

JAPAN

**Statement by the Honorable Naoki Okada,
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At the 25th Annual Meeting of the European Bank for Reconstruction and Development
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1. Introduction

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

As the Twenty-fifth Annual Meeting of the European Bank for Reconstruction and Development (EBRD) opens, on behalf of the Government of Japan, I would like to express my sincere gratitude for the warm welcome extended by the government of the host country, the United Kingdom, and by the people of City of London.

Established in 1991 following the collapse of the Berlin Wall, the EBRD now celebrates its 25th anniversary. Over the last quarter of a century, the international situation surrounding the EBRD has dramatically changed. Marked progress has been made with regard to transitions to democracy and open market economies in Central and Eastern Europe, with many countries joining the EU. On the other hand, the global financial crisis and the European sovereign debt crisis have affected many of the EBRD's countries of operations. Furthermore, in face of economic and social change in the aftermath of the "Arab Spring", the EBRD has expanded its operations into the Southern and Eastern Mediterranean (SEMED) countries. The EBRD is also coping with the ongoing difficulties in Ukraine. In this regard, Japan would like to express its respect for the EBRD's efforts to arrest transition reversals in recipient countries as well as to address vulnerabilities in their economies.

During this most recent period of dynamic change, Sir Suma Chakrabarti has demonstrated his leadership for nearly four years, strengthening the EBRD's support through emphases on transition impact and organizational reforms. In particular, additional commendation is warranted for the President's swift response to the forced displacement triggered by the Syrian conflict since last summer.

2. Revisiting the EBRD's role

The EBRD's mandate is to foster transition. Over the last 25 years, the EBRD has broadened its operations beyond the former communist countries whereby the profile of the EBRD's countries of operations has become more diverse. Furthermore, with global crises and various issues rooted in malfunctioning of open market economies, the notion of an ideal open market economy is, in itself,

becoming more relative and diverse. With these views in mind, the 25th anniversary provides us with a good opportunity to review the concept of transition and the EBRD's role.

In order to utilize the EBRD's limited resources most effectively and efficiently, it is important, at the same time, for the EBRD to identify the areas of support where it could have the most transition impact among the various aspects of a functioning open market economy. In addition, Japan believes it is necessary to emphasize that those countries which have achieved the goal of the EBRD's support should start their graduation processes.

3. Japan's proposition on EBRD'S priorities

Japan would like to share its four priorities for areas in which the EBRD can play an important role.

(1) Quality Infrastructure Investment

Infrastructure is fundamental to economic growth. Especially, the "Quality Infrastructure Investment" which emphasizes the life-cycle cost of projects, safety, resilience against natural disaster, environment and social friendliness and the transfer of skills is key. Japan believes that these features improve the function of an open market economy and sustainability of economic growth.

In this regard, it is crucial that project contractees in the transition countries recognize the significance of the above features. The EBRD, whose main counterparts in business are private companies, has profound knowledge in screening market-based projects, including examining bankability vis-à-vis life cycle cost. Japan expects the EBRD to promote the concept of "Quality Infrastructure Investment" in the private sector of transition countries by leveraging its knowledge. Japan will strongly support the development of "Quality Infrastructure Investment" as one of the priority areas of Japan's technical cooperation fund, JECF (Japan-EBRD Cooperation Fund).

(2) Support for Early Transition Country (ETC)

The EBRD has introduced the first three-year plan, known as the "Strategy Implementation Plan (SIP)", which will be updated annually on a rolling basis. In this plan, it is indicated that the EBRD will increase assistance to Early Transition Countries (ETCs) such as Central Asian countries, where the EBRD's support will have the largest transition impact. Japan expects the EBRD to ensure steady implementation of the plan in order to maximize transition impact within the constraints of limited funding.

(3) The importance of policy dialogues and technical cooperation

Policy dialogues and technical cooperation (TC) are becoming increasingly important in the approach to more diversity among transition countries. The transition process towards an open market economy differs country by country, so that policy dialogue and TC combined with lending projects would be effective for tailored assistance towards reform. In recognition of the importance of this approach, Japan has provided TC through the JECF since the EBRD's inception.

ETCs such as Central Asian countries are still heavily reliant on cross-border funding and their economic structures are quite vulnerable to significant currency depreciations induced by external shocks such as changes in the global environment. Japan has decided to contribute five million euros through the JECF to support promoting local and market-based currency funding. This initiative consists of two components. One is to make financial contribution to the SME Local Currency Special Fund, which provides a first-loss guarantee to the EBRD on the credit risk of local currency loans to Small and Medium Enterprises in ETCs. The other is to enhance policy dialogue and TC to establish financial and capital markets denominated in local currencies. Japan expects that this initiative, with these two components working together, will provide tailored assistance to ETCs that will further enhance their development of stable open market economies in their country-specific contexts.

(4) Ensuring the diversity at the EBRD as an international institution

In order for the EBRD to address various international issues, the EBRD, as an international institution, needs to further accumulate a wide range of knowledge and to deepen its expertise. In this respect, Japan would like to ask the EBRD to make further focused efforts to strengthen its organizational capacity through more diversified recruitment of talented staff from various member countries and incentivising them to exert their full performance.

4. Conclusion

The coming four years will be time for the steady implementation of the policies and strategies formulated under the strong leadership of Sir Suma Chakrabarti. On the occasion of its 25th anniversary, Japan will further strengthen our support to and cooperation with the EBRD by fully mobilizing our experience and technology so that the EBRD can further effectively accomplish its transition mandate towards open market economies.