

**Japan's Statement at the 107th Meeting of the Development Committee
(Joint Ministerial Committee of
the Boards of Governors of the Bank and the Fund)
(Washington, DC — April 12, 2023)**

1. Introduction

Japan reiterates its strongest condemnation against Russia, which has continued a war of aggression for over a year. We again stress that this war goes diametrically against the principle of the rule of law in the international community and is absolutely intolerable.

I would like to express my deep respect for President Malpass, who has announced his intention to step down from his position by the end of June. Japan appreciates his outstanding leadership during the time the world has faced unprecedented multiple crises, including the COVID-19 pandemic, debt issues, and Russia's aggression against Ukraine.

2. Support to Ukraine

Continued Russia's illegal, unjustifiable, and unprovoked aggression has been causing further devastating damage to Ukraine. Japan appreciates the World Bank Group (WBG)'s agile and scalable support to Ukraine and expects the WBG to continue undertaking a central role.

Last year, Japan provided a yen loan equivalent to US\$600 million as parallel financing to the International Bank for Reconstruction and Development (IBRD)'s financial support for Ukraine. This year, Japan contributed approximately US\$500 million in grants to the Ukraine Relief, Recovery and Reconstruction Trust Fund (URTF). Furthermore, the enactment of the relevant bill on April 7th, enables Japan to join the credit enhancement scheme, and with Japan's credit enhancement, the IBRD is now equipped with the ability to provide \$5 billion loans to Ukraine. Japan expects the IBRD to promptly

implement its financing through this credit enhancement and looks forward to participation of other countries in this scheme.

In order to fulfill the potentially huge financial needs for reconstruction of Ukraine, it is essential to mobilize private capital in addition to donor funding, and the role of the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) is important as well. In this regard, Japan has made the inaugural contribution of \$23 million to MIGA's "Support for Ukraine's Reconstruction and Economy (SURE) Trust Fund". Also, we amended the Japan Bank for International Cooperation (JBIC) Act to enable guarantees for loans to private sector in Ukraine provided by the IFC or other International Financial Institutions (IFIs). With these initiatives, Japan is committed to supporting Ukraine's reconstruction by utilizing private capital as well.

Furthermore, to support the host countries of refugees, Japan provided a concessional yen loan to IBRD to enable additional grant contribution of \$83 million to "Global Concessional Financing Facility (GCFF)" by using interest rate swaps and other means. Of this amount, approximately \$17 million is expected to be used to reduce the interest rate payment of Moldova to IBRD loan, which hosts a large number of Ukrainian refugees. In addition, parallel with the IBRD loan, Japan has decided to provide a yen loan of approximately \$100 million to Moldova.

3. WBG Evolution

While the world is facing multiple crises, the role that Multilateral Development Banks (MDBs) should play, including the WBG, has become more important. Addressing global challenges such as climate change and pandemics is now an essential part to achieve the goals of "ending extreme poverty" and "promoting shared prosperity", while also "leaving no one behind" for current and future generations. In this context, Japan commends the WBG

Management and the Board of Directors for their work on enhancing the vision/mission, operating model, and financial model, and looks forward to further discussions toward the Annual Meetings.

The strengths of the WBG lies not only in its financial support but also in provision of knowledge based on the longstanding experiences in development. Especially for middle-income countries (MICs), it is more important to capitalize on knowledge service of MDBs and provide technical assistances that facilitate mobilization of private and domestic capital. It is also important to encourage private sector to make impact investments based on appropriate assessment and management of their effectiveness. In addition, self-supporting efforts by recipient countries are also indispensable in addressing global challenges, such as climate change and pandemics.

In order to make these happen, it is important that the WBG share the same objectives with recipient countries and provide them with proper incentives while taking into account the circumstances of each country. In designing incentives, we should not prejudge that financial incentives are the most appropriate tool. Instead, thorough consideration on broad options, including non-financial incentives, needs to be made. In case providing financial incentives would be the right option, the resource should come through making the best use of the balance sheets, while also taking into consideration the long-term financial soundness, based on recommendations under the “Independent Review of Multilateral Development Banks’ Capital Adequacy Frameworks” of the G20. In the meantime, a future capital increase is not eligible for discussion. Japan supports removing the Statutory Lending Limit (SLL), reducing the minimum Equity-to-Loan (E/L) ratio, implementing the pilot program for Hybrid capital issuance in capital markets and increasing the limit for shareholder guarantees. Needless to say, addressing global challenges should not come at the sacrifice of low-income countries (LICs).

Meanwhile, we should not only seek for new initiatives but shed light on

existing good practices. For instance, the “Japan-World Bank Program for Mainstreaming Disaster Risk Management in Developing Countries”, which is scheduled to commence Phase 3 in July this year, aims to promote mainstreaming of disaster risk reduction and adaptation to climate change, by mobilizing private capital and providing highly concessional technical assistance to developing countries, including MICs. Japan is pleased to announce its contribution amounting to US\$100 million over five years to this program.

As the WBG proceeds with its review of the operational model, it is necessary to set appropriate targets through relevant instruments such as Corporate Scorecard for measuring performance of the organization. On the other hand, it is also important to show pathways for each client country to address global challenges based on their individual circumstances. In this regard, Japan proposes to develop and utilize core policy guidelines and analytical tools in addressing global health, which is equivalent to the Climate Change Action Plan 2021-2025 (CCAP) and Country Climate and Development Reports (CCDRs) in addressing climate change.

Toward the next Development Committee, Japan expects concrete work plan that takes abovementioned points into account, and looks forward to further collaboration by the Board of Directors and the WBG management to reach a remarkable, ambitious and comprehensive agreement.

