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JAPAN

**Statement by the Honorable Minoru Kihara,
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1. Introduction

Mr. Chairman, Mr. President, distinguished Governors, ladies and gentlemen:

On behalf of the Japanese Government, I would like to express my sincere gratitude for the warm welcome extended by the Government of Jordan and its people, at the 27th Annual Meeting of the European Bank for Reconstruction and Development (EBRD).

2. Japan's Expectations of the EBRD

(1) Role and Operations of the EBRD

We attach importance to stable growth and sound social development of countries that share universal values such as freedom, democracy and the rule of law. For more than 25 years since its establishment, the EBRD has provided important assistance for democratisation and transition to an open market economy in the former communist countries and more recently in the Southern and Eastern Mediterranean (SEMED) countries. Japan highly appreciates the contributions the EBRD has made so far.

The EBRD should use its limited resources in the most effective and efficient manner to implement the new Transition Concept, which puts emphasis on the quality of transition to an open market economy. Japan believes that the EBRD's operations should be targeted at the geographical areas and sectors in which the maximum transition impact can be achieved. We strongly expect the EBRD to enhance its support for the Early Transition Countries (ETCs), which are lagging behind in the transition to an open market economy, and help these countries move to the next stage of transition without undue delay. In this context, we welcome the EBRD's re-engagement with Uzbekistan, one of the ETCs, including the approval last October of the first project since the re-engagement. Uzbekistan is encouraged to carry out the reform programmes, and Japan calls for the EBRD's strong support for the country to achieve higher transition impact.

Japan encourages the countries in advanced stages of transition to make a major step forward to graduate from EBRD countries of operations (COO) status through self-sustaining reforms with a clear roadmap for graduation. We urge the EBRD to engage in discussions on graduation

with these countries. Graduation from the EBRD is undeniable proof of the success of its support to these countries.

An increasing number of cross-border projects has recently been proposed to the Board of Directors. In the absence of a clear policy on EBRD's engagement in projects that benefit non-COOs, the Board decisions on such projects have been made in an ad hoc manner. Japan calls on the EBRD to discuss how it should deal with these cross-border projects.

Discussions on the Medium Term Directions for "Strategic and Capital Framework (SCF) 2021-2025" are planned this year. We highly appreciate that the EBRD has been operating without additional paid-in capital from shareholders for more than 20 years since its last capital increase in 1996. Japan expects the EBRD to maintain its financial efficiency and sustainability going forward.

(2) Future of the EBRD

The EBRD has strived to respond to challenges beyond the original geographical coverage at the request of the international community, such as the SEMED countries' transition to an open market economy after the Arab Spring and the Syrian refugee crisis.

As for the idea of the EBRD's gradual geographical expansion, careful and thorough consideration should be given to wide-ranging issues.

First, a review should be conducted as to whether the EBRD's engagement in the current COOs has been sufficient. As I mentioned earlier, the fact that the process of transition in the ETCs is lagging behind highlights the need to strengthen the EBRD's support to these countries, before expanding its operations beyond the current COOs.

Second, a request to become a new COO should come from the potential member country itself. Any discussion related to COO status should not be initiated and led by the EBRD.

Third, even if the potential member country makes such a request, careful consideration should be made as to whether the EBRD can demonstrate additionality and justify its engagement in the country. Key questions would include: whether the EBRD can create transition impact in the new COO; if the EBRD can demonstrate its additionality without overlapping with other Multilateral Development Banks (MDBs); whether the EBRD's support for the new COO crowds out that for its current COOs, particularly the ETCs. These issues should be fully examined.

Last but not least, any geographical expansion should not warrant additional capital. We would like to emphasise that such expansion, if indeed warranted, must be financed through the EBRD's own efforts, including promotion of graduation and cost savings.

3. Cooperation between Japan and the EBRD

(1) Quality Infrastructure Investment

We believe quality infrastructure investment is important to promote sustainable and inclusive economic growth of COOs under the market economy. When you hear the term “quality infrastructure investment,” what first comes to mind may be attributes of the completed infrastructure such as safety and economic efficiency in view of life-cycle cost. However, if we reflect on what “quality infrastructure investment” means, we realise that its significance goes beyond the physical value of the infrastructure to be developed.

When a country develops quality infrastructure and makes it open and available for everyone, its economic gear starts moving, leading to economic development. Quality infrastructure investment sustains inclusive growth through creating positive interactions between such elements as promotion of private-sector investment, job creation, capacity building, and sustainable borrowing. In other words, quality infrastructure investment powerfully drives the “virtuous cycles” for economic development. This “virtuous cycles” for economic development, I believe, is indeed another critical value created by quality infrastructure investment.

Based on this idea, toward G20 next year, we intend to make clear the effect of quality infrastructure investment as global public goods to realise the “virtuous cycles” for economic development, and upgrade the principles concerning the concept of quality infrastructure investment. In upgrading the principles, we intend to highlight economic efficiency, consideration for environmental and social impacts, and resilience against risks including natural disasters, as the factors of quality infrastructure investment that achieves the “virtuous cycles” for economic development. We will also emphasise governance, in particular, responsible financing and openness, as important elements.

It is also important to prepare a comprehensive menu of support measures. Such measures will range from upstream activities, namely project preparation, to downstream activities, namely financing for projects, and also cover data collection on quality. We believe that such menu will help developing countries invest in quality infrastructure with full ownership.

As for upstream activities, Japan will continue to proactively promote quality infrastructure investment through the Japan-EBRD Cooperation Fund (JECF).

On downstream activities, taking a full account of current global trends on ESG investment, Japan will establish a new financing facility at Japan Bank for International Cooperation (JBIC).

This facility provides support for a variety of infrastructure projects that contribute to global environmental preservation, including renewable energy projects. We expect this new facility to take the lead in assisting developing countries in a new dimension. Under this new facility, Japan will closely cooperate with the international community, for example by co-financing with MDBs.

By upgrading the principles in this way and preparing a comprehensive support measures including the JBIC's new facility, we will be able to further promote quality infrastructure investment as global public goods. This will contribute to achieving the "virtuous cycles" for economic development in COOs, thereby further promoting mobilisation of private resources.

(2) The EBRD's Representative Office in Tokyo

More than two years have passed since the opening of the EBRD's Representative Office in Tokyo in March 2016. The office has made significant contributions to business development with Japanese companies and to the enhanced visibility of the EBRD in Japan. We are looking forward to this office continuing to actively bring together the EBRD's support and Japan's knowledge and skills for the EBRD's activities.

(3) Ensuring diversity at the EBRD as an international organisation

In order for the EBRD to respond flexibly and effectively to the increasingly diversified and complicated challenges of the international community, it should be equipped with well-diversified human resources. Japan expects the EBRD to proactively promote human resource diversity by selecting the right staff from the global pool for the right positions. In this context, Japan will step up its contribution to the EBRD through qualified Japanese staff.

4. Conclusion

In closing, Japan reiterates its commitment to contributing to the EBRD in terms of strategy, financing, organisation and human resources so that the EBRD will be able to fulfil its mission in a more effective and efficient manner. Japan sincerely hopes that the partnership between Japan and the EBRD will be further strengthened.