

**Japan's Statement at the 108th Meeting of the Development Committee
(Joint Ministerial Committee of
the Boards of Governors of the Bank and the Fund)
(Marrakech, Morocco — October 12, 2023)**

1. Introduction

Japan conveys its deepest condolences to the victims and their families severely affected by the earthquake in the central part of the Kingdom of Morocco and western Afghanistan as well as the floods in the eastern part of the State of Libya. Japan also expresses its sincere gratitude to the Government of Morocco and the people of Marrakech for their warm hospitality in the immediate aftermath of the earthquake.

We continue to condemn Russia's illegal, unjustifiable, and unprovoked war of aggression against Ukraine. Russia's war has caused tragic loss of life, destruction of property and infrastructure, and exacerbated global economic challenges. We call for an immediate end of Russia's illegal war against Ukraine, which would address one of the largest uncertainties over the global economic outlook.

I would like to extend my warmest welcome to Mr. Ajay Banga as the new President of the World Bank Group (WBG). Japan holds high expectations that the WBG will strive to achieve its new vision and mission under his leadership.

2. Support to Ukraine

Russia's ongoing aggression has caused devastating damage to Ukraine. Against this backdrop, we highly appreciate that the WBG and the IMF have spearheaded the recovery efforts. In particular, we commend the WBG's damage and needs assessment that incorporates medium- to long-term reconstruction needs. We also welcome the Bank's support for urgent needs, including those in the housing sector.

Japan has contributed approximately US\$500 million in grants to the Ukraine Relief, Recovery and Reconstruction Trust Fund (URTF) and is committed to providing credit enhancement of up to US\$5 billion worth of loans by the International Bank for Reconstruction and Development (IBRD), based on the newly-enacted law. We commend that, backed by this credit enhancement, the IBRD has hitherto provided US\$1.5 billion loans to Ukraine and is preparing for the next series of loans to be provided by the end of this year.

The financial needs for Ukraine's reconstruction will most likely be huge. Thus, mobilizing private capital is key and public capital can play a catalytic role here. In this regard, Japan has made an inaugural contribution of US\$23 million to the Multilateral Investment Guarantee Agency (MIGA)'s Support for Ukraine's Reconstruction and Economy Trust Fund, or SURE. Japan is committed to further contributing to MIGA's guarantees, including by providing an additional US\$2 million.

Looking ahead, Japan remains committed to providing further support to Ukraine, in collaboration with the WBG, to address the country's financial needs for budgetary operations and reconstruction.

3. WBG Evolution

At the Annual Meetings last year, Governors called on the WBG to consider concrete actions that enhance its capacity to respond to the overlapping crises and strengthen its ability to address global challenges. Japan commends the progress so far, including the comprehensive review of the WBG's vision and mission, operating model and financial model. We look forward to the remaining issues being discussed further toward the 2024 Spring Meetings.

Japan welcomes that the new vision and mission maintain the long-established twin goals of "ending extreme poverty" and "promoting shared prosperity", while clarifying their mutually reinforcing relationships with the other goal of addressing global challenges.

To achieve the new vision and mission, Japan requests the WBG to enhance the One World Bank approach. We also expect each institution in the WBG to strengthen their partnerships with governments, the private sector, international organizations and other development partners. We request the WBG to accelerate its efforts to promote Domestic Resource Mobilization (DRM) and Private Capital Mobilization (PCM), augment the Corporate Scorecard with a specific focus on outcomes rather than inputs, and exercise its thought leadership by upgrading its knowledge products. Furthermore, we welcome that the WBG will launch pilots for Global Challenge Programs to deliver replicable and scalable approaches and that these pilots include Enhanced Health Emergency Prevention, Preparedness and Response and Accelerating Digitalization.

Strengthening DRM is crucial for securing financial resources for self-sustained growth and require countries to enhance their tax structure and tax administrative capacity. Japan requests the WBG to conduct a Public Finance Review by tailoring the policy advice to country-specific circumstances and to strengthen collaboration with partners including the IMF, the ADB and the OECD.

