



DEVELOPMENT COMMITTEE
(Joint Ministerial Committee
of the
Boards of Governors of the Bank and the Fund
on the
Transfer of Real Resources to Developing Countries)

NINETY-FIFTH MEETING
WASHINGTON, D.C. – APRIL 22, 2017

DC/S/2017-0005
April 22, 2017

Statement by

The Honorable Taro Aso
Deputy Prime Minister and Minister of Finance
Japan

Statement by
The Honorable Taro Aso
Deputy Prime Minister and Minister of Finance
Japan
95th Meeting of the Development Committee
April 22, 2017
Washington, D.C.

1. IDA18 Replenishment

First of all, we offer our congratulations on the successful IDA18 replenishment (IDA18).

While the need for assistance from IDA is increasing as we progress towards the Sustainable Development Goals, many donors are facing severe fiscal constraint which leads to limited capability to provide development assistance. We are very pleased that IDA18 concluded with a remarkable package to deliver strong support for developing countries despite these circumstances by utilizing the loan contribution scheme from the previous replenishment and by introducing a new innovative financing mechanism to allow IDA to access capital markets.

We highly value that IDA18's priority is placed on building resilience, including strengthening prevention, preparedness and response against pandemics and natural disasters, which Japan also puts a strong emphasis on. Japan has decided to increase our contribution share to 10.3% from 10.0% by contributing 309 billion JPY (2.9 billion USD) in grant and 292 billion JPY (2.7 billion USD) in loan to IDA. We are pleased to report that a bill for IDA replenishment was approved by the Diet on April, 14th.

2. Towards a Better and Stronger WBG

(i) Forward Look, a Stronger WBG for All

We welcome the report on the progress in the Forward Look commitments, and ask for further efforts towards becoming a better Bank, as an important stepping stone for discussions towards becoming a stronger Bank.

First, when implementing Forward Look, we believe it is important to strengthen resilience building including prevention, preparedness and response against broader crises such as pandemics and natural disasters in the WBG's support for developing countries. We encourage the WBG to make further progress in this area.

Second, strengthening multilateral cooperation and coordination among development partners including other multilateral development banks (MDBs), and promoting private and domestic resource mobilization are essential since global development goals cannot be achieved by the WBG alone. We expect the WBG to demonstrate strong leadership on this point. As for private resource mobilization, we believe that the Cascade approach will be key, while respecting developing countries' ownership in utilizing private resources and initiating upstream reforms are also important.

Third, adjusting the type of support provided to developing countries depending on their income level is essential. With regard to the assistance towards the Upper-Middle Income Countries (UMICs), IBRD should focus its scarce public resources on targeted interventions in the area of environment and other Global Public Goods (GPGs). In the case of IFC, an active engagement with UMICs would be warranted, as mobilization of private resources would be more effective in higher income countries.

Once these points towards a better Bank are achieved, we will be able to support a stronger Bank to actively fulfill the Bank's expected role and address various development challenges.

Nevertheless, further consideration towards a stronger Bank will require additional options on the appropriate level of lending and capital requirement with a convincing rationale. Proposals on capital strengthening measures other than capital increase including differentiated pricing by income level, reducing administrative expenses as well as balance sheet optimization for IBRD, and proposals of internal efforts to ensure capital adequacy for IFC are also needed.

(ii) Shareholding Review

Regarding the Shareholding Review, we welcome the report which incorporates various options discussed so far. We must not forget that the Dynamic Formula is not a goal but a starting point, and thus the calculated shares are just a reference for further discussions. Shareholding brings both rights and responsibilities, and the voices of shareholders should appropriately reflect their contribution to the development activities of the WBG. This is essential for the WBG to establish a proper governance structure. Also, it is important to avoid drastic changes in shares to develop a broadly acceptable outcome for every country.

