



DEVELOPMENT COMMITTEE
(Joint Ministerial Committee
of the
Boards of Governors of the Bank and the Fund
on the
Transfer of Real Resources to Developing Countries)

ONE HUNDRED AND NINTH MEETING
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Statement by

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1. Introduction

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, long-term development challenges such as climate change and debt vulnerabilities need to be resolved. Given the critical role that the World Bank Group (WBG) plays in addressing these challenges, Japan hereby states its expectations for the WBG and our contributions to the WBG in the following areas.

2. Support for geopolitical crises, including those in Ukraine and Gaza

The damage and losses resulting from wars and conflicts across the world, including those in Ukraine, and Israel and Palestine, pose serious threats to medium- to long-term growth of the global economy.

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.

Japan has thus far provided credit enhancement to the International Bank for Reconstruction and Development (IBRD), leading to \$5 billion worth of loans to Ukraine. Japan has also provided \$470 million in grants through the IBRD, which reached the Ukrainian people in February and was utilized for maintaining public services to support the country's dire liquidity condition. Moreover, the Japanese Diet recently passed a budget that authorizes the Government to provide credit enhancements to allow the IBRD to provide an additional \$2 billion worth of loans in 2024 and up to \$1 billion worth of interest payment capitalization. Furthermore, Japan contributed \$2 million to the Ukraine Capacity Development Fund (UCDF) established in the International Monetary Fund (IMF) to help Ukraine enhance domestic resource mobilization.

Japan welcomes that the WBG published the third Rapid Damage and Needs Assessment (RDNA3), which was released together with the Government of Ukraine and related parties. To address Ukraine's huge reconstruction needs, we need to mobilize capital, technologies, and expertise from the private sector. Japan will support the development of private sector projects in Ukraine by providing advisory service and guarantees. Specifically, Japan has contributed \$7 million to the newly established Ukraine Window in the International Finance Corporation (IFC)'s Comprehensive Japan Trust Fund (CJTF). Japan has also made an additional contribution of \$11 million to the Multilateral Investment Guarantee Agency (MIGA)'s Support for Ukraine's Reconstruction and Economy (SURE) Trust Fund, with which our total contribution to the fund is now \$36 million.

Amidst the ongoing conflict in the Gaza strip, Japan is proactively working to de-escalate the situation and address the humanitarian crisis. Japan has facilitated the provision of \$10 million worth of emergency

medical care to the affected people of Gaza through the Health Emergency Preparedness and Response Trust Fund (HEPRTF). Furthermore, Japan will contribute \$2 million to MIGA's West Bank and Gaza Trust Fund, for supporting longer-term reconstruction needs. We envisage that this contribution will be used to support private investments, thus creating jobs and increasing tax revenues. Japan expects that the WBG will leverage its convening power especially regarding assistance for reconstruction.

Japan appreciates the WBG for leading the efforts in the Global Concessional Financing Facility (GCFF) to support middle-income countries (MICs) that host refugees. Japan will make an additional contribution of \$10 million to the GCFF, in addition to our contribution of \$1.5 million that was already provided last month, to continuously support the WBG's work as a leading donor. We hope these contributions will help support host countries of refugees, including Jordan and Armenia, which have received huge refugee flows from Palestine and Nagorno-Karabakh respectively.

3. WBG Evolution

Japan commends the progress in the comprehensive review of the WBG's operating and financial models, based on the new vision and mission agreed at the Annual Meetings last year.

Regarding the operating model, Japan welcomes the development of the new WBG Scorecard, which translates its Vision into Impact. We appreciate that the Scorecard covers critical areas for sustainable development, such as health, debt, and digitalization. We request Management develop the indicators that are in conformity with policy commitments of the International Development Association (IDA) and highlight crisis preparedness as a cross cutting viewpoint. We also support the progress of the Global Challenge Programs (GCPs) and the launch of the joint WBG country representatives. Moreover, aligning corporate culture and human resources systems among different institutions within the group is a prerequisite for advancing the One WBG approach.

