



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-NINTH MEETING
WASHINGTON, D.C. – APRIL 13, 2019

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Statement by

Taro Aso
Deputy Prime Minister and Minister of Finance
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99th Meeting of the Development Committee

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1. Welcoming the new President

First of all, I would like to extend my warmest welcome to Mr. David Malpass as the new President of the World Bank Group (WBG). Japan hopes the WBG, under his leadership, to play a greater role in promoting sustainable growth and poverty reduction in developing countries.

2. Implementation of Capital Package and Renovation of the World Bank Group

A year ago, we reached a historic agreement on the IBRD and IFC capital packages. The packages strengthen financial capacity of both institutions and embody “Sustainable Financing for Sustainable Development” through implementing wide-ranging policy reforms. On the IBRD capital increase, the resolution of which was adopted by Governors last October, Japan is pleased to report that it has completed the necessary domestic process and made the first payment. Japan would like to encourage other members to do the same in a timely manner.

Most of the policy reforms under the capital package will need to be implemented going forward in full swing and without a halt, although some have already been in place such as increase in loan pricing. Priority should be given to poor countries in allocating IBRD’s limited financial resources. In this regards, Japan calls on the WBG to apply the reformed policies for countries above GDI (Graduation Discussion Income) to all those concerned. These include: undertaking systematic analysis and assessment of the key elements of the IBRD graduation policy in country partnership frameworks; focusing interventions on strengthening policies and institutions required for sustainable IBRD graduation and delivering global public goods; and reducing the share of IBRD lending to these countries.

Against the backdrop of increasing downside risks to global economy, IBRD should be well-prepared for future potential economic crises. Specifically, it should adjust annual lending level to allow for sufficient crisis buffer, and improve its crisis operations, through better risk analysis and crisis mitigation and response, to carry development impacts in the long-term.

The capital packages are designed to strengthen IBRD and IFC in tandem, under so-called “2 by 2 approach.” Stepping up IFC’s support for IDA and FCV countries is among key elements of the packages. In order for this to promptly materialize, IFC’s capital increase needs to come into effect. Japan urges early adoption of the Resolutions on the IFC capital increase, for which Japan has already voted last September.

3. Japan's Priority Agenda in Developmental Issues and Partnership with the World Bank Group

This year, Japan will host G20 and TICAD7, two premier international conferences. Japan, in cooperation with the WBG, intends to take a lead in facilitating multilateral discussions on development strategies for sustainable development.

(1) Quality Infrastructure

Quality infrastructure investment brings about positive economic spillover effects to the economy over the long run, beyond the benefits stemming from the physical infrastructure itself. Specifically, it can lead to job creation, capacity building, transfer of know-how on mutually-agreed terms, and further mobilization of private sector capital, thus helping achieve sustainable growth.

Proper project preparation is crucial in maximizing economic efficiency in view of life-cycle cost while securing project quality. This can be made possible by building an enabling environment for promoting infrastructure investment, as well as producing plans that prioritize the projects within the financing envelope. Further, transparent procurement is essential at the project implementation stage. 'Quality' needs to duly cover environment, social, and governance considerations, which include, among others, open access and debt sustainability.

Japan will accelerate its efforts to promote this agenda, in close collaboration with other countries and international organizations such as the WBG.

(2) Global Health (Universal Health Coverage (UHC) and preparedness for pandemics)

We welcome the momentum the WBG's Human Capital Project (HCP) is gaining since its launch at the Annual Meetings last year, including the publication of the international rankings based on the human capital index and continuous improvement in its measurement methodologies. Further, more than sixty countries are producing strategic plans for investing in human capital. As highlighted by the HCP, accumulation of human capital, including through investment in health and education, plays a critical role for achieving economic growth. In this relation, a move towards universal health coverage (UHC), together with its sustainable financing system, is crucial for maintaining and improving the health of the population and enhancing labor productivity, thereby contributing to sustainable economic growth. Against these backdrops, we support the Financing Universal Health Coverage event, held on April 13 in the margins of the Spring Meetings. Further, for accelerating a move towards UHC and its sustainable health financing system in developing countries, Japan will host a Joint Session of the G20 Finance and Health Ministers scheduled for June 28 in the margins of the G20 Osaka Summit. The chief aim of this Joint Session is to raise awareness of finance ministers on UHC financing and promote collaboration between finance and health ministers.

Furthermore, promoting UHC can contribute to improving prevention of, and preparedness against, health emergencies. The Pandemic Emergency Financing Facility (PEF), which Japan supported since its establishment in collaboration with other donors, has rendered continuous support for responses to pandemics such as the Ebola outbreaks. For example, in May 2018, US\$12 million was disbursed to the Democratic Republic of the Congo from the PEF, followed by an approval of further assistance up to a US\$20 million grant in February 2019. We support further strengthening of the PEF's functions.

(3) Debt transparency and sustainability

Securing debt sustainability is vital for sustainable economic growth. A rapid debt build-up in some low-income countries, however, has raised grave concerns about debt sustainability of these countries. Both borrowing countries and creditors, public and private, should jointly work together to ensure debt sustainability through enhanced debt transparency.

