

**Statement by the Honorable Kanehiko Shindo,**

**Parliamentary Vice-Minister of Finance**

**Ministry of Finance, Government of Japan**

**at the 33rd Annual Meeting of the European Bank for Reconstruction and Development**

Yerevan, Armenia - May 16th, 2024

## **1. Introduction**

Mr. Chairperson, Madame President, distinguished Governors, ladies and gentlemen:

On behalf of the Government of Japan, I would like to express my sincere gratitude for the warm hospitality extended by the Government of Armenia and the people of Yerevan, at the 33<sup>rd</sup> Annual Meeting of the European Bank for Reconstruction and Development (EBRD). I would also like to acknowledge that this is the very first time that Armenia has hosted the Annual Meeting.

Let me also take this opportunity to celebrate the memberships of Benin, Côte d'Ivoire, Ghana, Kenya, Nigeria, and Senegal, which have been approved by the Board of Governors since the Annual Meeting last year.

## **2. Support to Ukraine**

We condemn again, in the strongest terms, Russia's illegal, unjustifiable, and unprovoked aggression against Ukraine that has continued for more than two years. It has caused tragic loss of life and destruction of property and infrastructure, exacerbating global economic challenges. We call for an immediate end of this illegal aggression, which would clear one of the biggest uncertainties over the global economic outlook.

Let us express our utmost respect again for the courage and perseverance of the Ukrainian people, who have stood up in defense for the freedom and independence of their country. Japan has thus far provided robust financial assistance to Ukraine, including credit enhancement leading to \$5 billion worth of loans to Ukraine, as well as \$940 million in grants. Moreover, Japan's National Diet passed a budget in March that authorizes the Government of Japan to provide credit enhancements that make it possible to provide an additional \$2 billion worth of loans this year. Japan has stood with Ukraine and will continue to do so.

To address Ukraine's huge reconstruction needs, we need to mobilize capital, technology, and expertise from the private sector. In this regard, the new Tax Convention signed between Japan and

Ukraine at the timing of “Japan-Ukraine Conference for Promotion of Economic Growth and Reconstruction” in February, which wholly amended the existing one that entered into force during the former Soviet era, is expected to further promote mutual investments and exchanges of goods and services between the two countries. In addition, the Japan Bank for International Cooperation (JBIC) signed a Memorandum of Understanding with the Black Sea Trade and Development Bank (BSTDB) that aims at reaching an agreement to provide a two-step loan of up to \$150 million to Ukraine and its neighboring countries.

Further, the EBRD, as a Multilateral Development Bank (MDB) that has a mandate to support a transition in the region, will continue to play a critical role in supporting Ukraine. Japan highly commends that the EBRD announced its support package immediately after the onset of the aggression and has steadfastly implemented it by deploying EUR 3.8 billion in total by the end of 2023. Japan also provided an additional contribution to the Japan Trust Fund, which is a bilateral trust fund established in the EBRD, to assist private sector-led reconstruction in Ukraine’s agribusiness sector as well as human resources development, which is critical for business continuity.

We welcome that the capital increase of EUR 4 billion was approved by the Board of Governors at the end of 2023 as an exceptional measure to respond to the reconstruction needs in Ukraine, which I believe exemplifies shareholders’ solidarity. Japan, as the second largest shareholder, has already subscribed to the newly authorized paid-in shares this month soon after the approval of our budget in March. We will make payment by the end of this year and encourage other members to follow suit.

### **3. Direction of the EBRD’s Operations**

The G20 stresses the need to deliver better, bigger, and more effective MDBs. In this context, the EBRD should use its capital base and lending capacity efficiently and effectively to the fullest extent, consistent with its unique mandate. Let me highlight four topics that Japan considers will be critical.

First, the Bank should accelerate the implementation of the G20 Capital Adequacy Framework (CAF) review recommendations. We request the EBRD continue its steadfast efforts on this front, including the issuance of hybrid capital and the enhanced communication with Credit Rating Agencies to revisit the value of callable capital.

Second, private capital mobilization should be enhanced. In light of the increasing development needs, mobilizing private capital is key, while public capital can play a catalytic role. The mobilization of private capital is a global imperative, and we expect that the EBRD, backed by extensive achievements under its private sector mandate in regions such as Central and Eastern Europe, will lead the MDBs’ efforts in this regard.

Third, climate change efforts should be further intensified. The EBRD covers the regions that are

vulnerable to natural disasters like Japan, including Armenia that was devastated by a major earthquake in 1988. We look forward to the EBRD strengthening its support for the green economy transition in the areas of not only climate mitigation but also adaptation.

Fourth, the EBRD's appropriate geographical direction needs to be maintained. While Japan welcomes the expansion to sub-Saharan Africa this time, we should recall that the EBRD's top priority is support to its existing countries of operations. In addition to Ukraine and affected countries, the importance of the Early Transition Countries (ETCs), including Central Asian countries and Mongolia, should be duly maintained. Also, this expansion of the geographic scope must be implemented in a limited and incremental manner as stipulated in the Governors Resolution adopted at the Annual Meeting last year in Samarkand, so as to safeguard the Bank's ability to support its traditional clients. In this region, it will be essential for the EBRD to provide its support effectively by coordinating smoothly with the World Bank Group as well as the African Development Bank and avoiding duplication of operations.

These four points should be duly reflected in the next EBRD Strategic and Capital Framework (SCF).

#### **4. Cooperation between the EBRD and Japan**

The EBRD is a global institution that includes non-European countries in its membership, and its organizational management must reflect diverse voices, including those of non-European members. Further, it must respond flexibly and effectively to the diverse and complex needs while its coverage of operations is being expanded beyond Europe. To this end, it is important to promote diversity, including on nationality, among the EBRD staff. Japan is committed to actively contribute to the EBRD, including in terms of policy discussion and human resources, in addition to its financial support such as the contributions to the capital increase and the Trust Funds.

Let me stress that Japanese private companies possess many state-of-the-art technologies that can contribute to solving various problems faced by the countries of the EBRD's operations, such as climate change and food insecurity. We are willing to collaborate with the EBRD further in encouraging more Japanese private companies to invest in EBRD-supported projects. We hope that the EBRD Tokyo Office will play an instrument role in this regard. The webinar on investment to Ukraine in this March is a case in point, where the Tokyo Office solicited a huge interest to invest in Ukraine by a number of Japanese companies. I would like to request the EBRD to foster such efforts further, by fully utilizing the Tokyo Office's function and resources.

## 5. Closing

Even after the impact of COVID-19 has receded, the world is facing overlapping geopolitical crises, including Russia's aggression against Ukraine and the clashes between Israel and the Palestinian militants. At the same time, the need to resolve long-term development challenges such as climate change remains.

Much has been achieved, including the capital increase, since President Renaud-Basso assumed office in 2020 in this challenging environment, which is compelling evidence that we elected the right person to lead the EBRD. Japan strongly supports her re-election at this Annual Meeting.

We expect that the EBRD will continue to play an important role in supporting its countries of operations' efforts to respond to these multiple crises and challenges.

(end)