



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)

ONE HUNDRED AND FIFTH MEETING
WASHINGTON, DC – APRIL 22, 2022

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1. Introduction

Russia's aggression against Ukraine is a unilateral attempt to change the status quo by force and a blatant violation of international law that undermines the foundations of the international order. Moreover, atrocities against civilians are breaches of international humanitarian law and war crimes. Maintaining peace is indispensable for international economic and social cooperation, including development assistance for developing countries, and therefore, Russia's acts in violation of this are absolutely intolerable. Japan vehemently condemns these acts. Under such circumstances, the World Bank Group (WBG) promptly stopped all its programs in Russia and Belarus with immediate effect. Japan commends this action by the WBG.

2. Support for Ukraine and surrounding countries

The international community must urgently provide support to Ukraine, and therefore, Japan welcomes the WBG's immediate announcement of a US\$3 billion support package. Russia's invasion of Ukraine has not only affected Ukraine, but its effects have spread to surrounding countries due to the displacement of evacuees, and to the entire world, including developing countries, through rises in energy and food prices, and through trade and financial channels. It is important to deliver support to the suffering affected people as soon as possible.

In addition to the US\$200 million emergency humanitarian assistance to Ukraine, Japan has already announced to provide a US\$100 million loan as parallel financing to the World Bank's support for Ukraine, and Japan is pleased to increase it to US\$300 million. In addition, Japan supports the exceptional use of the funds of the International Development Association (IDA) to provide assistance to Ukraine and Moldova, and will continue to actively provide support in coordination with Multilateral Development Banks (MDBs), including the WBG, and the International Monetary Fund (IMF).

3. Strengthening of the WBG's financial capacities

Japan contributes to the strengthening of the WBG's financial capacities, so that the WBG can securely support sustainable and inclusive growth, in addition to the aforementioned emergency support to Ukraine and other countries as well as response to crises including COVID-19.

(1) IDA 20th Replenishment (IDA20)

The unprecedented one-year advancement of IDA20, which is the largest replenishment package, agreed at the final meeting hosted by Japan in December last year, delivers a strong message of global solidarity. As a step of our continuous strong support, Japan announces that an act to provide JPY 420.6 billion (US\$3.84 billion) for IDA 20, including the contribution to Multilateral Debt Relief Initiative (MDRI), was unanimously enacted on March 30. Japan expects that IDA20 will provide strong support for lower income countries.

(2) Payments for the capital package of International Bank for Reconstruction and Development (IBRD) and International Finance Corporation (IFC)

With regard to IBRD and IFC, Japan has advanced payments for capital increase of the two institutions under the capital package agreed in 2018 ahead of the original schedule and recently completed the payments, in order to accelerate the strengthening of their financial capacities. Japan encourages other countries to complete their payments early and expects the capital package to be steadily implemented, including discussions toward graduation, in order to allocate more of the WBG's resources to lower income countries.

4. Achieving sustainable and inclusive growth

In order to achieve sustainable and inclusive growth, it is first essential to (i) get the COVID-19 pandemic under control and strengthen global health systems, (ii) respond to climate change, and (iii) promote digitalization. Then, to support such efforts in a sustainable manner, it is necessary to (iv) build a foundation for growth through advancing quality infrastructure investment, and (v) address debt vulnerabilities that have further deteriorated amid the pandemic. For each of these agendas, the points that Japan places importance on and our expectations for the WBG are as follows.

(1) Containing the COVID-19 pandemic and strengthening global health systems

The fight against the COVID-19 pandemic is not over. In order to achieve recovery of the entire global economy, the priority is to prevent the sequential emergence of new variants and contain the COVID-19 pandemic all over the world, including in developing countries. Japan expects that the WBG's support, including through IDA20, will further accelerate measures against the ongoing COVID-19 pandemic, such as the procurement and dissemination of vaccines and reinforcement of medical care systems.

In addition, it is also important to strengthen pandemic prevention, preparedness and response, including through promoting universal health coverage (UHC), the importance of which Japan has long emphasized. In order to further strengthen support for developing countries while exerting a synergistic effect with IDA20, Japan is pleased to announce its additional contribution of US\$30 million to the Health Emergency Preparedness and Response Trust Fund (HEPRTF).

The existing mechanisms, such as IDA and HEPRTF, should be fully utilized to strengthen the global health systems, and to address the remaining financial gaps, Japan supports the establishment of the Financial Intermediary Fund (FIF) to complement the existing mechanisms. To ensure the FIF will properly function, it is crucial to build a governance structure that enables the contributing donors to have an adequate voice in the decision-making, while promoting coordination between finance and health authorities and international organizations. Japan expects the WBG, with the cooperation of the World Health Organization (WHO), to swiftly advance concrete discussions toward the establishment of the FIF.

(2) Responding to climate change issues

In order for the international community to achieve the global goal of remaining within the 1.5°C limit, it is essential to make collective efforts toward reducing greenhouse gas emissions in developing countries, especially in major emission countries, to the maximum extent possible. Each country needs to build an ambitious transition path toward achieving "net zero" based on each country's circumstances, while striking the right balance with development. Japan expects the WBG's forthcoming Country Climate and Development Report (CCDR) to play a core role in that process. Furthermore, it is important for the WBG to provide comprehensive support so that each developing country can promote initiatives of mitigation and adaptation based on its transition path.

