

Opening Remarks by Masatsugu Asakawa, Vice Minister of Finance for
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At the Seminar on Innovation for Inclusive Development

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Introduction

Distinguished guests, colleagues, ladies and gentlemen,
Good morning, and thank you for gathering here today, at this, the kick-off event for Japan's G20 Presidency.

Taking this opportunity, let me also express my great appreciation to staff from the World Bank and the ADB, as co-hosts of the seminar.

Today, we will discuss *innovations for inclusive development*.

As articulated in the statement by Minister Aso last December, the core mission of the G20 at this juncture is to strengthen economic fundamentals for strong, sustainable, balanced, and inclusive growth of the global economy. To serve this purpose, we need to cope with waves of socio-economic changes, including those we have created on our own.

Over the past years, we have observed the acceleration of technological innovation, with emergence of artificial intelligence, robotics, big data, and new financial technologies, or Fintech. Like it or not, we are forced to rethink our economic development model.

In theory, and perhaps partly in reality as well, technological innovation can have a positive impact on developing countries in a non-linear way— they can “leap frog” the development path taken by advanced economies. For instance, an increasing number of people, even in least developing countries,

now have access to the latest information across the globe through the ICT network. We could not imagine such a world years ago.

However, the story does not end there. Technology brings challenges as well as opportunities to developing countries.

While financiers and business executives can enjoy enhanced productivity of their companies through innovative technologies, a vast number of workers may not be able to adapt to new business models and might lose their jobs. This will aggravate existing inequality further. As frontier firms grab a lion's share of the benefits from innovation, a monopolistic market structure could ensue, undermining the efficiency of the overall economy.

Without the right policies, and without the right institutions, innovation could end up leaving developing countries, and a lot of people, further behind a few winners. It is policymakers' role to harness the power of innovation with a view to maximizing its benefits while mitigating its adverse impact.

In the following three sessions, we will discuss the challenges and opportunities presented by innovation, through a policy lens. We will put particular focus on the link between human capital investment and innovation, in the context of a move towards universal health coverage. Also, as an example of financial innovation, the seminar will cover disaster risk financing and insurance scheme as a means to enhance the resilience of economies against natural disasters.

Let me briefly explain the gist of each session:

Session I: Technological Innovation and Development

The first session will provide a general overview of the relationship between technological innovation and development, and its policy implications. Key

questions include (i) how developing countries can take advantage of *opportunities* to achieve higher growth and create more jobs; and (ii) what policy actions can be taken to overcome emerging *challenges*. We will hear from the World Bank and other speakers on practical cases.

Session II: Toward Universal Health Coverage

Then, in the second session, we will discuss how innovative technologies can contribute to the delivery of affordable health services and efficiency of the health care system.

An increasing number of countries are using advanced technologies in the health sector, such as telemedicine, robotics, and eTraining for health workers. The session will provide a great opportunity to learn from the distinguished panelists on the benefits of such cutting-edge technologies.

Furthermore, I think that, with right policies, technological advancement could also help make health care more accessible for the wider population at lower costs, and could contribute to efforts to move towards universal health coverage, or UHC.

UHC is the idea that all individuals have access to adequate health services without causing any financial hardship. A move towards UHC can contribute to the accumulation of human capital, while strengthening global health security.

Currently, however, this goal has yet to be fulfilled in many developing countries. Economic growth is hampered when the most vulnerable suffer from poor health conditions and the health of the labor force is deteriorating. Now, policymakers need to take up UHC in developing countries as a key global agenda.

Let me also emphasize that a system for UHC needs to be supported by a

sound financing mechanism. Mind you, moving toward UHC cannot be achieved by health authorities alone. We as finance authorities should play critical roles in designing health financing schemes and mobilizing resources. From these viewpoints, the Presidency is proposing that we discuss UHC financing in developing countries under the finance track this year. The session today will cover the financing aspect as well, as a prelude to the upcoming G20 discussions.

Session III: Financial Resilience against Natural Disasters

The final session will discuss how we can strengthen financial resilience against natural disasters. I guess I am not alone in thinking that natural disasters seem to be happening more frequently and causing greater damage than before. One of the most notable examples is the Tsunami in Indonesia last December, in which more than 400 people lost their lives. Natural disasters could instantly wipe out what the countries have attained through development. It should also be noted that it is the most vulnerable people and groups who are hurt by natural disasters the most.

As a consequence of these natural disasters, the costs of recovery are also increasing. A large share of such costs continues to be shouldered by governments. Finance ministers must manage contingencies arising from such shocks, and limit budget volatility and economic instability.

Using innovative disaster risk financing and insurance, or DRFI, allows finance ministers to take advantage of private sector funding, and thereby strengthen financial resilience. A mechanism for rapid financing through an immediate injection of cash following natural disasters (above certain thresholds) is an advantage of parametric disaster risk insurance schemes.

This session will help us develop a shared understanding of the challenges that finance ministers face in this area. We seek to foster deeper reflections

on this matter, to serve as guideposts for discussion at the G20 Deputies' Meeting starting tomorrow.

Closing

I have just spelled out my expectations for the outcome of the seminar.

However, I am convinced that rigorous discussion among the panelists, as well as with participants from the floor, will generate lots of interesting new ideas, and exceed my expectations.

I hope this will be a fruitful, valuable seminar for you all.

Thank you for listening.