



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)



**SIXTY-EIGHTH MEETING**  
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Statement by

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**Vice-Minister of Finance for International Affairs of Japan**  
**At the 68<sup>th</sup> Meeting of the World Bank/IMF**  
**Joint Development Committee**

Dubai, September 22, 2003

Economic growth is certainly an essential factor to achieve sustainable poverty reduction. In this context, I welcome the fact that the developing countries have demonstrated growth that outpaces the world economy on the whole.

**I. Supporting Sound Policies with Adequate and Appropriate Financing**

It is important for the international community to cooperate closely in aiming to achieve the Millennium Development Goals (MDGs). To move toward the goals steadily, each developing country is expected to localize the MDGs according to the circumstance it faces and then to formulate its own Poverty Reduction Strategy Paper (PRSP) designed to achieve the localized goals. As developing countries vary on many fronts, such as poverty profile, fiscal situation, and administrative capacity, it is essential for each developing country to reflect such particular aspects in localizing the MDGs and to prioritize the policies incorporated in its PRSP. Bringing all these steps into an integral process is what PRSP process is all about. In this regard, we welcome a steady increase in the number of countries that have completed the PRSP process.

Looking at recent PRSPs, one can observe that more PRSPs are putting emphasis on growth-oriented policies, with the recognition that economic growth is essential for poverty reduction. Particularly, we welcome the fact that the World Bank has recently affirmed its commitment to infrastructure dimension. In this context, I would like to request the Bank to analyze the transmission mechanism among infrastructure, economic growth and poverty reduction. The Bank would then feed back the results of such an analysis to its future operations. I would also like to request the Bank further collaborate with the private sector in order to make more sustainable operations in areas related to infrastructure, taking account of lessons learned from the past experiences.

As the PRSP process moved up along its phases from formulation to implementation, several issues have emerged. For example, many PRSPs simply list diverse policies without prioritizing them. Some other PRSPs seem to set too ambitious goals. To address these issues, it is necessary to firmly cost out each policy in the PRSPs and incorporate them into the annual budget and the Medium-Term Expenditures Framework (MTEF), while at the same time keep the whole spectrum within the framework of macro-economic balance and public debt sustainability. Developing countries are required to build their capacity in such areas as fiscal and public expenditure management and the World Bank is expected to strengthen support to help such efforts. Once a realistic PRSP has been formulated, the donor community including the IMF and the World Bank is expected to jointly support the PRSP by aligning its assistance with the PRSP. In the recently revised ODA Charter of the Japanese Government, strengthening partnerships and collaborating with international organizations are placed as one of the key principles, and poverty reduction is held up as one of the priority goals. Japan intends to continue supporting the PRSPs based upon the principles set out in the Charter. To enhance the effectiveness of PRSP approach, it

is essential to monitor how developing countries and the donor community are playing the roles they have committed to, and to feed back its results to future PRSPs. When conducting evaluations, it is necessary to distinguish the evaluation of policies from that of the results. Japan welcomes the fact that policy evaluation now holds a central place in the internationally agreed monitoring framework. Japan welcomes the progress report on global monitoring and hopes that further measures are taken in order to strengthen the monitoring framework.

In order to conduct monitoring, it is indispensable that the developing countries have capacity to compile statistics and that a comprehensive MDGs related database be available. It is my pleasure to note that this perspective is shared between Japan and the World Bank. As such, the World Bank and the United Nations will soon launch collaborative studies in this respect, with the core assistance extended by Japan.

Let me also comment on the opinion that not just capital expenditures but recurrent costs should also be financed through aid, if the movement towards MDGs were to be accelerated. The opinion must be considered with discretion by asking such questions as these: Will not the aid hamper incentives of the recipient country government to increase its revenues? Does the recipient country have the capacity to make effective use of the assistance in recurrent costs? Does the recipient country have its own mid-to-long term plan to realize a fiscal structure that affords the recurrent costs on its own in the future? In order to strengthen the ownership of the developing countries, it is essential to promote human resource development and institution building. Recognizing such a need, Japan is now preparing for the establishment of a Global Distance Learning (GDL) Center in Tokyo. To be connected with the other GDL centers in the Asia Pacific region via satellite, the new facility should be able to provide such interactive services as remote training and policy dialogue. Japan will continue to work with the World Bank to inaugurate the Center in the spring of next year.

