

**Statement by the Honorable SUZUKI Shunichi
Finance Minister of Japan and IDB Governor for Japan**

**At the 64th Annual Meeting of the Inter-American Development Bank and
the 38th Annual Meeting of the Inter-American Investment Corporation**

Punta Cana, Dominican Republic, March 9th, 2024

1. Introduction

Mr. Chairperson, Mr. President, distinguished Governors, guests, and participants.

On behalf of the Government of Japan, I would like to express my heartfelt gratitude to the Government of the Dominican Republic for hosting the 64th Annual Meeting of the Inter-American Development Bank (IDB) and the 38th Annual Meeting of the Inter-American Investment Corporation (IDB Invest).

2. Development needs in the LAC region and the IDB Group's role

(1) Development needs in the LAC region

The Latin American and the Caribbean (LAC) region has played, and will continue to play, a key role in achieving strong and sustainable economic development globally, with its expanding consumer market and production base, a growing combined population amounting to 660 million, and abundant natural and mineral resources. While gradually recovering from the impact of the COVID-19 pandemic, the LAC region still faces a challenging economic situation, not least because of Russia's prolonged aggression against Ukraine, as well as elevated global inflation. Amid other global challenges, such as climate change, food insecurity, and the debt crisis among vulnerable low- and middle-income countries, the role of the IDB Group, the largest international development finance institution in the region, has become even more crucial for addressing structural problems such as inequality and low labor productivity, as well as achieving sustainable, resilient, and inclusive growth. To these ends, it is imperative to further mobilize private sector capital in priority areas, given the huge amount of development needs.

(2) Institutional Strategy

We commend the IDB Group for producing the Institutional Strategy, which contains renewed three strategic priorities, namely, reducing poverty and inequality, addressing climate change, and enhancing sustainable growth, as well as ambitious seven cross-sectoral priorities: (i) biodiversity, natural capital and climate action, (ii) gender equality and inclusion of diverse population groups, (iii) institutional capacity, rule of law and citizen security, (iv) regional integration, (v) productive development and innovation through the private sector, (vi) sustainable, resilient and inclusive infrastructure, and (vii) social protection and human capital development. Based on these frameworks, Japan hopes that the IDB Group will duly prioritize support for poor and vulnerable countries and thus maximize development impacts. We also believe that the Institutional Strategy will be a useful compass for the IDB Group in leading the discussion on the ongoing Multilateral Development Bank (MDB) Evolution, promoting regional integration, and delivering regional public goods. Finally, we believe that the new Strategy will better serve the IDB Group's long-standing mission as the home-doctor in the region, which includes promoting contributions from donor countries, supporting borrowing countries' self-help efforts, and tailoring knowledge and expertise based on the development needs of the region.

(3) IDB Invest General Capital Increase

IDB Invest's new business model, Invest 2.0, aims to attract more private investment in the LAC region by transforming its business model from conventional co-financing to innovative originate-to-share support through risk-taking in order to respond to the enormous development needs of the region. As one of the most vocal supporters of MDBs' efforts to mobilize private capital, Japan welcomes the ambition for this new model. Furthermore, we recognize that Invest 2.0's sectoral priorities are highly relevant to the regional context, including climate change, gender equality, diversity and inclusion, social issues including support for the poor and vulnerable, and support for low-income and island countries. In this context, we expect that the knowledge and experiences of the IDB Group as a whole will be used effectively to deliver the new business model.

Along with the new business model, we welcome that the capital increase proposal first considers the expansion of lending capacity through the implementation of the recommendations of the G20 independent review of the MDBs Capital Adequacy Framework and then aims to further mobilize private capital. In addition, we welcome that the draft resolution includes two critical elements, based on Japan's request, namely, (i) a creation of an additional non-regional Executive Director as a solution to address the underrepresentation issues for the IDB Invest Board, as a part of the wider IDB governance reform, and (ii) payments through promissory notes. We believe that these changes will promote contributions from Japan and other non-regional member countries, which enhances support for regional countries. Lastly, as a sign of highlighting the active role of non-regional countries, Japan hereby expresses its willingness to host the next annual consultation meeting with non-regional member countries in 2025.

