



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-SEVENTH MEETING
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Statement by

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At the 67th Meeting of the World Bank/IMF
Joint Development Committee

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First of all, I would like to report to the Committee that, prior to this meeting, the Government of Japan obtained parliamentary approval for its subscription for the thirteenth replenishment of the International Development Association (IDA), and deposited its Instrument of Commitment for IDA13. It is a great pleasure that Japan's deposit of its instrument of commitment has triggered effectiveness of the replenishment. I believe that the effectiveness of the IDA13 is among the most significant actions taken recently by the developed countries for achieving the Millennium Development Goals (MDGs), which is one of the items on the agenda of this meeting.

I. Achieving the MDGs and Related Outcomes

I welcome this opportunity to discuss a framework for monitoring policies and actions needed to achieve the MDGs and related outcomes, as agreed upon at the last meeting of the Development Committee. It is very important to identify and regularly monitor policies and actions necessary for the progress toward the MDGs and other development goals. We hope that the World Bank, the IMF and regional development banks, in cooperation with other international organizations, will play leading roles in this exercise based on their comparative advantages.

To ensure the exercise will be truly effective, the following three points must be noted:

First, I would like to emphasize that we should not overlook the importance of sustainable economic growth in developing countries in achieving the MDGs. It is virtually impossible to achieve these goals by focusing support only on areas related to social service delivery, such as education and health. The key to making sustainable progress in the medium term toward the MDGs is to generate a self-sustaining cycle: the income level of the poor rises, allowing them to make necessary human-capital investments, and further expanding their income opportunities. To realize such a cycle, it is necessary to sustain broad-based economic growth that will benefit poor people.

Infrastructure investments, private sector development, and improvement in governance and institutional capacity play crucial roles in attaining sustainable economic growth. Therefore, it is imperative to monitor policies and actions in these growth-inducing areas. In this sense, we commend the monitoring framework presented for this meeting, as it places emphasis on the central role of economic growth in achieving the MDGs and related outcomes. We call on the World Bank to reflect the idea of prioritizing sustainable economic growth for achieving MDGs on its operations through Country Assistance Strategies (CASs), allocation of budget and human resources, and staff incentives.

Secondly, in identifying and implementing policies and actions needed to achieve the MDGs and related outcomes, it is essential to adopt a country-specific approach in which country-owned development strategies, including Poverty Reduction Strategy Papers (PRSPs), play a central role. In other words, it is important to set national development goals in country development strategies by localizing the MDGs in the context of country-specific conditions, and then to identify and implement policies and actions needed to accomplish these localized goals. In this regard, while staff papers highlight case studies in four specific areas related to social service delivery — primary education, health, HIV/AIDS, and water and sanitation — such a sector focus approach should be taken only as supplementary to the country-specific approach.

Thirdly, in considering the role of development assistance in achieving the MDGs, I must stress that simply increasing the volume of aid regardless of absorptive capacities in the recipient countries will not work. For truly effective use of aid, it is essential that good policy and institutional environments be established in the recipient countries. In this regard, it is useful to make reference to the results of the Bank's Country Policy and Institutional Assessment (CPIA), as mentioned in the staff paper for this meeting, and we would like to see further improvements and increased transparency of the CPIA exercise. On the other hand, improvement in public expenditure management has been one of the major challenges in building capacity in the public sector in developing countries. We call on the World Bank and IMF to cooperate and continue their support in this regard.

Furthermore, we must bear in mind that mobilization of both domestic resources and foreign private capital plays a vital role in realizing sustainable economic development driven by the private sector. Aid must play a catalytic role to promote effective use of these non-aid resources. In this connection, the 3rd World Water Forum and Ministerial Conference held in Japan last month called for efficient and effective use of all financial resources, including domestic and

private ones, as well as the importance of governance and capacity building. Japan has considerable experience in such areas as river management, water quality control, and water supply and sanitation systems. We also have advanced technologies in seawater desalination and wastewater management. Japan has provided official development assistance of as much as \$1 billion annually in water supply and sanitation. This volume accounts for about one third of the world's total ODA in these areas. We will continue to contribute to international efforts to address global water issues with our experience and advanced technologies.

Another important means to increase aid efficiency is harmonization of aid procedures among donors and international organizations. In promoting harmonization, due consideration for country ownership, a country-specific approach, and diversity of aid modality is essential. In light of the outcomes of the High-Level Forum on Harmonization held in Rome last February, it is important to monitor the progress to this end.

I would like to conclude my remarks on this agenda item by introducing two specific actions our Government has taken recently for helping achieve the MDGs.

The *first* one is related to debt problems of developing countries — a major challenge that needs to be addressed for achieving the MDGs. Japan has been engaged in the Enhanced HIPC Initiative as the largest bilateral creditor, accounting for about one fourth of the total bilateral contribution of the G7 countries. Previously, Japan's debt relief for HIPCs and other internationally-agreed eligible countries has been implemented through providing debt-relief grants in return for receiving debt repayments. Under the new method, debt relief is provided, on condition of meeting specific criteria such as HIPC completion points, directly through cancellation of relevant ODA loans owed to the Japan Bank for International Cooperation, and this change becomes effective this April. I hope this change will reduce the administrative burden of developing countries, and lead to earlier resolution of debt problems, thus promoting poverty reduction.

The *second* is a trade-related measure. For achieving the MDGs, it is essential to make further efforts to improve market access for products originating from Least Developed Countries (LDCs) in accordance with the WTO Ministerial Declaration in Doha. In the "Koizumi Initiative" announced at the World Summit on Sustainable Development (WSSD) in Johannesburg last August, Japan announced its intention to make efforts toward the objective of duty-free and quota-free market access for all LDC products. The measure taken this April adds

another 198 items on the list of duty-free and quota-free LDC products, increasing the proportion of duty-free and quota-free products in total Japan's imports from LDCs from 83% to 93%.

II. Enhancing the Voice and Participation of Developing and Transition Countries

Without country ownership of the Bank and Fund programs, successful implementation of the programs and effective promotion of economic development and poverty reduction would be unsecured. Therefore, it is important for the Bank and the Fund to be more attentive to the voice of developing countries. On the other hand, one should bear in mind that a voting mechanism based on relative positions in the global economy has played a crucial role in ensuring effective management at both institutions. In this regard, I would like to emphasize the significance of the good tradition the Boards of Executive Directors at both institutions have cultivated — on most occasions in practice, the Boards have been managed on a consensus basis in spite of their contribution-based voting mechanisms.

Some options presented in the staff note, such as possible increase in the basic votes and extensive use of special majorities, require amendment of the Articles of Agreements, and do not seem very attractive. Likewise, options to increase the numbers of the Development Committee members or Executive Directors do not seem desirable, as the benefit of efficient and effective decision-making would be sacrificed.

Instead, supposing the current number of Executive Directors remains unchanged, measures intended to promote more effective functioning of each constituency should deserve due consideration. [From this point of view, we can support an increase, to an certain extent, in the number of advisors and assistants assigned to the African constituencies with large number of countries.] We can also support options to facilitate improved communications between Executive Director offices and their respective capitals, while taking account of their cost-effectiveness.

In addition to these options, there are alternative ways at the country operation level to enhance the voice of developing countries. Strengthening ownership of developing countries through a participatory process in formulating PRSPs, or deepened engagement of developing countries in formulating CASs should contribute directly to enhancing the voice of developing countries in the Bank and Fund programs. Decentralized country offices of the World Bank can also play an important role in reflecting voices on the ground on its programs.