Regarding countries suffering from conflicts, it is essential to promote human security as well as to extend assistance in development dimension such as consolidating peace and building basic foundations.

Stability and reconstruction of Iraq is important. As a member of the international community, Japan pledged a total of USD 100 million in humanitarian assistance, and to date has already extended or decided to extend some USD 86 million of assistance. One of the key challenges that lie ahead is to make the October international donors conference in Madrid a success. Japan is committed to make efforts in this direction. The situation in Afghanistan also deserves the attention of the international community. In this sense, it was high time that the Afghanistan Development Forum was held here in Dubai. As host to the International Conference on Reconstruction Assistance to Afghanistan in January 2002, Japan will continue to be actively engaged in supporting Afghanistan through the “*DDR process*” (the process of disarmament, demobilization and reintegration of the former combatants), “*Ogata Initiative*” (a comprehensive development plan for priority regions in Afghanistan), and assistance to reconstruct roads. Consolidating peace in Sri Lanka is also essential. For its part, Japan hosted the Tokyo Conference on Reconstruction and Development of Sri Lanka this past June. At the Conference, Japan expressed its intention to extend assistance of up to USD 1 billion for the coming three years, subject to the evolution of the peace process in the country.

Japan has been promoting the TICAD process since 1993. As such, its assistance to African countries has been articulated based upon the spirit of the process, which is to enhance both Africa's ownership and partnership of the international community. This spirit is echoed in the "*New Partnership for Africa's Development*" (NEPAD). I have the pleasure to note that the third meeting of TICAD will be held in Tokyo next week, at the juncture of the 10<sup>th</sup> year since the process was inaugurated. I hope that an active discussion will take place to further consolidate and enlarge the partnership of the international community towards NEPAD.

## **II. Enhancing Voice and Participation of Developing and Transition Countries**

It is essential for the Bank and the Fund to enhance the voice of developing countries. In doing so, the Bank and the Fund should attempt to yield results, one by one, wherever it is possible. In this context, the staff paper for this meeting should be commended as it outlines a practical road map. For example, it covers such realistic proposals as capacity building for Executive Directors' Offices staff members who are from developing countries; increased involvement of developing countries in the formulation process of CAS; and decentralization within the Bank through delegation of authority from the headquarters to regional offices that will allow decision-making on the ground, in the proximity of the governments of developing countries.

## **III. Trade**

Trade can potentially play an important role in enhancing growth and reducing poverty of developing countries. In order to allow the developing countries to fully enjoy the benefits of trade liberalization while at the same time reducing the related domestic cost, it is necessary for developing countries to be equipped with enabling policy environment. We welcome that an agreement has been forged that the World Bank is to actively a) strengthen trade related policy lending, b) introduce programmatic lending to countries implementing trade reform, and c) provide technical assistance in relation with domestic market reforms implemented in the context of trade liberalization.

Japan is actively supporting developing countries in trade related areas such as a) facilitation of accession negotiation of LDC countries such as Cambodia and Nepal to the WTO, b) provision of assistance in training of trade officers in Cambodia, and c) contributions to the GTF (Global Trust Fund) at the WTO.

In last April, Japan added another 198 items on the list of duty-free and quota-free LDC products. As such, the proportion of duty-free and quota-free products in Japan's imports from LDC countries rose from 83% to 93%.

Promotion of multi-lateral trade liberalization in the Doha Round is indispensable in further developing the global economy and I believe that it will bring about benefits to all the countries. It is regrettable that the Cancun Ministerial Conference ended without achieving the expected results. Nevertheless, Japan is committed to making all the efforts in achieving the Doha Ministerial Declaration of November 2001 in order to forge an agreement that would be acceptable by all the member states and regions of the WTO, including Japan.

Thank you.