



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)



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Statement by

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at the 81th Meeting of the World Bank/IMF Joint Development Committee

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Before I start, I would like to express our warmest welcome to Mr. Al Khalifa, Minister of Finance of Bahrain, as the new Chairman of this Committee. I would also like to offer our deepest condolences and sympathy to the people of the Republic of Haiti, the Republic of Chile, and the People's Republic of China who suffered severe damage from the recent earthquakes and tsunamis.

I. Future Roles of the World Bank

Since the Committee's last meeting in October 2009, we have had intensive discussions on the role of the World Bank Group in the post-crisis era, focusing on such aspects as the strategic direction, governance and operational reforms, the voice reform, and capital base of the Bank. I would like to express my appreciation to President Zoellick for his strong leadership, and to the management and staff members of the Bank for their efforts, to facilitate the discussions while accommodating various views of member countries on these important issues which form the fundamentals of the WBG. I sincerely wish that our discussions in the meeting today would help establish a solid foundation for the WBG to make a new step forward for its further development.

Now let me move on, and present views of Japan on each of these issues.

(Strategic Direction)

First, let me start with the strategic direction of the WBG. Japan will continue to support the WBG as a leader of the donor community, with its core mission staying as assisting the development, growth, and poverty reduction in developing countries. On top of that, Japan expects three types of role to be played by the Bank, namely: (1) strengthening assistance in the area of global public goods, such as climate change, as the leader of multilateral development banks; (2) providing innovative and creative policy assistance and support for difficult projects and programs, which other institutions could not effectively take on, by mobilizing its affluent global knowledge and expertise; and (3) addressing large risks associated with, among others, the changes in global economic and financial environment and with natural disasters by utilizing its extensive capital base.

I would like to welcome the "Post-Crisis Direction" paper, as it includes appropriate components in line with our expectations as such.

With regard to climate change in particular, I would like to call on the WBG to use all the knowledge and expertise available for enhancing its catalytic role in mobilizing private funds and building innovative financial mechanisms, in order to help meet the enormous funding needs expected for tackling climate change globally. In Japan, with a view to delivering Prime Minister Hatoyama's commitment of financial assistance to developing countries which was made in the occasion of the COP 15 last December, the Diet passed an amendment to the relevant law in late March which enables the Japan Bank for International Cooperation, or JBIC, to embark newly on a wider range of activities for assisting preservation of the

global environment. With this new function of the JBIC and utilizing our energy-related technologies developed over the years, Japan will work even more closely with the WBG in order to contribute more to assisting developing countries in responding to climate change.

(Governance and Operational Reforms)

Second, I would like to touch upon the reforms of the WBG. I appreciate the Bank's intensive efforts, under the leadership of President Zoellick, to strengthen its governance and to enhance operational efficiency and effectiveness, among other reforms to undertake simultaneously with the review of its capital base. I welcome the concrete progress which is emerging as a result, such as improvement in measuring development effects, development of a result evaluation framework, and strengthening of the disclosure policy: such a progress should certainly lead to greater accountability by the Bank to its shareholders and enhanced operational transparency of the Bank.

Here I would like to bring to your attention an idea of further decentralization of the Bank's functions which is under consideration as part of the reforms. I think we should keep in mind that further decentralization should not result in dividing operations by region, thereby undermining the Bank's advantages as a global institution, including capability to accumulate global development knowledge and high quality of its development assistance that benefits from the effective use of such knowledge. Attention should also be paid to ensure that further decentralization does not increase the Bank's operational costs.

(Voice Reform)

Third, I would like to mention the voice reform. As a result of the voice reform this time, Japan will shoulder a burden of the largest reduction in the voting share, in order to contribute to realizing a shift of the voting share to the developing and transition countries so that their voice can be reflected more in the management of the WBG. In fact, it is the first time for Japan to have our voting share reduced since we joined the Bank in 1952. I dare say that the voice reform as such would certainly bring a big challenge for both Japan and the Bank to ensure that the value of Japan's long-time contribution to the WBG and the mutual trust between Japan and the Bank built upon it should not be compromised by the reduction in the voting share. I believe that both Japan and the WBG must make considerable efforts in this regard, including rectifying the current imbalance between Japan's financial contribution and contribution by human resources. Japan certainly has a pool of people who have knowledge, skill, and passion for development assistance, and based on that, Japan aims to make it sure to steadily scale up our human resource contribution to the WBG.

