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on the
Transfer of Real Resources to Developing Countries)



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Statement by

Mr. Yukihiro Fujita
Senior Vice Minister of Finance
Japan

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**At 85th Meeting of World Bank-IMF Development Committee
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First, I would like to heartily thank Mr. Robert Zoellick who is retiring as president of the World Bank Group at the end of June. At the same time, I welcome Dr. Jim Yong Kim who has been elected as new president of the group.

President Zoellick has demonstrated his excellent leadership in responding to the global financial crisis and realizing capital increases of the World Bank Group. In enhancing the World Bank Group's partnership with Japan, President has developed cooperation in such areas as climate change and disaster risk management to which Japan has given priority.

The world economy is undergoing great changes including the rise of emerging countries and fiscal deterioration in developed countries. We expect that Dr. Kim will demonstrate his leadership in leading the World Bank to play a greater role in promoting sustainable growth and poverty reduction in developing countries while continuously taking into account such environmental changes surrounding development.

I also would like to thank Bahrain's Finance Minister Sheikh Ahmed bin Mohammed al Khalifa, who will be leaving the chair of the Development Committee at the end of this meeting, and to heartily welcome Polish Central Bank Governor Marek Belka, who will assume the chair.

Here, I would like to discuss risks and resilience, responses of the Bank to changing environment surrounding development, and the World Bank's support for the Asian region.

1. Risks and resilience

Repeated financial and debt crises, the climate change, social disorder caused by income inequalities and employment shortages, and the like, tell us that it is important to address various risks in ensuring human security and maintaining the sustainability of development. These risks, if left to accumulate, will become reality somewhere, affecting sustainable growth. We must not forget that poor people, women, handicapped persons and elderly people are vulnerable to risks.

These risks are mutually related and materialize quickly. In order to address these risks, we should proceed with development in a manner to prevent risks from accumulating. In response to unavoidable risks, we should strengthen resilience for the economy and society, by building crisis-management system and capability to flexibly address changes and shocks. Japan welcomes the World Bank's decision to acknowledge the significance of risks in development and take up the theme of "risks and uncertainties" for the next World Development Report 2014.

Of these risks, I would like to take up the significance of efforts to address those involving climate change and natural disasters. Over the past four decades, natural disasters have claimed 3.3 million human lives and brought about economic losses exceeding \$2 trillion. On the other hand, sea level rise, precipitation pattern changes and other phenomena caused by climate change have steadily been exerting serious

impacts, though more slowly, threatening the sustainability of development. If development goes on without fully paying due attention to the relationship between the natural environment and human social activities, it may exert great adverse impacts on us.

Climate change – resilience to global environment changes

In a development approach to minimize risk accumulation, we should pursue “green growth” to harmonize economic growth with environmental conservation. In order to realize green growth, we should link promising segmental technologies and knowledge by means of public funds to private-sector investment. While many development partners have already been proceeding with climate change countermeasures, Japan expects that the World Bank will promote cooperation among diverse development partners.

In fragile states vulnerable to climate change such as African and small island countries, it is essential to enhance their institutions and capacities. Japan will proactively provide support for enhancing institutions and capacities (“readiness support”) in cooperation with the World Bank.

The Global Environment Facility (GEF) has supported developing countries tackling global environmental problems over two decades. Japan highly appreciates the past GEF operations. The GEF is expected to play significant role as to test innovative technologies and ideas in global environment areas including climate change and biodiversity and scale up successful ones in cooperation with other organizations. From Japan, Naoko Ishii, Deputy Vice Minister of Finance for International Affairs, is running for the election of the new GEF chief executive officer. Ms. Ishii has long served the World Bank and is well versed in international organization management. Japan sees her as the most suitable candidate for the next CEO to address future GEF challenges.

Disaster risk management – resilience to natural disasters

We must not forget that the risk of natural disasters have been increasing in tandem with climate change and fast expanding urbanization over recent years. As it is impossible to completely avoid the risk of natural disaster, we must make effective preparations for natural disasters. Given that natural disasters could inflict huge damage, investment in preparations for such disasters is fully reasonable. Since the creation of the Global Facility for Disaster Reduction and Recovery (GFDRR) in 2006, the World Bank has enhanced support for disaster risk management efforts in developing countries. It has growingly incorporated disaster risk management into country assistance strategies and increased its staff engaged in disaster risk management.