Financing for development needs to be strengthened for addressing global challenges. For this purpose, it is essential for the WBG to increase its financial capacity. The efficient use of balance sheets based on recommendations of the Capital Adequacy Framework (CAF) review should be the first step in this regard. Japan welcomes that the WBG Management has developed innovative financing tools including Portfolio Guarantee Platform (PGP) and Shareholder/Development Partner Hybrid Capital. Japan is preparing to contribute to the PGP, which will boost the IBRD's lending capacity by a few billion US dollars. We look forward to the discussion by the Board of Directors on preferencing, as a possible way to make sure that the additional lending will be used for the purpose of addressing global challenges.

Concessional resources provide financial advantages to beneficiary countries, and hence can be used as incentive for investing in global public goods with cross-border externalities. However, such resources are finite and often scarce, warranting prioritization. Specifically, they should be allocated to vulnerable middle-income countries (MICs) with low income per capita and limited market access, as well as low-income countries (LICs). From this perspective, Japan welcomes the ongoing discussion on the concessionality principles and looks forward to the allocation framework of concessional resources to be proposed by the Board of Directors. Moreover, Japan is firmly committed to making a sufficient contribution to the International Development Association (IDA), given the IDA's pivotal role in supporting low-income countries.

In light of an increasing amount of development needs, public money alone cannot help developing countries, requiring the mobilization of private sector resources. The roles of the International Finance Corporation (IFC) and MIGA are becoming increasingly important in this regard. Specifically, Japan welcomes MIGA's proposal of Non-Honoring of Sovereign Financial Obligations to MDBs, which mitigates the concentration risk of MDBs in their loan portfolios, helping generate additional lending headroom. We expect that MIGA will continue to develop effective guarantee programs to facilitate further PCM, in close coordination with the newly established Private Sector Investment Lab.

4. Response to global issues

Let me elaborate on the priorities to which Japan attaches particular importance, as well as our expectations for the WBG in these policy areas:

(1) Global health

We have learned critical lessons from the COVID-19 pandemic: we need to strengthen prevention of, preparedness for, and response to future possible

pandemics (PPR).

On prevention and preparedness, Japan welcomes the conclusion of the First Call for Proposals by the Pandemic Fund this July and looks forward to steady implementation of the projects. Moreover, Japan decided to contribute an additional US\$20 million this April and will continue to support the Fund in executing the Second Call for Proposals by the end of this year.

We need to strengthen our capacity to respond to future pandemics, along with strengthened prevention and preparedness policies. Japan welcomes the Report on Mapping Pandemic Response Financing Options and Gaps, developed by the G20 Joint Finance Health Task Force this August, together with the WBG and WHO. We look forward to the finalization of the report by the end of this year. To address the gaps of the existing financing mechanisms identified by the report, an innovative mechanism needs to be developed to deploy the necessary financing quickly and efficiently in response to outbreaks. Japan will advance the further work in close collaboration with the WBG and other relevant partners.

A robust health system is the foundation of Universal Health Coverage (UHC). Japan has long advocated its importance and has supported various health-related projects through the contribution to the Policy and Human Resources Development Fund (PHRD). In order to further promote UHC in developing countries, Japan will make an additional contribution toward Phase 4 of the UHC Window of the PHRD next year. Furthermore, Japan is preparing to contribute US\$10 million to a newly proposed multi-donor trust fund as a first donor, once it is established, with a view to helping client countries build resilient health systems, covering health financing, governance, service delivery, and support for innovation.

(2) Climate change issues

In responding to climate change, each country needs to draw an ambitious

but feasible transition path based on country-specific domestic circumstances, being mindful of compatibility with its level of development. In line with the acceleration of efforts towards decarbonization, demand in clean energy products is rapidly increasing as indispensable goods for transition. Hence, diversification of the supply chains of these products can contribute to global efforts to achieve net zero and create new and greener growth opportunities for developing countries.

With this in mind, Japan, together with the WBG, has led the development of the Partnership for RISE (Resilient and Inclusive Supply-chain Enhancement). It is an initiative to support low- and middle-income countries in playing bigger roles as reliable suppliers in the midstream (mineral processing and refining) and downstream (component manufacturing and assembly) in supply chains of clean energy products.

Having gained widespread support from like-minded countries, along with Japan's planned contribution totaling US\$25 million, Japan co-hosted the launch event of RISE on October 11 with the WBG. Through RISE, Japan will continue to work closely with the WBG, other key institutions, and like-minded countries to help both LICs and MICs diversify the supply chains of clean energy products and enhance value-addition of their domestic products as part of global efforts to achieve net zero. We look forward to more countries to join us in this initiative.

