



**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)

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**WASHINGTON, D.C. – OCTOBER 8, 2016**

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**Statement by**

**H.E. Taro Aso**  
**Deputy Prime Minister and Minister of Finance**  
**Japan**

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**H.E. Taro Aso**  
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**Japan**  
**94<sup>th</sup> Meeting of the Development Committee**  
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**1. Introduction**

First of all, we welcome the re-election of Dr. Kim as President of the World Bank Group (WBG). After he took office as President in 2012, Dr. Kim set twin goals of ending extreme poverty and promoting shared prosperity and addressed a range of development challenges with excellent leadership. Japan highly appreciates his achievement. We will continue to cooperate with the WBG led by Dr. Kim and contribute to supporting developing countries.

Japan also welcomes the new Chair of the Development Committee, Ms. Sri Mulyani Indrawati, Minister of Finance of Indonesia, who strongly pushed forward the operations of the World Bank until recently as Managing Director and Chief Operating Officer.

In this statement, we will express our views on the agenda items of this committee, namely Forward Look and Dynamic Formula. Then, we will also explain the strategic direction of our support for developing countries conducted in cooperation with the WBG.

**2. Forward Look**

Japan welcomes the development of the Forward Look, which is based on intensive discussion after the 2015 Annual Meetings and sets out the medium- to long-term vision of the WBG's role. The report enables the shareholders and the management of the WBG to share a common vision, which in our view, is very important for the WBG to contribute effectively towards achieving the 2030 development agenda.

Regarding the Forward Look, Japan would like to make three observations.

First, the world is facing various crises such as natural disasters, refugee crisis, and pandemics. Such crises are occurring with increasing frequency, intensity and duration, threatening decades of development gains. In order to address these crises, it is essential to provide appropriate support at every stage of crisis management, including crisis prevention, preparedness and response. From this perspective, Japan has been promoting measures such as mainstreaming of disaster risk management and strengthening of prevention and preparedness for pandemics.

In this regard, Japan welcomes the launch of the Global Crisis Response Platform (GCRP) which, in line with Japan's approach, brings together the WBG's crisis management tools. Also, Japan highly values the view expressed in the Forward Look which underlines the importance of approaching crisis prevention, preparedness and response in a holistic manner utilizing the GCRP.

Second, in order to maximize development impact, it is important to prioritize the allocation of limited development resources to countries facing severe poverty and having limited access to other financial resources. From this perspective, Japan has actively contributed to IDA. And we welcome the direction set out in the Forward Look to enhance IBRD's allocation to lower middle-income countries (LMICs).

Regarding upper middle-income countries (UMICs) with a certain degree of access to other financial resources, it is appropriate for IBRD to continue its engagement, since knowledge and advisory works provided by IBRD are beneficial for UMICs. On the other hand, when engaging with UMICs, it is necessary in our view to consider measures such as focusing its support on public goods with externalities like environment issues and tightening lending-terms, with a view to utilizing IBRD's limited resources more effectively.

Third, it is important to ensure that IBRD has adequate financial resources, and Japan has been contributing to this as the second largest shareholder.

In order for IBRD to continue playing its role in providing development finance, responding to crises and delivering global public goods, it is essential to maintain a strong financial position. In this regard, it is necessary in our view to consider income-improving measures such as a differentiated increase in loan pricing based on borrower income. Regarding a capital increase, we need to discuss this issue together with the role IBRD is expected to play with strengthened capital, as well as the impact of income-improving measures.

### **3. Dynamic Formula**

Japan welcomes the agreement on the dynamic formula, in line with the Roadmap endorsed by Governors at the 2015 Annual Meetings. It is undoubtedly an important step forward for shareholding review. Nevertheless, we must not forget that the agreement on the formula is just a starting point, and that we are still faced with more important issues of how to use the agreed formula and implement a selective capital increase.

Since increasing the share of any one country dilutes the share of others, realignment can only proceed on the basis of very broad support.

From this viewpoint, Japan is of the view that it is essential to avoid abrupt shifts in shareholding, both upwards and downwards. For this purpose, it is important to take measures such as a principle-based approach to forbearance to cap the abrupt increase in shareholding and limitation on dilution to avoid abrupt decrease. Also, in order to ensure that the collective share of the developing and transition countries (DTCs) will not be reduced, we believe it is appropriate to allocate additional shares to the DTCs which face dilution.

With these views in mind, Japan is committed to engaging constructively in the discussion towards the next Annual Meetings by which we expect to reach agreement on a capital increase.

### **4. Japan's support for developing countries in cooperation with the World Bank Group**

#### **(i) Prevention, preparedness and response for a wide range of crises**

Crises such as natural disasters, pandemics, and refugee crisis impose severe damage on people's lives, health and economic activities. Japan sets crisis prevention, preparedness and response as one of the top development agendas and collaborates with the WBG in supporting developing countries.

## **Disaster Risk Management**

Since the IMF-World Bank Annual Meetings in Tokyo in 2012, when the importance of mainstreaming disaster risk management (DRM) was confirmed, financing for DRM has increased and its mainstreaming has made steady progress. Japan welcomes these developments. In order to maintain this momentum, we expect the WBG to continue raising awareness about the importance of DRM among the WBG staffs and developing countries. Japan remains committed to making efforts to mainstream DRM through “Japan-World Bank Program for Mainstreaming DRM in Developing Countries”, in cooperation with the World Bank DRM Hub in Tokyo.

