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ADDRESS BY THE TEMPORARY ALTERNATE GOVERNOR FOR JAPAN
AT THE SECOND PLENARY SESSION

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I. Introduction

1. On the occasion of the Forty-second Annual Meeting of the Inter-American Development Bank and Sixteenth Annual Meeting of the Inter-American Investment Corporation, on behalf of the Government of Japan, I would like to express my heartfelt gratitude to our hosts, the Government of Chile and the people of Santiago, for their warm hospitality.
2. Facing difficult economic and social circumstances during the 1990s, it was necessary for Latin American and Caribbean countries to push economic and social reforms in conjunction with measures to address the adverse effect stemming from such reforms. During the last decade, the IDB has effectively supported many countries within the Region. In this regard, I would like to express my sincere appreciation to the IDB under the leadership of President Iglesias for its extraordinary efforts taken to support the Latin American and Caribbean region.
3. Earlier this year a series of earthquakes struck El Salvador, taking a heavy toll in human lives. I was deeply saddened by the news of the disaster, and I would like to convey my most heartfelt sympathy to the victims and their families.
4. The swift support extended by the IDB to the earthquake victims is worthy of the highest praise. Japan also dispatched a medical team and provided \$13.5 million in emergency aid immediately following the disaster. In the future, we intend to continue to provide as much support as possible. In this regard, we are currently considering extending support for disaster relief in the form of bilateral cooperation with the IDB, and also within the framework of the Japanese trust fund in the IDB.

5. As you know all too well, natural disasters such as earthquakes and hurricanes have struck repeatedly in the Latin American and Caribbean region in recent times. These disasters have claimed many precious lives and have caused enormous economic damage. Given this situation, it is critical that the IDB dedicates some resources to disaster prevention, including the establishment of disaster prevention infrastructure. Since Japan has a great deal of experience in this disaster prevention, we would like to offer our cooperation, including any technical assistance in our area of expertise.

II. Challenges for the IDB

6. Many people around the world today are keeping a close watch on the activities of multilateral development banks. As such, it is vital that these institutions undertake reforms that improve the efficiency and transparency of their activities. Given this need, I would like to point out three important challenges for the IDB.

7. First, the IDB should pursue internal reforms.

8. Although some Latin American and Caribbean countries can boast a relatively high per capita GDP, there is still a large number of people living in poverty. In this context, the IDB made it clear that IDB's major goal is to achieve sustainable growth, poverty reduction and social equity. To this end, the IDB needs to exercise greater selectivity in implementing operations. The IDB is currently in the process of developing the Institutional Strategy that focuses on reforming the social sectors and on reinforcing the competitiveness of the private sector.

9. We give high marks to the IDB for this internal reform effort to respond to the changing environment in the Region.

10. As for the IDB's lending policy, it is important to vigorously implement selective operation in order to effectively use the IDB's resources. Along with that, careful debates should address the development of a risk management regime to ensure continued financial soundness. Furthermore, in order to analyze the IDB's contribution to the prevention of economic crises and the alleviation of their impact, it is appropriate to thoroughly evaluate the Emergency Lending Program, which ended in 1999.

11. Japan believes that poverty reduction is still one of the most pressing issues facing the IDB. In order to further support the IDB's efforts in this regard, Japan recently made arrangements to enhance the use of the Japan Special Fund for the purpose of poverty reduction.

12. Regarding the issue of the Heavily Indebted Poor Countries, we welcome the fact that four countries in the region, namely Bolivia, Honduras, Guyana, and Nicaragua, have reached the Decision Point. We hope that the IDB will also proceed with the enhanced HIPC Initiative expeditiously. Japan believes that an effective implementation of this initiative will lead to substantial poverty reduction. Under the enhanced HIPC Initiative,

Japan will undertake the largest bilateral debt reductions for the HIPCs in the Latin American and Caribbean region. In addition, Japan is one of the largest contributors to the HIPC financing for the IDB among the non-regional members.

13. Second, strategy for the private sector development should be refined more.

14. Given the fact that the private sector is the source of growth for the Latin American and Caribbean economies, which are becoming increasingly market-oriented, support for this sector is critical to improving the efficiency of the overall economy and to reinforcing its competitiveness. At the same time, such support also contributes to poverty reduction through the increase of employment.

15. The Private Sector Department was established in 1994 in response to the rapid progress of privatization resulting from the economic development of the Latin American and Caribbean region in the early 1990s. Since its establishment, the PRI has made an enormous contribution in fields such as transportation, water, and sewerage. As a result of the remarkable structural reforms in recent years in the Region, the private sector in these countries has been gaining access to long-term capital from the market. Nevertheless, the IDB's complementary support for the private sector remains crucial for sustainable and equitable growth in the region and we therefore hope that the IDB will continue its activities in this field.

16. Since its creation in 1993, the Multilateral Investment Fund has supported the development of small and medium enterprises and has promoted private investment, thereby creating much employment. In Japan and other Asian countries, small and medium enterprises reinforce competitiveness of many industries, and through vigorously carrying out their activities, these enterprises have led the way to economic growth and poverty reduction. In light of this experience, it would seem prudent for small and medium enterprises in Latin American and Caribbean countries to improve their "efficiency, vitality and flexibility." With respect to this point, I would like to emphasize the important role that the MIF has played thus far and should continue to play in the future.

17. The IDB Group offers a wide array of windows for supporting the private sector, consisting of the PRI, MIF and IIC. It is vital that the IDB continue to promote greater coordination of these windows in the future in order to provide more efficient and effective support.

18. Third, it is important to share knowledge and experiences concerning development with other regions.

19. In 1999, Japan established the Japan Program in the IDB with the aim of sharing and exchanging knowledge regarding development between the Asian region and the Latin American and Caribbean region. Since its establishment, the Program has provided ideas for identifying new prescriptions for economic and social development by

exchanging and integrating the knowledge and experience of the two regions. As such, the Program is a new initiative in the field of knowledge generation and integration.

20. Under this initiative, a seminar was conducted here at the Annual Meeting, and prominent participants from the Latin America and Caribbean region and the Asian region had an informative discussion. Furthermore, a seminar is also planned on the occasion of the Asian Development Bank Annual Meeting in May. We hope that these seminars will promote the reciprocal application of the lessons learned in each region to economic and social development in other regions. Through these seminars, the ADB and the IDB cooperate with each other. We encourage the continued development of this new initiative and partnership between regional development banks.

21. We hope the IDB will effectively utilize the achievements of the Japan Program in its main operations.

III. Okinawa as a Candidate for the Host of the Meeting

22. I would like to take this opportunity to announce our intention to host the 2005 Annual Meeting in Japan.

23. Japan has long aspired to be a bridge between Asia and the Latin American and Caribbean region. Given the fact that the IDB is the leading institution in the Latin American and Caribbean region, it would give us great pleasure if Japan were able to help strengthen ties between the two regions by hosting an IDB Annual Meeting in Japan.

24. We are considering Okinawa as the site for this meeting. As you may know, the Okinawa Prefecture has been fast becoming “a bridge to the world”, as it successfully hosted the 2000 G-7 Summit. We are confident that the IDB meeting in Okinawa would be a great success.

IV. Conclusion

25. I would like to conclude by saying that there is no doubt that the IDB will play an even more important role in the future as a core institution of the Latin American and Caribbean region. In this regard, the Japanese Government would like to continue its support to the IDB and we are looking forward to seeing the IDB’s successful implementation of its internal reform.