Regarding the financing model, the efficient use of the balance sheet, based on the recommendations of the Capital Adequacy Framework (CAF) review, is the utmost priority. Given such ongoing efforts, Japan supports the launch of the Framework for Financial Incentives (FFI), with an aim to address global challenges with cross-border externalities by boosting lending capacity and providing concessional resources. In this respect, Japan will contribute \$1 billion to the Portfolio Guarantee Platform (PGP), which will augment IBRD's lending capacity for addressing global challenges including pandemic prevention, preparedness and response. Moreover, Japan will contribute \$20 million to provide concessional resources to the below-GDI window in the Livable Planet Fund (LPF), once it is established. We will continue to encourage the implementation of the CAF review and voluntary donor contributions to this end. It is also essential to monitor the use of the additional financial capacity brought about by these efforts, prior to discussing any further increases of financial capacity.

In light of the huge development needs, public money alone will be insufficient in helping developing countries achieve sustainable growth, and hence private sector resource mobilization needs to be enhanced. Accordingly, we welcome the launch of the Collaborative Co-financing Platform, which will promote co-financing with other Multilateral Development Banks (MDBs) and bilateral development agencies. We also expect that MIGA will play a leading role in the WBG Guarantee Platform and that the IFC will crowd-in private capital more actively by leveraging blended finance and risk transfers.

4. Responses to global issues

Let me elaborate on the priorities to which Japan attaches particular importance, as well as our expectations for the WBG in these policy areas:

(1) Global health

First, Japan expects that the WBG will continue to play an instrumental role in the post-COVID-19 era

to break the cycle of "panic and neglect."

Universal Health Coverage (UHC) is a foundation for human capital development and sustainable economic growth. Japan has long been working with the WBG, including through the Japan Policy and Human Resources Development Fund (PHRD), to support developing countries in moving towards the achievement of UHC. Going forward, Japan will establish the UHC Knowledge Hub in Japan in 2025, with an aim to support knowledge accumulation on UHC and build the capacity of officials from finance and health ministries, through enhanced collaboration between the WBG and the World Health Organization (WHO).

Other priorities include strengthening health systems and improving maternal and child health. Japan will exercise thought leadership through the contribution of \$10 million to the newly-established Health System Transformation and Resilience Multi-Donor Trust Fund (HSTRF). Furthermore, Japan will make an additional contribution of \$10 million to the Global Financing Facility (GFF) with a view to helping channel resources to maternal and child health in an effective manner.

Strengthening prevention, preparedness, and response remains critical for the purpose of minimizing the impacts of future public health emergencies. Regarding "prevention" and "preparedness," Japan expects the Pandemic Fund to continue to play a key role in addressing financing gaps of developing countries, by fostering collaboration across international organizations and other stakeholders and promoting domestic resource mobilization, building on its medium-term strategic plan. Furthermore, building a new framework for "response" financing remains critical to deploy necessary funds quickly and efficiently in case of a future pandemic outbreak. Japan will work with the WBG to advance further work of the G20 Joint Finance Health Task Force, including promoting the use of the WBG's Crisis Preparedness and Response Toolkit, as well as exploring innovative financing mechanisms.

(2) Climate change issues

It is imperative that each country draws an ambitious but feasible transition path from both mitigation and adaptation perspectives based on country-specific domestic circumstances, while being mindful of compatibility with its level of development.

On mitigation, the access to affordable and sustainable energy is indispensable for social and economic stability and self-sustained growth. Thus, Japan supports the WBG's efforts to improve access to electricity in Africa. Further, it is crucial that low- and middle-income countries strengthen their roles in supply chains of clean energy products as part of global efforts to achieve net zero. With this in mind, Japan led the launch of the Partnership for Resilient and Inclusive Supply-chain Enhancement (RISE) last year in an attempt to support such countries in creating quality local jobs, diversifying domestic industries, and enhancing their value addition, as well as to accelerate efforts toward net zero.

On adaptation, we need to continue our efforts in mainstreaming disaster risk management and strengthen resilience to natural disasters. To this end, Japan will continue to advance the Japan-World Bank Program for Mainstreaming Disaster Risk Management and the Quality Infrastructure Investment Partnership, the latter of which will start its Phase 3 in July this year. We encourage all countries to participate in the Understanding Risk Global Forum 2024, organized by World Bank in partnership with Global Facility for Disaster Reduction and Recovery (GFDRR), which will be held in Himeji city in Hyogo prefecture, Japan, in June.