In terms of mitigation, it is essential to work toward reducing greenhouse gas emissions in the energy sector and concurrently achieve universal and affordable access to energy. In order to promote a steady energy transition going forward, Japan expects the WBG to support the best available options to reducing cumulative greenhouse gas emissions, including the use of natural gas, taking into account each country's circumstances. At the same time, it is also important to invest in renewable energy to achieve future goals. From this viewpoint, Japan has decided to promote the use of green hydrogen, geothermal power generation, and battery storage in developing countries through making an additional contribution of US\$15 million to the Energy Sector Management Assistance Program (ESMAP). In addition, Japan will make the first contribution of US\$5 million to the Renewable Energy Catalyst Trust Fund of the Multilateral Investment Guarantee Agency (MIGA), to mobilize more private capital into the renewable energy sector.

In terms of adaptation, amid the increasing frequency and severity of natural disasters due to climate change, managing disaster risk and strengthening resilience to natural disasters have grown in importance. Japan will continue to support the enhancement of resilience to natural disasters through the Japan-World Bank Program for Mainstreaming Disaster Risk Management in Development Countries and the Global Facility for Disaster Reduction and Recovery (GFDRR). Moreover, Japan will support the response to water-related natural disasters, mainly drought, by promoting effective use of water resources including water conveyance loss reduction and wastewater management through the Comprehensive Japan Trust Fund (CJTF) in IFC.

Japan welcomes the agreement reached in the 8th replenishment negotiations of the Global Environment Facility (GEF), which responds to global environmental issues, including not only the field of climate change, but also biodiversity conservation, pollution prevention in international waters, and chemical hazards control. Japan expects the GEF to prioritize support for the least developed countries (LDCs) and small island developing states (SIDS) and promote projects efficiently and effectively.

(3) Promoting digitalization

Digitalization is the source of global economic growth, and it has the potential to make the growth more inclusive, including through expanding the provision of social services to the currently unserved population. To enjoy the fruits of digitalization to the maximum extent, Japan places emphasis on (i) utilizing digital technology across all sectors, not only the communications sector, (ii) addressing inequalities, and (iii) developing robust governance, including cybersecurity and data privacy.

Japan expects the WBG to provide support in (i) developing robust governance and enabling environment for promoting growth through the improvement of data reliability and fair competition, (ii) addressing inequalities, through eliminating the digital divide and introducing innovative policy tools using digital technology to provide social services, and (iii) filling the financing gaps by fully utilizing its various financial tools and global knowledge. In particular, in order to promote the development of robust governance, Japan is pleased to announce its contribution of US\$13 million to the Cybersecurity Multi-Donor Trust Fund under the Digital Development Partnership.

Moreover, to promote the WBG's wide range of initiatives concerning digitalization more strategically from a broader perspective, Japan strongly expects the WBG to mainstream digitalization by placing it as a cross-cutting priority agenda in the Country Partnership Framework.

(4) Advancing quality infrastructure investment

In order to lay the foundation for economic growth, it is important to further advance quality infrastructure investment that helps respond to climate change and promote digitalization, taking

debt sustainability into account. Japan expects the whole of the WBG group to further push forward to implement the G20 Principles for Quality Infrastructure Investment. From this viewpoint, Japan announces its additional contribution of US\$10 million to the Global Infrastructure Facility (GIF) and also will continue to provide support through the Quality Infrastructure Investment Partnership (QIIP), the Tokyo Development Learning Center (TDLC), and other programs. Also, the Quality Infrastructure Investment Indicators (QII Indicators) prepared by IFC are important to further mobilize private capital. Japan expects the launch of a pilot application of the QII Indicators to existing infrastructure projects.

(5) Addressing Debt Issues

Given the impact of COVID-19 followed by subsequent factors such as rising energy prices, the risk of debt becoming unsustainable in developing countries is increasing even further. It is important to closely watch developing countries so that they do not overborrow beyond their capacity to repay. Those already facing debt vulnerabilities should restore debt sustainability under the Common Framework. Japan expects the WBG to foster an understanding among both creditor and debtor countries on the importance of those efforts for debt sustainability. To help debtor countries better understand the benefits of the Common Framework, it is important to give predictability of a debt treatment under the Common Framework to debtor countries. In this regard, the G20 and the Paris Club creditors should expedite the process for the three countries that have already requested a debt treatment and give clarity to the process for the Common Framework.

Debt data transparency and accuracy are critical to secure debt sustainability. We expect the WBG, the institution with extensive expertise in this area, to further strengthen capacity-building support for debtor countries. We also expect the WBG to urge creditor countries to share lending data to the IMF and the World Bank and to refrain from using opaque collateralized financing and confidentiality clauses that hamper data-sharing. Japan will continue to actively cooperate on efforts to improve debt transparency.

5. Concluding remarks

The WBG is a unique entity capable of providing support from the aspects of both finance and knowledge in various sectors through cross-sectoral approaches.

Japan expects the WBG, under the leadership of President Malpass, to take a leading role in achieving sustainable and inclusive growth, in collaboration with the IMF and other MDBs, while properly sharing roles in line with their comparative advantages, within their respective mandates.

Japan is committed to further developing its long-standing partnership with the WBG and providing active support across many fronts, including finance, policies and human resources.