4. Response to global issues

Subsequently, let me touch upon the priorities to which Japan attaches particular importance, and our expectations for the WBG:

(1) Global health

As the impact of unprecedented COVID-19 pandemic is subsiding, we should utilize the lessons learned toward strengthening “prevention”, “preparedness” for, and “response” (PPR) to future pandemics. These efforts

will further move towards Universal Health Coverage (UHC), of which importance Japan has long been advocating.

From this perspective, Japan appreciates the establishment of the "Pandemic Fund" last year and its commencement of activities, mainly focusing on "prevention" and "preparedness". Japan is willing to make further contributions to the Pandemic Fund. Meanwhile, Japan has been discussing with the World Bank and other IFIs in the various fora including G7 and G20 about the establishment of a new dedicated surge financing mechanism that enables to deploy large scale funds quickly and efficiently in response to the outbreak of the future pandemic.

It is also important to strengthen the health system of each country, which is the foundation of UHC. Having long contributed through the "Health Emergency Preparedness and Response Trust Fund (HEPRTF)" and the "Policy and Human Resources Development Fund (PHRD) UHC Window", Japan is delighted to make additional contributions of approximately \$7 million to the HEPRTF and \$4 million to the PHRD UHC respectively. Furthermore, Japan will make an additional contribution of \$10 million to the "Global Financing Facility" to facilitate effective mobilization of resources for the health sector.

Further enhancement of collaboration between financial and health officials is required, both for investment in health systems during normal times and quick deployment of large-scale funds in the event of crises including surge financing. To make that happen, Japan supports the strengthening and institutionalization of the G20 Joint Finance-Health Task Force, and expects that the WBG will continue to play a central role in this task force, by making use of its abundant knowledge in financing and development fields.

(2) Climate change issues

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

but realistic transition path based on its own circumstances, while being mindful of its development impact.

This requires us to secure smooth supply of clean energy products, given their significant increase in demands as an indispensable goods for transition. In this regard, diversifying the highly concentrated supply chains of these products can contribute to stable energy supply in the era of decarbonization and to global efforts in achieving the 1.5 degree-goal, while creating new growth opportunities for developing countries. Japan in collaboration with interested countries and the WBG, will support those developing countries who are willing to play bigger roles in the manufacturing process of these products with due consideration to Environment, Society, and Governance.

Disaster prevention and resilience against natural disasters are urgent issues in the context of climate change adaptation. In addition to the “Japan-World Bank Program for Mainstreaming Disaster Risk Management”, promoting quality infrastructure investment is also important from the perspective of enhancing resilience, as Japan has long been supporting. Japan will continue to provide support through the “Quality Infrastructure Investment Partnership (QIIP)” and the “Southeast Asia Disaster Risk Insurance Facility (SEADRIF)”. Furthermore, Japan has contributed an additional approximately US\$4 million to the IFC's “Comprehensive Japan Trust Fund (CJTF)”, to enhance effective use of water resources and response to climate change.

(3) Debt issues

As the global economy has experienced turbulence, the risks of debt vulnerabilities have elevated in not only LICs but also some MICs. In order for developing countries to overcome their development challenges in the medium to long term, they need to restore debt sustainability as a matter of urgency.

For LICs, it is crucial that the creditor committees swiftly implement debt treatments under the Common Framework. For vulnerable MICs, all creditors

and donors should work together to restore debt sustainability in a coordinated manner. In this regard, we welcome the launch of a coordinated debt restructuring process of official bilateral creditors of Sri Lanka.

It is essential to improve debt data transparency and accuracy in order to prevent future debt crises. As the G7 Presidency, Japan leads the Data Sharing Exercise that creditor countries share their lending data with the World Bank. We expect this exercise of sharing data to be an established practice and to be widely spread among more creditor countries, with the WBG continuing to play a pivotal role. We also look forward to constructive discussions among all participants of the Global Sovereign Debt Roundtable led by the International Monetary Fund (IMF) and the WBG which would help promote information sharing and understanding of debt issues among all stakeholders involved.

Furthermore, to restore developing countries' debt sustainability and realize stable economic growth, it is essential that the WBG and other MDBs continue to focus on their unique roles of providing new finance to developing countries, while creditor countries continue to provide debt treatment. Together with the WBG, Japan will play a role so that the importance of such MDBs' role will be understood more broadly among other countries.

(4) Women's empowerment

Ensuring opportunities for women to play active roles in all fields of society is not just an inalienable right but also a driving force for economic growth. Since the 2010s, Japan has accelerated its efforts to increase women's labor participation. While these efforts have yielded some extent of progress in promoting women's empowerment, women still tend to bear various burdens, such as elderly care and childcare, which prevent women from further participating in the broader field of society.

Even though many developing countries are currently enjoying demographic bonus phase, they are expected to face similar challenges in foreseeable future.

In this regard, Japan highly appreciates the “Women Entrepreneurs Finance Initiative (We-Fi)” led by the WBG, and is pleased to commit to contribute US\$5 million to this initiative.

5 . Concluding remarks

As the Presidency of the G7 this year, Japan will host the Finance Ministers and Central Bank Governors Meeting in Niigata in May. Japan appreciates the WBG's generous cooperation in various fields in preparing for the meeting.

Japan is committed to further providing vital support through multiple channels including financing, policy guidance, and human resources. We will also further deepen our long-standing partnership with the WBG, other IFIs, and all countries around the world, in order to address global development challenges that are becoming even more complex.

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