(General Capital Increase)

Fourth, let me touch upon the general capital increase. Japan is ready to support an agreement today on the general capital increase of the IBRD, as we believe firmly that the WBG should play a core role in assisting the development, growth and poverty reduction in developing countries, and that the IBRD should have sufficient financial base to fulfill such an important role.

II. Other Issues.

I would now like to move on to a few other issues and the relevant cooperation by Japan.

(The 16th Replenishment of the IDA)

First, on the IDA 16, for which the negotiation is to be finalized this year. Low-income countries and the world's poor are still affected seriously by the impact of the global crisis. One estimate suggests that a single cause of the crisis alone would put as many as 64 million people below the poverty line, i.e., living on less than 2 dollars per day, in 2010. The WBG must provide intensive support to those affected

countries and people to help them recover from the crisis and put them back on the path toward growth and poverty elimination as soon as possible. To make this happen, I would like to stress that a successful agreement on IDA 16 is imperative, with which to secure sufficient resources to assist the LICs for the next three years from 2011.

To this end, countries that will be excused from reduction in their voting share by indicating their commitment to future IDA contribution need to take on appropriate responsibilities to fully meet such expectations. In addition, I think that countries that have graduated from the IDA would be able to make a highly constructive contribution, which should best fit the IDA's philosophy, by completing the repayment to the IDA as early as possible, thereby supporting other countries still in need but following the path of the graduates.

The Global Monitoring Report 2010 points that the global crisis this time has had less impact than the previous crises on many developing countries which had been well prepared with improved policies and institutions of social security and other relevant policy areas. Such analyses and findings suggest that, as we move forward in supporting the development and poverty reduction in LICs, it is important to ensure that countries improve their macroeconomic management and social security policies, among others, to get prepared better for the impact of possible future exogenous shocks. I therefore would like to ask the IDA to further promote the provision of policy advice for such purpose, together with its financial assistance.

(Critical Ecosystem Partnership Fund (CEPF))

Next, I would like to speak briefly on biodiversity conservation which is among important elements of sustainable development. Japan will host the meeting of COP 10 of the Biodiversity Convention in Nagoya in October this year. I would like to encourage as many countries as possible to participate in this important gathering.

As part of our contribution to the global efforts in this important area, Japan is ready to provide 25 million dollars, through the WBG, to the Critical Ecosystem Partnership Fund (CEPF), which has been working to conserve the biodiversity of the planet by supporting activities of the civil organizations in developing countries.

(Disaster response and preparedness)

Third, I would like to touch upon countering natural disasters. The earthquakes which hit Haiti, Chile, and China were a stark reminder of the importance of disaster response and preparedness. Having suffered from a number of natural disasters, Japan has accumulated knowledge and expertise in this field, and drawing on that, we remain committed to assisting developing countries actively in disaster response and preparedness. We are currently discussing with the Bank the joint creation of a natural disaster insurance mechanism for the Pacific Island nations, and will continue working closely with the Bank to launch this insurance scheme as early as possible.

III. Conclusion

Our discussion at today's meeting of the Development Committee will place the WBG in a strong position to address various challenges in the "new world", with its defined development assistance strategies in the post-crisis world, enhanced governance structure that appropriately reflects the evolving role of developing countries, and emerging countries in particular, in the world economy, as well as its stronger capital base being supported by necessary reforms.

Japan expects the World Bank, which is strengthened and more effective after the reforms, to exercise stronger leadership in promoting the development, growth and poverty reduction in developing countries and addressing global issues, in close collaboration with donor countries and other international institutions. Japan will be pleased to endeavor to work closely with the WBG under the new governance structure after the voice reform.

With that, I would like to conclude my address. Thank you for your kind attention.