In order to appropriately reflect the role and responsibility of shareholders and achieve smooth shareholding review, further discussions need to be developed to form a robust agreement on specific adjustments. Through the discussions, we would like to reiterate the importance of the following three points: first, the allocation rule of shares should be predominantly based on the Dynamic Formula; second, the advantage of "equal allocation to all members" which has a similar impact as an increase in Basic Votes and does not require amendment to the Articles of Agreement should be considered; and third, principles-based forbearance is an effective tool to directly avoid a drastic increase in shares.

This Shareholding Review needs to be discussed together with a stronger Bank. Although the situations surrounding a potential capital increase have been changing, both general capital increase (GCI) and selective capital increase (SCI) of IBRD and IFC should be discussed and concluded in the same time frame.

3. Japan's support for developing countries in cooperation with the WBG

(i) Disaster Risk Management

Japan welcomes the increase in disaster risk management (DRM) financing and the progress on mainstreaming DRM since the IMF-World Bank Annual Meeting in Tokyo in 2012, when its importance was confirmed. Also, we highly value that IDA18 continues to mainstream DRM under policy commitment stating clearly that all IDA SCDs and CPFs incorporate climate and disaster risk considerations. In order to maintain this momentum, we expect the WBG to continue to raise awareness about the importance of DRM among the WBG staff and people in developing countries.

Furthermore, our cooperation with the World Bank DRM Hub in Tokyo through "Japan-World Bank Program for Mainstreaming DRM in Developing Countries" is moving forward. We have provided 46

million USD of technical assistance and leveraged 1.55 billion USD worth of WBG's DRM related investment. Japan remains committed to making efforts to mainstream DRM through these measures.

(ii) Global Health

Turning to the issue of global health, it is important to strengthen responses to public health emergencies and promote Universal Health Coverage (UHC) that contributes to prevention and preparedness for such emergencies.

Regarding responses to public health emergencies, Japan announced its intention to contribute 50 million US dollars to the Pandemic Emergency Financing Facility (PEF) last May, and made a first-year installment last October. We expect further efforts by the World Bank to operationalize the PEF, and financial support for the PEF from other countries.

For preparedness against such emergencies, it is important that the World Bank promotes UHC in collaboration with WHO and other donors, with attention to ownership of developing countries. In this regard, Japan and the World Bank agreed on the "World Bank-Japan Joint UHC Initiative" this January. Under this initiative, Japan, together with the World Bank, supports developing countries to accelerate UHC and strengthen preparedness against emergencies through the activities of promoting UHC and disseminating knowledge on UHC globally in piloting countries in Africa, Asia and other regions. In order to follow up on these actions, Japan, together with the World Bank and WHO, will host a high-level monitoring meeting this December in Tokyo.

(iii) Quality Infrastructure Investment

Quality infrastructure investment is a crucial foundation for sustained economic growth in developing countries. The G7 and the G20 confirmed the importance of promoting quality infrastructure that takes into account such factors as life cycle cost, safety, resilience against natural disasters, social and environmental standards, and human resource development and transfer of know-how. The G7 and the G20 also encouraged the MDBs, including the World Bank, to support quality infrastructure investment. Furthermore, it is crucial to utilize infrastructure in an open, transparent, and non-exclusive manner to enhance its connectivity.

In terms of specific progress on promoting quality infrastructure, Japan has set up the "Quality Infrastructure Investment Partnership Trust Fund" in the World Bank and supports the implementation of quality infrastructure projects at all stages ranging from project preparation to implementation. In addition, Tokyo Development Learning Center (TDLC) operates the "City Partnership Program" to disseminate Japanese cities' knowledge on urban infrastructure to developing countries. We hope the good practices of Japanese cities, such as urban planning incorporating lessons from earthquake disasters and eco-friendly urban planning, will help address urban issues in developing countries.

4. Closing

The world is facing a wide range of complicated development challenges. We expect the WBG to tackle these challenges by convening powers of various donors, other international organizations and private sector, with the multilateralism of the WBG as a core value.

Japan will actively make not only financial and policy contributions but also human contribution to the WBG with a view to supporting sustainable growth and poverty reduction in the world.