Borrowing countries need to enhance their capacity for collection and disclosure of debt-related data, public financial management, and debt management. In this regard, we expect the World Bank, together with the IMF, to actively and steadily implement the multi-pronged approach for addressing debt vulnerabilities. The IMF's Data for Decision (D4D) Fund and the World Bank's Debt Management Facility III (DMF III) are multi-donor trust funds which are expected to play primary roles in capacity development of borrowing countries under the multi-pronged approach. We are happy to announce that Japan will contribute US\$ 5.0 million to the D4D Fund for its 5-year activities and US\$ 1.5 million to the DMF III for its initial year's activities.

Moreover, in order to fundamentally solve debt sustainability issues, it is essential to enhance Domestic Revenue Mobilization (DRM) and build a fiscal structure without excessively relying on financial supports from other countries. Regarding assistance in tax policy and administration, Japan has been financially contributing to the Global Tax Program (GTP), the Revenue Mobilization Thematic Fund (RMTF) and the Tax Administration Diagnostic Assessment Tool (TADAT), and supporting the Platform for Collaboration on Tax (PCT) in which the WBG and the IMF participate. We expect the WBG and the IMF to cooperate more effectively and maximize the impact of the limited resources, including by sharing TA information and developing and implementing medium-term revenue strategy (MTRS) through the PCT.

Finally, both public and private creditors should ensure sustainable financing practices by taking into account debt sustainability of borrowing countries. Japan expects the World Bank and IMF to disseminate knowledge of sustainable financing, including through the stocktaking of creditors' financing practices and identification of best practices among them.

(4) Enhancing Resilience against Natural Disasters

Natural disasters could cause devastating damages and losses to economy and society. We should step up our efforts to prevent damages and minimize losses to the extent possible. In this regard, Phase II operations of Japan-World Bank Program for Mainstreaming Disaster Risk Management launched last December will assist developing countries in building resilient infrastructure, in which the WBG's Tokyo DRM-Hub will play a key role.

Disaster Risk Financing and Insurance (DRFI) is a key instrument to be harnessed for better disaster preparedness. The WBG has made major contributions to establishing and running PCRAFI and CCRIF, and is currently providing technical support for launch of Southeast Asia Disaster Risk Insurance Facility (SEADRIF). Japan has also been driving the efforts on SEADRIF, which has led to, among others, signing of Memorandum of Understanding on the establishment of SEADRIF last December by Cambodia, Lao PDR, Myanmar, Indonesia, Singapore and Japan. The regional catastrophe risk insurance pool for Lao PDR and Myanmar, the first product under SEADRIF, is expected to become operational in 2019. SEADRIF is open to all ASEAN+3 countries, and Japan strongly expects other ASEAN+3 countries to join.

Japan, as G20 presidency, is leading global discussions on the afore-mentioned development agenda. Japan encourages the WBG to mainstream these agenda in its operations, building upon deliverables of the G20 Summit Meeting in June.

4. IDA19 Replenishment

IDA19 negotiations will kick off with the first replenishment meeting right after the Spring Meetings. The progress so far in IDA18's five Special Themes is encouraging, and Japan is broadly supportive of emerging direction to maintain these Themes in IDA19. Said that, we would like to stress the importance of IDA to continue to evolve; it should accommodate changing landscape of low income countries, reflect global discussions on development strategies, and engage middle income countries as donors.

Japan firmly believes Quality Infrastructure Investment (QII), Universal Health Coverage (UHC) supported by robust financing, resilience against natural disasters, and debt sustainability, which are Japan's development priorities, will complement and strengthen the five Special Themes in IDA19 and should be reflected in them. Japan welcomes that debt sustainability is being proposed in IDA19's cross-cutting issues. With regard to the other priorities:

- QII should be highlighted as a critical cross-cutting issue, as is "Human Capital", since both contribute to promoting economic growth;
- Policy commitments on UHC should be set out under "Jobs and Economic Transformation"(JET) and "Human Capital", and those on preparedness for health emergency under "Governance and Institutions"(GI) as in IDA18; and
- Policy commitments on resilience against natural disasters should be included under "Climate Change".

Expecting that these will be in place, Japan is ready to play a constructive and active role in IDA19 negotiations.

5. Country Issues

(1) Rakhine State

Japan supports efforts by both Myanmar and Bangladesh to address the issue of refugees from Rakhine State, paying particular attention to return of the refugees in a safe, voluntary and dignified manner. Japan appreciates and expects WBG's continued engagement with Myanmar, an FCV (Fragility, Conflict and Violence) country, and with Bangladesh in supporting their efforts to achieve inclusive growth as well as the resolution of the refugee issue.

(2) Jordan

Japan appreciates WBG's efforts in formulating the Five-year Reform and Growth Matrix for Jordan. Japan is committed to providing assistance amounting up to US\$730 million, including US\$430 million as a new and additional contribution, in the next five years to support Jordan's implementation of the Matrix. We hope that the 2nd review of the Extended Fund Facility by the IMF will be completed as quickly as possible, and that WBG- and IMF-led international assistance for Jordan's sustainable and inclusive growth can move on to the next phase.

6. Closing

Japan highly appreciates the new President Malpass for his engagement in the WBG reforms and strong commitment to their implementation. Japan reaffirms its commitment to continuing support for the WBG, the key institution for multilateral development assistance, through providing financial resources, policy inputs, and human resources.