



## **JAPAN**

**Taro Aso**, Governor

### **I. Introduction**

Mr. Chairperson of the Board of Governors, Mr. President, Governors, Ladies and Gentlemen:

First of all, I would like to express my sincere gratitude to the Government of Fiji and the people of Nadi for their warm welcome. Last year, direct flights between Japan and Fiji resumed. I hope that this will spur the people of the two countries to visit each other more frequently and further deepen their ties.

Of the 68 members of ADB, Pacific island countries, including this beautiful Fiji, account for about as much as one-fifth. Japan is pleased that this 52nd Annual Meeting of the Board of Governors of ADB marks the first-ever one held in a Pacific island country. Japan would also like to extend its heartfelt welcome to our newest member, Niue, which joined ADB this year. I have no doubt that discussions at this year's annual meeting will contribute to further development of the Pacific island countries.

### **II. Implementation of Strategy 2030**

I would like to congratulate the adoption of Strategy 2030, which lays out ADB's long-term strategic directions for the period until 2030. As ADB is set to implement it going forward, I would like to discuss Japan's expectations to ADB on key policy matters.

#### **Recipient Countries**

Over the past five years, the total amount of lending approved by ADB showed strong growth by 33%. However, assistance to upper middle-income countries (UMICs) outpaced the total, increasing by 37%. In order to make effective use of its limited resources, ADB should prioritize assistance to low-income and vulnerable countries, including small island states. As for assistance to UMICs, we call on ADB to implement the following policies under Strategy 2030:

- ADB will focus on areas where it can add the most value by helping countries increase their access to capital markets, strengthening institutions, and developing demonstration projects; and
- The sharing of experiences, best practices, and innovation will be increasingly more important elements of ADB's engagement with UMICs than its lending volume, especially in critical areas such as regional public goods, climate change, urbanization, RCI, and emerging social issues such as aging.

## **Graduation Policy**

For UMICs above the graduation income threshold under the graduation policy (\$6,795 per capita), Strategy 2030 states that “ADB will continue to apply its current graduation policy, while also reviewing the effectiveness of the policy.” ADB should hold substantive discussions on a concrete path toward graduation while prioritizing its assistance in areas conducive to graduation, such as strengthening the mobilization of private resources and enhancing organizational capabilities to deal with environmental issues. The Country Partnership Strategy (CPS) process provides an appropriate opportunity to carry out systematic analyses and assessments to determine the country’s readiness for graduation. Japan calls on ADB to do so in CPSs for all relevant countries.

## **Differentiated Pricing**

For its assistance to be more responsive to the needs and circumstances of developing member countries (DMCs), ADB should introduce differentiated pricing according to their income levels and the areas of assistance while maintaining its financial soundness. Japan appreciates that ADB in its Strategy 2030 commits to considering utilization of a range of financing terms to implement differentiated approaches, and urges it to move forward as swiftly as possible, given the fact that the World Bank Group has already taken steps in this regard.

## **Private Sector**

Assistance to the private sector is imperative in promoting sustainable growth in Asia and the Pacific. Japan welcomes Strategy 2030’s aim to raising the share of private-sector operations by number to one-third by 2024. Japan also highly appreciates ADB’s strengthening of assistance to the private sector in low-income countries, such as Myanmar, Cambodia, and Bhutan.

In addition to enhancing assistance from its own resources, ADB should step up its efforts to mobilize private capital, including from financial institutions. This should be complemented by assistance to facilitate business-friendly reforms in DMCs, including improving investment environment and deregulating financial markets.

## **Asian Development Fund (ADF)**

Although remarkable progress has been made in reducing poverty, the Asia-Pacific region continues to face serious development challenges, such as large population living in extreme poverty. Grant assistance from ADF remains a key instrument to address these challenges, and Japan looks forward to fruitful discussions in upcoming ADF 13 negotiations. Japan calls on ADF 13 to prioritize enhancement of debt management capacity and put increased focus on disaster risk management and health.

## **Organization and Staffing**

Japan is pleased to note that ADB is one of the most efficient organizations among the multilateral development banks (MDBs), as demonstrated by the fact that the ADB’s expense per project of similar nature is less than that of any other MDBs. In order to carry out missions under Strategy 2030 in an effective manner while further improving efficiency, ADB should continue to be proactive in necessary organizational restructuring and staffing. Japan welcomes that ADB staff

increased by 9% between 2015 and 2018, of which staff involved in operations expanded by 13%, marking major progress in strengthening ADB's capacity.

ADB should also secure "right" staff with necessary professional expertise in the areas where its operations are going to expand, such as infrastructure with high-level technologies and the social sector including health. In addition, it should enhance local presence in order to make assistance more responsive to DMCs' needs. In this respect, Japan welcomes ADB's decision last year to establish country offices in 11 Pacific island countries, which allows ADB to have the strongest presence in the Pacific island countries among MDBs. Japan hopes that ADB will further enhance assistance for those countries going forward.

