphasises the life-cycle cost of projects, safety, resilience against natural disasters, environment and social standards, capacity building, and skills transfer. Japan believes that the EBRD's role in developing quality infrastructure will expand further in the future, given the continuing substantial demand for infrastructure in EBRD's countries of operations and the importance of close collaboration between the public and private sectors in the promotion of infrastructure development. Based on this view, we intend to continue strongly supporting the promotion of "Quality Infrastructure Investment" as one of the priority areas of our support through the JECF.

Many countries of operations need to deal with social alienation and income inequality as pressing challenges. Japan welcomes the recently adopted Economic Inclusion Strategy, which focuses on how the EBRD will promote economic inclusion, one of the transition qualities defined under the new Transition Concept. "Quality Infrastructure Investment" is a concept that contributes to inclusive growth through the transfer of skills to the local labour force, so Japan hopes that the EBRD will strongly promote this concept. Moreover, Japan expects that EBRD's support and Japan's skills will be actively brought together through the EBRD's Representative Office in Tokyo, which was opened in March last year, so that the skills of Japanese companies and experts can contribute to the development of EBRD's countries of operations.

(3) The importance of technical cooperation and policy dialogue

In order for the EBRD to take a tailored approach to countries of operations, which are diverse with different transition paths towards a desirable open market economy, it is becoming

increasingly important to promote reform efforts by combining specific investment and loan projects with technical cooperation (TC) and policy dialogue suited to country-specific circumstances. Since the EBRD's inception, we have consistently emphasised this point and provided TC through the JECF. Recently, we have particularly focused our support on such areas as quality infrastructure, green economy, local currency lending, and development of local capital markets. Japan intends to continue supporting tailored approaches to countries of operations while promoting the sharing of technologies and knowledge developed by Japan's public and private sectors.

(4) Ensuring diversity at the EBRD as an international organisation

As indicated in the EBRD's Diversity and Inclusion Policy, employing a broad range of personnel with a variety of expertise is extremely important for the EBRD to effectively implement its mission. In order for the EBRD to steadily perform its mission as an international organisation while dealing with a variety of global challenges at a time when the profile of countries of operations has become more diverse and the notion of an ideal open market economy has become relative, Japan believes that it is essential to approach countries of operations as a talent-rich organisation by attracting personnel with diverse professional expertise from a broad range of member countries.

4. Conclusion

Since the Arab Spring, the EBRD has played a major role in the transition to an open market economy and the development of the private sector in the SEMED countries. Japan believes that the EBRD should continue to focus its support on the areas where the EBRD can achieve the maximum transition impact by properly understanding circumstances in countries of operations and examining the EBRD's comparative advantages.

Following the adoption of the new Transition Concept last year and the re-evaluation of the EBRD's role, the environment in which the EBRD operates has entered a new stage. Going forward, the EBRD's operations based on the new Transition Concept will be enhanced. Japan expects that the EBRD will perform its mission more efficiently than ever under the strong leadership of Sir Suma Chakrabarti. During this process, we intend to further strengthen our cooperative relationship with the EBRD through the sharing of our Japanese technology and knowledge and to contribute to the further development of EBRD's countries of operations.