



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

Mr. Naoki Minezaki
Senior Vice Minister of Finance
Japan

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Hon. Naoki Minezaki
Senior Vice Minister of Finance of Japan**

At the 80th Meeting of the World Bank/IMF Joint Development Committee

Istanbul, October 5, 2009

Let me begin this statement by expressing my sincere appreciation to Mr. Carstens for your excellent leadership as Chairman of the Development Committee for the last three years, and extending warmest welcome to Mr. Al Khalifa, who succeeds Mr. Carstens as Chairman.

Current Conditions of Developing Countries and their Challenges Ahead

To begin with, I would like to discuss the current conditions of developing countries. The global financial markets are demonstrating an increasing stability, and we are able to see some positive signs in the real economy of developed countries. However, as far as developing countries are concerned, they continue to face prolonged adverse impacts of the crisis.

Middle-income countries, or MICs, had been on a rapid development path, harnessing fast-growing private capital inflows and global trade expansion. However, after the crisis intensified, MICs were adversely affected by an abrupt reversal of private capital flows and a sharp decline in global trade.

This should never be repeated in the future course of development of MICs. A key challenge for MICs is to mobilize stable private capital that supports their development, including foreign direct investment and other long-term funds conducive to development objectives. IBRD should play a role in promoting the influx of private capitals of this nature.

The impacts of the crisis on low-income countries, or LICs, are shown more by revenue shortfalls, due largely to a sharp decline in commodity exports and a significant fall in remittance from overseas workers, rather than a reversal of private capital inflows. As a result, LICs are facing increasing difficulties even in securing their core fiscal spending, essential to their poverty reduction efforts, including education, health, and operation and maintenance of key infrastructure.

Differently from the way we support MICs, we need to secure appropriate concessional resources, such as IDA, in assisting LICs. One of the options should include allowing sufficient commitment authority under IDA15 available for coming months, and providing continuous assistance by accelerating the process of IDA16 negotiations. We should mark a *de facto* launch of IDA16 negotiations in conjunction with the mid-term review of IDA15, discuss a post-crisis IDA strategy intensively, and make efforts to reach conclusion of the negotiations as early as possible. I wonder if some donors might be able to, and wish to, avail part of their commitment under IDA16 even within the IDA 15 term, before the official start of the IDA16 period.

Climate Change

Second, I would like to touch upon climate change. It is of utmost importance to reach agreement in Copenhagen in December this year on a fair and effective international framework in which all major economies participate. Japan will aim to reduce its green house gas emission by 25% by 2020, if

compared to the 1990 level, on the premise of agreement on ambitious targets by all the major economies. Japan is also prepared to provide more financial and technical assistance than in the past to developing countries' emission reductions and adaptation, in accordance with the progress of the international negotiations.

Climate finance will entail a vast amount of financial resources. However, public finance alone can not meet the financial needs. A major part of such financial needs will be for private investments. Public funds should function as pump-priming. In this regard, it is critically important that the World Bank Group, particularly IFC and IBRD, enhance its catalytic role in mobilizing private investments, in partnership with JBIC and other bilateral institutions. We encourage the World Bank Group, with its knowledge and human resources, to develop brand new and concrete ideas for innovation on climate finance. In particular, we call on the World Bank Group to present wide-ranging options for the next meeting of G20 Finance Ministers.

International Solidarity Levy

Third, I would like to speak briefly about the international solidarity levy. Various discussions on the international solidarity levy are on-going. I have been engaged, with strong interest, in this issue since before I assumed the position of Senior Vice Minister of Finance. Japan has been an official member of the Leading Group on Solidarity Levies to Fund Development since last year.

I believe that it is important to encourage more in-depth discussions. Issues of particular importance may include: what impacts international solidarity levies would have on economic activities; and how we could ensure implementation of levies on a global basis. We look forward to international financial institutions, primarily the IMF and the World Bank Group, undertaking analyses on these issues. In addition, we need to think through the appropriate objectives on which to spend revenues from levies: poverty reduction, or climate finance?

Voice Reform

Finally, the voice reform of the IBRD. This is a reform of essential importance for the governance structure of the World Bank. With that in mind, we have been holding intensive discussions, aiming to reach an agreement by the spring meetings next year.

I believe that the reform should aim at a voice structure which better reflects the views of developing and transition countries on the management and operations of the World Bank Group. At the same time, the reform should ensure that members which provide financial support to the World Bank Group continue to have appropriate stakes in its management and operations, which is needless to say.

I would like to remind you that Japan has been a key major donor of IDA for almost half a century since it was established in 1960, contributing more than 34 billion US dollars. In the early days of IDA, we were still reconstructing our country after World War II, and were far from being prosperous. We had to rely on external assistance, and were actually borrowing money from IBRD. Despite such a situation, Japanese people, or I should say Japanese tax payers, knew well how important it is to help poor countries, and made a grave decision to contribute to IDA. The unremitting contributions by Japanese tax payers ever since have now formulated the solid and indispensable financial base of IDA, accounting for as much as 19% of the total IDA resource.

Here, I would like to stress that the voice reform should take into full consideration the cumulative contributions to IDA of current major donors, because that will prove to be an appropriate acknowledgement

of the long-standing will of donor countries' tax payers and thus must be essential for the World Bank Group to continue securing contributions from donors.

I firmly believe that the voice reform will reach a conclusion which fully addresses these concerns. That will provide a supportive basis for Japan' contributions to general capital increase in IBRD and the forthcoming 16th replenishment of IDA16, when they take place.

Conclusion

To conclude my statement, I would like to say a few words on Japan's new administration. The new administration was just born and is only three-weeks old. It places importance on assisting developing countries, particularly on helping LICs overcome the crisis and reduce poverty. I am pleased to confirm that Japan will keep supporting the vital role the World Bank Group plays in the global endeavor of development assistance.

With full confidence in and respect for President Zoellick and the Word Bank Group, Japan stays more than willing to support the efforts of the World Bank Group as much as possible.