### **III. Japan's Development Priorities**

Next, let me turn to four development priorities, in which ADB is expected to proactively engage for the further development of the Asia-Pacific region. These constitute the priorities of the G20 under Japan's presidency this year. Japan calls on ADB to take on the deliverables of the G20 and mainstream them in its operations.

#### **Quality Infrastructure Investment**

For economic growth of the Asia-Pacific region to be sustainable, substantial infrastructure gap should be closed through expanded investment. Such investment should also pursue quality. "Quality Infrastructure Investment" brings about positive economic spillover effects over the long run, beyond the benefits stemming from the physical infrastructure itself. Specifically, it can lead to job creation, capacity building, transfer of know-how on mutually-agreed terms, and further mobilization of private sector capital, thus helping achieve sustainable growth.

Proper project preparation is crucial in maximizing economic efficiency in view of life-cycle cost while securing project quality. Further, transparent procurement is essential at the project implementation stage. 'Quality' needs to duly cover environment, social, and governance considerations, which include, among others, open access and debt sustainability.

Japan has been actively facilitating quality infrastructure investment. As indicated at the last year's annual meeting, the Global Facility to Promote Quality Infrastructure Investment for Environmental Preservation and Sustainable Growth of the Japan Bank for International Cooperation (JBIC) launched in July. The projects supported by the Facility since its inception now amount to around 9 billion US dollars, including those in the Asia-Pacific region.

ADB has been an important partner of Japan in quality infrastructure investment. Japan is pleased to announce an additional contribution of 15 million US dollars to the ADB's High-Level Technology Fund, a key vehicle to promote quality attributes in ADB's infrastructure projects.

#### **Enhancement of Resilience to Natural Disasters**

The Asian Development Outlook 2019 discusses that four in five people affected by natural disasters around the world live in the Asia-Pacific region. Small island countries are particularly vulnerable to natural disasters. Japan, as a country frequently hit by natural disasters, will continue to actively provide assistance that helps build resilience, through its knowledge and

experiences. Here in Nadi, Japan is assisting preparatory work for a flood control infrastructure project through the ADB's Japan Fund for Poverty Reduction.

Financial resilience is another key challenge, and insurance plays a significant role in managing disaster risk. Being well-prepared for natural disasters in financial terms would help attract foreign investment. In this regards, Japan welcomes ADB's ongoing assistance for establishment of disaster insurance systems in countries such as the Philippines. Japan has been leading the regional efforts to promote the Southeast Asia Disaster Risk Insurance Facility (SEADRIF), which enables prompt payment of insurance benefits after natural disasters, and will further contribute to increased resilience in the region.

## **Health**

Human capital serves as the base for sustainable economic growth, and Japan focuses on promoting universal health coverage (UHC) in developing countries. We are encouraged by the remarks by President Nakao at the ADB-JICA conference on UHC in February that ADB is scaling up operations in the areas of health and medical care with particular emphasis on UHC. Japan welcomes the memorandum of understanding between ADB and the WHO in September last year and expects ADB to help address other health-related challenges in Asia, including communicable and non-communicable diseases and aging. Japan will continue to lead international discussions on health, enhancing its cooperation with ADB.

## **Debt Sustainability**

Any financing to close huge infrastructure gap in the Asia-Pacific region should give due consideration to DMCs' debt sustainability, a prerequisite for sound and stable economic growth. However, in recent years, a rapid debt build-up provided by non-traditional lenders has raised grave concerns about debt sustainability of countries in the region, warranting urgent actions. Both borrowing countries and creditors, public and private, should jointly work together to ensure debt sustainability through enhanced debt transparency.

Japan calls on ADB to assist DMCs, in coordination with the IMF and the World Bank, in ensuring debt sustainability through a multi-pronged approach, including enhancing debt transparency, strengthening debt management capability, and bolstering public fiscal management and domestic revenue mobilization.

## **IV. Conclusion**

In the past, ADB was seen as a "home doctor" for DMCs in Asia. This suggested that ADB was always close to its clients and approachable for any treatments and first-aids as a general practitioner, but inclined to resort to other specialized doctors if complicated surgery seemed to be needed. However, in recent years, ADB has changed. It has further strengthened its professional expertise and operational efficiency and implemented many quality projects while remaining close to the region's DMCs. On the energy sector, for example, ADB is giving weight to cutting-edge projects, including in island countries, on geothermal power generation, waste-to-energy and smart grids, which should also be conducive to addressing climate change challenges. These developments are most welcome.

Japan will provide full support for ADB to continue serving as a “highly-skilled doctor close to its clients.” Japan is committed to staying close to ADB, as is ADB to its clients. I will conclude my remarks by hoping that ADB will make further important contributions to the region and steady progress toward its goal.