

**Statement by Hon. Kazunori Tanaka,
Senior Vice Minister of Finance of Japan
at The Sixteenth 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:

I am indeed deeply honored to have this opportunity to address the Sixteenth Annual Meeting of the European Bank for Reconstruction and Development (EBRD) on behalf of the Government of Japan. I would like to start by expressing our sincere gratitude to the Government and people of the Russian Federation, the Republic of Tatarstan, and the city of Kazan for the warm welcome they have so generously extended in hosting this Annual Meeting.

2. Evaluation of the EBRD's Operations to Date

Since its establishment in 1991, the EBRD has steadily accomplished its original mission of bringing about democracy and a shift to a market economy in Central and Eastern Europe. A part of member countries have achieved membership in the European Union (EU), and the way has been paved for eight of them to graduate from the EBRD. These countries are testament to the successful operations of the EBRD, and their success gives the highest commendation to the efforts of President Jean Lemierre and the members of the secretariat.

3. Future Issues Facing Countries in the Region and the EBRD

Following on from this, I would like to set out the thoughts of the Government of Japan on the direction of the future operations of the EBRD.

First, it is expected that the EBRD will place a particular emphasis on activities in Early Transition Countries (ETCs), including Mongolia, which was recognized as a country of operations last October, and in Central Asia, where the transition to market economy and democracy is lagging behind. In this regard, the EBRD has focused its operations on these countries with the launch of the ETC Initiative at the 2004 Annual Meeting in London. I highly commend the EBRD for exceeding its original target of tripling the number of projects over the following three years, achieving instead nearly a four-fold increase.

Japan has long stressed the fact that the ETCs find themselves at a disadvantage, and has underlined the significant need for the international community to give concerted support to countries on the condition that they make efforts toward democratic reforms. Based on that belief, Japan has given its support with the provision of €1 million to the ETC Multi-Donor Fund, and continuously supports the activities of the Fund.

Second, even the countries that have made progress in the transition to market economy and democracy cannot avoid the need to take action over climate change and the inextricably linked issue of energy supply and demand in order to maintain sustainable growth. Following

on the 2005 Gleneagles Summit and other international dialogues, discussions were held in international development finance organizations over frameworks to deal with climate change. The EBRD hosted a conference entitled “Financing Clean Energy: a Framework for Public-Private Partnership to Address Climate Change” in March of this year. Japan highly evaluates the active stance of the EBRD in addressing these issues, and believes that they should be a focus for future EBRD operations. It is critical that each individual country recognize its urgency and act on its own initiative to independently address climate change primarily through energy conservation measures, through such actions as enacting energy conservation laws. It is also expected that the EBRD will bear the vital role of giving support to countries of operations that are making their own efforts in this direction. Japan welcomes the Sustainable Energy Initiative of the EBRD, which aims to tackle these issues.

Additionally, the EBRD has thus far provided tremendous support for private businesses, and I believe it is now vital to proactively conduct support in the area of research and development as well. Based on the idea that technological innovation founded on science and technology would greatly promote the resolution of issues in developing countries, such as those environmental, I believe it is important to promote joint research of science and technology between developed and developing countries, and cooperation for capacity building of developing countries.

I would like to say a few words about the Sakhalin II Project as an environment-and-energy-related endeavor. This project is of vital significance for the development of Far Eastern Russia and for the energy security of the countries of the Eastern Asia. If formal request is made by the company, I hope that positive consideration will be given to financing this project, on condition of paying due concern to the environment. I believe that it is a role expected to be played by international institutions such as the EBRD, to give fair advice about drilling natural resources with the minimum negative impact on the global environment. It will benefit not just Russia but all member countries if the project is carried out in such a way that it meets the high environmental standards required by the EBRD.

Third, while systemic transformation successfully takes place, centered in Central and Eastern Europe; EBRD has shifted its focus to higher-risk and smaller projects in ETCs. Given this situation, discussions should be held about the appropriate level and scale of activities of the EBRD.

As the EBRD has successfully assisted in the transition, discussions should be held about the appropriate level of activities of the EBRD. The EBRD recorded a profit of approximately €1.7 billion last year. I very much hope that while the EBRD holds its discussions over the direction of future operations, it will also deepen its discussions regarding the use of net profits at an early opportunity, including contributions to technical cooperation programs and the possibility of paying dividends to member countries.

4. In Conclusion

Finally, please let me say once again that the EBRD has achieved outstanding results, and that Japan highly commends the sincere efforts of President Jean Lemierre as well as the management and staff of the EBRD in supporting the Bank’s efficient operations. I would like to close my address by saying that I hope the EBRD will continue to fulfill its mission to foster transition efficiently and effectively.