(3) Debt issues

Various developing countries, both low-income countries (LICs) and MICs alike, suffer from debt vulnerabilities. Restoring these countries' debt sustainability is a *sine qua non* for freeing up their resources and addressing the medium-to-long term development challenges that they are facing.

For LICs, securing swift and predictable debt restructuring processes through the official creditor committees under the G20/Paris Club Common Framework remains critical. While this framework is not directly applied to MICs, we welcome that Sri Lanka and its Official Creditor Committee (OCC) have agreed on the main parameters of a debt treatment. This achievement, led by France, India, and Japan, came around half a year after the launch of the OCC, which duly involves both Paris Club and non-Paris Club creditors. We aim to reach the swift finalization of the MoU.

In order to prevent future debt crises, debt transparency and data accuracy need to be enhanced. Last year Japan led the Data Sharing Exercise during its G7 Presidency, which requested creditor countries to share their granular lending data with the WBG, which in return reconciled the provided data for improving data accuracy. The Exercise contributed to debt transparency and helped well-informed decision-making by borrowers and creditors including MDBs. We encourage all official bilateral creditors to participate in this exercise so that it can be implemented on a regular basis.

Further, MDBs, including most notably the WBG should play their unique roles of addressing financing needs of developing countries, to complement the necessary debt treatment provided by creditor countries. Japan will continue to work together with the WBG and encourages other creditor countries to deepen their understanding on the importance of this role played by MDBs.

(4) Digitalization

Digitalization can be a major source of growth for the global economy. It improves the quality and efficiency of services, thereby making growth more inclusive and stronger.

For maximizing the benefit from digitalization, we believe that applying digital technology across all sectors and addressing inequalities are essential, while the emerging risks stemming from digitalization need to be addressed with robust governance: First, Japan expects the WBG to enhance its support for applying digital solutions to various sectors, including health and disaster risk management. From this perspective, Japan will contribute \$4 million to the Digital Development Partnership (DDP) 2.0. Second, we look forward to the promotion of good practices that promote the further use of digitalization in human capital and help close the inequality gap under the GCP of Accelerating Digitalization. Third, we need to support capacity building of client countries to bolster cybersecurity and promote Data Free Flow with Trust (DFFT). We hope that the WBG's Digital Academy, which will be held in Japan, will encourage knowledge sharing and capacity building in the digital field.

5. IDA21 Replenishment

IDA is one of the main channels of multilateral support to LICs, playing a central role in achieving poverty reduction in a sustainable manner. While much attention is channeled toward the need to strengthen the IBRD's financial capacity, we must not forget the urgent need of supporting LICs in tackling global challenges through IDA. Japan, together with IDA's Management and client countries, will contribute to the robust IDA21 replenishment.

Japan welcomes the direction of ongoing discussion, which is based on the proposed five Focus Areas and four Lenses that are all in line with the new WBG Scorecard. We anticipate that MIGA and the IFC will play a role in fostering market creation and increasing private investment in fragile and conflict-affected countries, including by leveraging the Private Sector Window. We also hold high expectations for IDA to continue to be nimble, responding to the socio-economic dynamics in LICs and the latest trends in international discussions on development strategies.

With these considerations in mind, Japan urges IDA to incorporate the following development priorities into the policy commitments and results indicators of IDA21: UHC, crisis preparedness, including pandemic preparedness, strengthening resilience to natural disasters, quality infrastructure, debt sustainability, and supply chain diversification, including the efforts by RISE. We believe that these areas

will complement the proposed five Focus Areas and four Lenses.

6. Concluding remarks

Japan fully supports President Banga's leadership in advancing the WBG Evolution Roadmap, including his strong commitment to strengthening the WBG's capacity to address global challenges. We are committed to providing further support on multiple fronts, including finance, policy guidance and human resources, so that the WBG will continue to be the world's leading multilateral development financial institution.