## **Global Health**

Turning to the issue of Global Health, the G7 Ise-Shima Summit, chaired by Japan this May, developed “G7 Ise-Shima Vision for Global Health,” which sets out concrete actions towards strengthening responses to public health emergencies and promoting 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) over the three year period this May ahead of other countries. The PEF is a financial mechanism launched by the World Bank that enables rapid mobilization of funding during public health emergencies. Japan is committed to steadily implementing our pledge. We expect further efforts by the World Bank on smooth and early operationalization of the PEF. We also expect other countries to provide financial support for the PEF, since we believe the international community as a whole needs to work together on crisis response.

In addition to responses to emergencies, prevention and preparedness for such emergencies are also important. For this purpose, global actions to strengthen health systems are necessary. As the promotion of UHC contributes to this, Japan welcomes the World Bank’s announcement of “UHC in Africa” at TICAD VI this August, which is a policy framework to promote UHC in Africa. As the next important step is monitoring of progress toward UHC, Japan will host a high-level monitoring meeting next year in Tokyo together with the World Bank and World Health Organization.

## **Refugee Crisis**

Refugee crisis not only imposes a huge mental and physical burden on refugees themselves, it also inflicts severe fiscal, political and social burdens on the neighboring countries accepting them. Japan expects the WBG to contribute to development assistance, such as support for self-reliance of refugees and infrastructure building of host countries, in cooperation with the UN organizations engaging mainly in emergency humanitarian assistance.

In this context, Japan welcomes the launch of the Global Concessional Financing Facility (GCFF) by the WBG to support host countries on a global scale.

In April this year, as addressing refugee crisis became an important issue, Japan pledged to contribute 50 million US dollars in grants and a concessional loan of up to 100 billion yen (approximately 1 billion US dollars) to the World Bank’s Concessional Financing Facility over the next five years, of which we have already disbursed 10 million US dollars in grants. With the launch

of the GCFF, Japan pledges an additional contribution of 60 million US dollars in grants, making our total cooperation 100 million US dollars.

## **(ii) Quality Infrastructure Investment**

Quality infrastructure investment is a key element for economic growth and inclusive development in developing countries. The G7 Ise-Shima Summit adopted “G7 Ise-Shima Principles for Promoting Quality Infrastructure Investment,” and confirmed the promotion of quality infrastructure investment that takes into account such factors as life cycle cost, safety, resilience against natural disasters, social and environmental standards, and human resources development and transfer of know-how. The G7 also encouraged the multilateral development banks (MDBs), including the World Bank, to implement infrastructure investment in line with these principles.

Under this circumstance, Japan welcomes the introduction of the World Bank’s new procurement framework which incorporates the concept of “Value-for-Money” this July. Japan sets up “Quality Infrastructure Investment Partnership Trust Fund” at the World Bank, and through this Trust Fund, we are ready to support quality infrastructure investment projects of the World Bank at all stages ranging from project preparation to its implementation.

Also, in order to promote quality infrastructure investment, it is important to disseminate knowledge and lessons learned to government officials in developing countries and World Bank staffs. In this regard, we expect Tokyo Development Learning Center (TDLC) to actively collect and disseminate knowledge gained through utilizing the above Trust Fund.

Furthermore, TDLC recently launched “New City Partnership Program” which aims to solve various urban issues facing developing countries’ cities, through collaboration with Japanese cities. We hope that good practices of Japanese cities, such as urban planning incorporating lessons of earthquake disaster and eco-friendly urban planning, will contribute to addressing urban issues in developing countries.

## **(iii) IDA18**

Regarding IDA18 replenishment currently under negotiation, Japan highly values the introduction of debt financing in the capital markets. This is an innovative and transformative financing tool that enables more efficient use of donor contributions, which contributes to mobilizing additional resources to address various development challenges in the world. Furthermore, Japan welcomes the current direction of discussions which puts special emphasis on the importance of prevention, preparedness for natural disasters and pandemics.

Currently, three countries are proposed for graduation from IDA. Since graduation from IDA reflects each country’s economic development, it is important to ensure that countries themselves can celebrate their graduation by supporting a smooth transition. In order to prevent graduating countries from facing a fiscal cliff and reverting back to IDA status, we need to provide practical and sufficient transition support that takes into account lending constraints of IBRD.

Moreover, IBRD and IFC’s net income transfer to IDA is very important, because this enables appropriate resource allocation within the WBG as a whole. In this regard, the WBG needs to show its solidarity as “One World Bank Group.” Japan expects the WBG to reach a balanced conclusion, taking into consideration financial conditions of each individual institution.

Japan is committed to making an appropriate contribution to IDA, given the IDA's pivotal role in supporting low-income countries.

## **5. Closing remarks**

For the next 15 years until 2030, the world is expected to face a wide range of complicated development challenges. Under this circumstance, Japan expects the World Bank to take a leading role in providing solutions to both country-level and global-level issues while enhancing cooperation with various donors, international organizations and the private sector.

Moreover, in order to tackle wide-ranging challenges, it is necessary to ensure diversity in human resources of the WBG. Japan will make not only financial and policy contributions but also make human contribution actively to the WBG with a view to supporting sustainable growth and poverty reduction in the world.