(4) IDB Lab Replenishment

The IDB Lab has played a unique role as an innovative laboratory of the IDB Group, supporting start-ups that cannot be covered by the IDB and IDB Invest through equity investment. Together with the above-mentioned IDB Invest's new business model, the IDB Lab has a huge potential to help achieve rigorous private sector-led economic growth in the region. As a major shareholder, Japan will continue to contribute to the IDB Lab through the Transformational Start-Ups' Business Acceleration for the SDGs Agenda (TSUBASA), a program launched by the IDB Lab and the Japan International Cooperation Agency (JICA) to support start-up companies. Further, in light of progress made since last year regarding the non-payment issues in some countries for MIF III and the proposed incentive framework to prevent recurrence of non-payments in the MIFIV, Japan stands ready to make specific contributions to MIF IV, with the expectation that addressing non-payment issues will be resolved in a timely manner.

3. Collaboration between the IDB Group and Japan

Back in 1976, IDB membership was opened to countries outside the region. Since then, Japan has contributed to the IDB Group through both financial

and human resources. On top of the above-mentioned financial contribution to the IDB Invest and IDB Lab, we would like to highlight the following four areas as a means to deepening the relationship between the IDB Group and Japan:

First, we will continue our financial contribution to the Japan Special Fund (JSF) for the purpose of augmenting the IDB Group's prioritized activities. For instance, Japan has signed up to contribute to the Pan American Highway for Digital Health Initiative, under co-financing by the IDB and the Pan American Health Organization, which is affiliated with the World Health Organization. This initiative will help build a robust health data system on a regional scale, particularly in the context of rapid population aging. Moreover, through this initiative, we expect that the promotion of data sharing through digital technologies will achieve seamless data flows across borders, and as such overcome various challenges, including on coordination in the region, thus delivering improved development outcomes. This is the epitome of bringing various development priorities into one project, including regional connectivity, digital innovation, and public health.

Second, we will strengthen cooperation between the IDB Group and Japanese development agencies, in order to provide Japan's technology and knowledge to the region. This January, Japan revised the Cooperation for Economic Recovery and Social Inclusion, the IDB and JICA co-financing framework, and signed a memorandum of cooperation for expanding its scale of assistance from \$3 billion to \$4 billion. Also, the JICA-IDB Lab TSUBASA initiative to support start-ups has steadily increased the number of its projects. Japan is firmly committed to continuing to work with the IDB Group's private sector-led development assistance and promote cooperation through these frameworks.

Third, we would like to emphasize the importance of revamping the function of the IDB Representative Office in Asia. The office, which is located in Tokyo, is mandated to support Asian companies in investing in the LAC region. For achieving this important mission, enhancing public relations activities in local languages should be given a priority. Enhanced cooperation between Asian companies and the IDB Group, through technology and knowledge transfer (among others), will be beneficial to both the IDB group and the Asian region. In this regard, we appreciate the Management's firm commitment to launching dissemination of information in Japanese.

Fourth, we will continue to contribute human resources to the IDB Group on various occasions. We believe that the Group should embrace diversity in its staff, so as to respond to complex and ever-changing development challenges. Specifically, we would like to explore more active role of Japanese staff particularly regarding the adoption of the IDB Invest's new business model and Institutional Strategy.

4. Conclusion

Multiple crises are still ongoing around the world, blurring the once-clear delineation between crisis and non-crisis episodes. Amid such economic and social structural changes, the IDB Group is the most eminent financial institution in the LAC region which can help the region achieve sustainable and inclusive growth. Japan remains committed to strengthening its partnership with the IDB Group, thereby enhancing the prosperity of both Japan and the LAC region. Last but not least, we look forward to President Goldfajn continuing to exercise strong leadership as the IDB steadfastly implements its reform agenda.