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**At the Fifty-Ninth Annual Meeting of the Inter-American Development Bank and the
Thirty-Third Annual Meeting of the Inter-American Investment Corporation
Mendoza, Argentina, March 24, 2018**

1. Introduction

Mr. Chairperson, Mr. President, distinguished Governors, ladies and gentlemen, I am honored to address the Fifty-ninth Annual Meeting of the Inter-American Development Bank (IDB) and Thirty-third Annual Meeting of the Inter-American Investment Corporation (IDB Invest) on behalf of the Government of Japan. Let me also seize this opportunity to express my gratitude to the Government of Argentina for hosting the meetings and to the people of Mendoza for their warm hospitality.

2. State of the Economy and Challenges of the Latin American and the Caribbean (LAC) Region

LAC countries are in a gradual recovery, in line with the gradual pickup in the growth of global economic activity. The LAC region has made a significant turnaround over the last decade: the middle-class population has doubled while the poverty headcount has shrunk by 30%. However, the LAC region faces a number of challenges: growth rates that are slower than in other parts of the globe; lingering income inequalities and the existence of socially vulnerable populations that are plagued by abject poverty; and frequent natural disasters such as hurricanes.

As a multilateral development bank of the LAC region, the IDB Group is expected to respond to the development needs of the region and address its challenges. Underpinned by a more than 40-year-long strong partnership with the IDB Group, Japan stands ready to support the LAC region in achieving sustainable growth by providing both human and financial resources, together

with knowledge and innovative technologies.

3. Quality Infrastructure

Quality infrastructure is key to building the foundations for self-sustaining growth: it enhances private investment and supports the establishment of new industries, which results in the creation of new employment. In this regard, I highly appreciate that the G20, under the Argentinian chairmanship, is discussing how to boost infrastructure investment by mobilizing private resources. Japan is committed to cooperating closely with Argentina, in its capacity as G20 chair, together with the IDB Group, so as to promote quality infrastructure that catalyzes private investment.

Let me introduce four initiatives Japan is undertaking to promote quality infrastructure in the LAC region.

- First. Japan established in 2016 a new window within the Japanese Trust Fund at the IDB Group: the Japan Quality Infrastructure (JQI) Initiative. The JQI provides support for the preparation of quality infrastructure projects by the IDB. Since its inception, the JQI has provided technical cooperation to four projects, including one for water and sewage systems in Paraguay.
- Second. Japan welcomes the establishment of a new public-private Partnership (PPP) facility within the IDB Group, which provides support for the formulation of quality PPP infrastructure projects. I have the pleasure to announce that Japan is providing US\$5 million to support the new facility.
- Third. Addressing the huge infrastructure gap in the LAC region requires the mobilization of private resources. Japan has high expectations for IDB Invest to play a major role in this regard. Following the signature in November 2016 of a memorandum of understanding (MoU) with the Japan Bank for International Cooperation (JBIC), IDB Invest has signed a new memorandum of cooperation (MoC) with the Japan International Cooperation Agency (JICA) during the Annual Meetings in Mendoza. The two Japanese official lenders are committed to strengthening partnerships with IDB Invest with a view to further promoting private investment in the LAC region.

- Fourth. Japan's co-financing framework with the IDB, the Cofinancing for Renewable Energy and Energy Efficiency (CORE), established in 2012, has been supporting the development of climate-compatible quality infrastructure. Six official development assistance (ODA) loans have been extended/identified under the CORE with a total lending volume of over US\$1 billion, including two U.S. dollar-denominated ODA loans for Jamaica and Ecuador. Let me remind you that these U.S. dollar-denominated ODA loans are a new feature that was introduced recently.

Quality infrastructure development requires LAC countries to be a responsible borrower, with sufficient institutional capacity in terms of sound fiscal management and adequate debt management. Japan expects the IDB Group to provide necessary support in this area, working closely with the IMF and other international finance institutions (IFIs).

4. Multilateral Investment Fund (MIF)

The MIF has been active in assisting micro, small, and medium-sized enterprises (MSMEs) and the socially vulnerable. In addition, the MIF has been an innovation laboratory for the whole IDB Group, initiating a number of pilot projects.

One good example is the MIF's role in the development of microfinance in the LAC region. The MIF's work in microfinance was replicated by IDB Invest at a later stage, resulting in a scaling-up of the IDB Group's assistance for microfinance. Collaboration between the IDB and the MIF resulted in the establishment of a new regulatory and supervision framework that responds to the specificities of microfinance institutions.

Having high regards for the innovative and unique functions of MIF, Japan has been an active supporter of the MIF. Against this backdrop, Japan pledged at the last Annual Meetings to provide US\$85 million for MIF III, subject to endorsement by the Japanese parliament.

The MIF's new CEO and manager since early 2018, Ms. Irene Arias, has unveiled a plan for making the best use of disruptive technologies such as artificial

intelligence (AI) and big data. I welcome her initiative which I believe will consolidate the MIF's innovative features, resulting in big achievements going forward.

I look forward to a MIF that pilots new development models with disruptive technologies, which can be replicated and scaled up across the IDB Group; and a MIF that can make a significant impact on boosting inclusive growth in the LAC region under the leadership of its new manager. Japan, on its part, is committed to supporting the MIF and the IDB Group as a whole, in terms of both financial and human resources.

5. Towards More Inclusive Growth

Japan believes it important that LAC countries address income inequalities and the remaining poor population, thereby achieving inclusive growth. Japanese trust funds at the IDB Group have been providing grassroots support focusing on the vulnerable and the poor.

Taking advantage of the Annual Meetings in Mendoza, I am pleased to announce two new Japanese trust fund-financed grassroots projects:

- i) A project to improve educational standards in the province of Mendoza. This project will help develop a digital learning platform that will be used on students' computers while providing related training courses for school principals and district managers; and,
- ii) A project to promote employment of people with disabilities while upgrading the skills of social workers.

I hope that grassroots projects financed by Japanese trust funds at the IDB Group will help bring the fruits of economic growth to a wider spectrum of the population in the LAC region while strengthening the partnership between the LAC region and Japan.

6. Concluding Remarks

Ties between the LAC region and Japan are strong. Japanese immigrants in that region date back to the late 19th century. Trade and investment form the

backbone of our economic relations. On top of that, Japan and Argentina, the host country of the Mendoza Annual Meetings, are celebrating the 120th anniversary of the establishment of diplomatic relations in 1898.

Let me conclude by expressing my best wishes for the IDB Group, under the leadership of President Moreno, in addressing the challenges of boosting growth in the LAC region in a sustainable and inclusive manner.