Japan is a long-time advocate of climate adaptation and disaster risk management efforts. This year marks the 100th anniversary of the Great Kanto Earthquake, which struck the largest metropolitan region in Japan and killed over 100 thousand people. Natural disasters not only cause huge economic loss, but also hurt the poor and vulnerable the most. The frequency and the risk of natural disasters have been increasing in recent years due to climate change. To promote a rapid response to natural disasters, Japan this year started its financial assistance in the use of the Global RApid post-disaster

Damage Estimation (GRADE) methodology through the Japan-World Bank Program for Mainstreaming Disaster Risk Management. This methodology enables developing countries to assess economic damage from natural disasters, which is indispensable for making recovery and reconstruction plans and contributes to the rapid development of long-term recovery plans.

The importance of the physical resilience of infrastructure is well established. At the same time, from the perspective of comprehensive disaster risk management, non-physical resilience should be pursued further, including through well-functioning disaster risk insurance. Japan will continue to provide support to enhance resilience against natural disasters through the Japan-World Bank Program for Mainstreaming Disaster Risk Management, the Quality Infrastructure Investment Partnership (QIIP) and the Southeast Asia Disaster Risk Insurance Facility (SEADRIF). We encourage all countries to participate in the Understanding Risk Forum 2024, which will be held in Himeji city in Hyogo prefecture, Japan, in June 2024 by the Global Facility for Disaster Reduction and Recovery (GFDRR).

(3) Debt issues

Debt vulnerability is rising in LICs and MICs alike. Restoration of debt sustainability is urgently needed, so that developing countries can free up their resources for addressing various development challenges in the medium to long term.

For LICs, swift and predictable debt restructuring processes must be ensured through the official creditor committees under the G20/Paris Club Common Framework. On the other hand, for MICs, we welcome that the significant progress has been made towards an agreement on debt treatment for Sri Lanka in the past half year since the launch of the creditor committee among various Paris Club and non-Paris Club creditors, which was led by France, India, and Japan. We look forward to its swift resolution.

In order to prevent future debt crises, debt transparency and accuracy needs to be enhanced. Given the importance of this issue, Japan has led the Data Sharing Exercise, in which creditor countries shared their granular lending data with the WBG. This exercise has revealed data gaps amounting to US\$6.5 billion in total. Accuracy and transparency of debt data is a prerequisite for the assessment of debt sustainability, which is a fundamental basis for the borrowing and lending decisions by borrowers and creditors, including MDBs, respectively. Japan encourages all official bilateral creditors to participate in the exercise and continues to fully support the WBG's activity in this area. Along with these efforts by the public sector, Japan encourages private creditors to submit their lending data to the joint International Finance (IIF)/OECD Data Repository Portal.

To restore debt sustainability and to achieve stable economic growth in developing countries, the debt treatment agreed with official creditors is not enough. MDBs, including most notably the WBG, should play their unique and important roles, such as responding to new financing needs for developing countries, to complement the debt treatment provided by creditor countries. Japan will continue to work together with the WBG and encourage other creditor countries to deepen their understanding on the importance of such a role played by MDBs.

(4) Digitalization

Digitalization can be a major source of future global economic growth. It can also enable various social services to be extended to a wider population, thereby making growth more inclusive. It improves the quality and efficiency of services throughout the economy, let alone the telecommunications sector. For reaping the maximum benefit from digitalization while addressing the risks in relation to security and governance in the cyber space, a greater emphasis needs to be placed on (i) establishing robust governance in cybersecurity and data privacy, (ii) utilizing digital technology across all sectors, and (iii)

addressing inequalities.

Therefore, Japan expects the WBG to exercise its leadership in supporting developing countries enhance their capacity in (i) developing robust governance to improve reliability of data and promote the further use of digital technology, (ii) applying digital solutions to various sectors in a cross-cutting manner, including health, disaster risk management, education and transportation, and (iii) addressing the digital divide. From this perspective, Japan will make a financial contribution to the Digital Development Partnership (DDP) 2.0 as one of the founding donors.

5. Concluding remarks

Japan fully supports President Banga's leadership to advance the WBG Evolution Roadmap, including his strong commitment to strengthening the Bank's capacity to address global challenges. We will continue to support the WBG in playing a leading role in the development policy arena at this critical juncture.

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