Japan would like the World Bank to further promote efforts to mainstream disaster risk management in consideration of the following points:

First, we would like the World Bank to give guidelines for developing countries to implement suitable, appropriate disaster risk management measures. Most developing countries are faced with severe fiscal constraints. In order to proceed with effective disaster risk management efforts with limited financial resources, developing countries must effectively combine disaster risk management measures in town-building, infrastructure development, early warning and evacuation arrangements, education, insurance and other areas while understanding the characteristics of all these measures.

Second, we would like the World Bank to give priority to disaster risk management efforts including capacity building at the local government and community levels as well as the central government level. The World Bank has made progress in enhancing disaster risk management efforts at central governments through such measures as the incorporation of disaster risk management elements into country assistance

strategies. In the future, the World Bank should spread its support to local governments and communities that actually implement disaster risk management measures, enhancing grassroots resilience to flexibly respond to natural disasters.

Japan will further promote cooperation with the World Bank in enhancing disaster risk management. Japan and the World Bank are now working on supporting Pacific island countries to build a platform for managing disaster risk information and to create a disaster risk insurance mechanism in collaboration with international insurance/reinsurance markets. In addition, under the ASEAN plus Three Finance Ministers and Central Bank Governors process, Japan has been promoting a study on disaster risk insurance in cooperation with the World Bank.

2. Addressing environmental changes involving development

The share of the World Bank's lending in development has declined as south-south cooperation of emerging countries expands and private sector funds for development increase. But this does not mean a decline in the role the World Bank should play. As a global financial organization, the World Bank has rich human resources and huge knowledge gained through its experience of supporting developing countries. Japan expects that the World Bank will fully take advantage of such strength to grasp changes in the world and play a leading role in development without being bound by old ideas.

The world economy is undergoing great changes including the rise of emerging countries and fiscal deterioration in developed countries. In response, the World Bank should first enhance emerging countries' responsible engagement with development, including the expansion of their financial contributions to the World Bank.

Second, the World Bank should fulfill its accountability to governments and taxpayers of World Bank member countries by implementing result-oriented effective aid and easy-to-understand explanations.

Third, the World Bank should continue to expand the role of the private sector in view of the sector's growing importance in development. From this viewpoint, the bank should more proactively utilize guarantees that have greater leverage than loans. Japan expects that the World Bank Group will deepen its internal cooperation in providing guarantees in a manner that is easy for developing countries and private sector parties to understand.

As financial globalization has made progress over recent years, investors' interests in political risks have increased. Under such situation, the Multilateral Investment Guarantee Agency (MIGA) has expanded its operations by revising the MIGA convention to allow loans to be guaranteed even without MIGA guarantees on private sector equity investment. Japan highly appreciates MIGA Executive Vice President Izumi Kobayashi's leadership and expects that MIGA will proactively expand its operations with enhancing its cooperation with other World Bank Group organizations.

3. World Bank aid to Asia

While having become the driver of the world economy, Asia still accounts for 600 million or two-thirds of the global population in poverty. Asia also has huge infrastructure development needs, unable to make sufficient responses to climate change or sufficient preparations for natural disasters. Japan expects that the World Bank continues to support sustainable growth and poverty reduction in Asia.

Myanmar has made encouraging steps including democratization, national reconciliation and economic reforms. In order to make this trend secure, the international community should enhance support for Myanmar. Japan intends to play a leading role in helping Myanmar's development including the

resolution of its arrears while cooperating closely with such international organizations as the World Bank and the Paris Club, and relevant countries.

4. Closing remarks – Toward Tokyo meetings

Japan has been making utmost preparations to successfully host the first Annual Meetings of the International Monetary Fund and the World Bank under new President Kim.

On the occasion of the Annual Meetings in Tokyo, Japan and the World Bank will host an international conference on disaster risk management in order to enhance mainstreaming disaster risk management in development policies in Sendai that was hit by the March 2011 Great East Japan Earthquake. Since last autumn, the World Bank and Japan have conducted joint research on lessons learned from the disaster and will share an interim report on the research with you at the Sendai meeting to contribute to mainstreaming disaster risk management.

Given the importance of global health in development policies, the World Bank and Japan have started joint research on health insurance and other fiscal measures and human resource for health in a bid to spread healthcare services in developing countries, while referring to Japan's past experiences, where appropriate. At the Annual Meetings in Tokyo, we will show the objectives and progress of the research and discuss the multi-faceted significance of investment in healthcare and healthcare service expansion measures, contributing to deepening knowledge in the global health area.

One year after the earthquake disaster, Japan is now striving to reconstruct the disaster-damaged regions. We will make preparations in cooperation with you to make this autumn's Tokyo meetings a success. We would like to express our gratitude for the help from around the world and hope that you will take a look at Japan in continuing reconstruction efforts.