

JAPAN

**Address at the 17th Annual Meeting of the Board of Governors of the
European Bank for Reconstruction and Development (EBRD)
(Sunday, 18 May, 2008: Kiev, Ukraine)**

Mr. Chairman, Mr. President, distinguished Governors, ladies and gentlemen:

I would like to express my heartfelt gratitude to the Government of Ukraine and the people of Kiev for their warm hospitality in hosting the 17th Annual Meeting of the European Bank for Reconstruction and Development (EBRD).

This meeting marks the final annual meeting for President Jean Lemierre. Over the eight years of his tenure, the EBRD has achieved remarkable results, and undergone significant changes. Based on the third Capital Resources Review (CRR3), compiled under President Lemierre's leadership, the Czech Republic was the first to graduate from EBRD's country of operation last year, which will be followed by other EU-8 countries by the year 2010. In 2000, roughly 40% of the Bank's annual business volume was devoted to Central and Eastern Europe, but it has decreased to less than 10% in 2007. The focus of EBRD's operation has shifted to the east and south of the region where transition to a market economy is still in its earlier stages. This is one of President Lemierre's most notable achievements, and I would like to express our high appreciation. This also clearly shows that EBRD has been successful in meeting its transition mandate, and accomplishing its mission.

In addition, at this meeting of the Board of Governors, Germany's Deputy Finance Minister Thomas Mirow has been recommended as a candidate to become the new President. In light of his extensive international experience, Japan would like to offer its strong support for Mr. Mirow to assume the post of President.

Mr. Chairman,

I would like to emphasize several key challenges for the EBRD.

First, strengthening assistance to Early Transition Countries (ETC). We consider the Early Transition Country Initiative effective, and will continue to provide our support. We welcome the steady increase in the number of projects in ETC countries under the initiative, and strongly hope that the new President will focus on operation in Central Asia and Mongolia.

Second, proper control of the business volume. Current business volume far exceeds the level agreed in CRR3. While this would be congratulated if EBRD were a private bank, it gives us concern over the operation of EBRD. If annual business volume expands without limitation, it creates the risk of invalidating the whole discussion of business volume when setting CRR3, and may even jeopardize to limit the operations within the subscribed capital. Therefore, Japan considers it appropriate and welcomes EBRD in setting an upper limit for the annual business volume for the remaining years covered by CRR3. Needless to say, the success of EBRD should be measured not through the volume of operations but the extent to which the projects of EBRD are able to provide additionality and transition impact. It is encouraging to see the projects approved last year scoring high on their transition impact, but the current evaluation system has its limitations as it does not incorporate the progress made at the country level in making a successful transition to a market economy. For EBRD to achieve maximum transition impact with its limited resources, it is imperative to operate in countries

that are making good progress in their transition efforts, and we hope EBRD incorporate this perspective in its future operation.

Third, appropriate allocation of net income. EBRD recorded net earnings of 1.1 billion euros, continuing on from the large amount of net earnings from the previous year. We have called for allocations of net income to technical assistance and dividends.

Japan welcomes that allocations for technical assistance have been made by the Bank for the first time ever. In particular, Japan strongly supports the provision of allocations of 135 million euros for the nuclear safety projects for the Chernobyl Nuclear Power Plant in Ukraine, other than allocation to ETC, through the proposed resolution. For its part, Japan strongly recognizes the importance of these projects for Chernobyl nuclear safety, which is an international task, and has so far contributed vast amounts of money for the Chernobyl Shelter Fund and the Nuclear Safety Account. We view the fact that this decision was made at the meeting here in Ukraine as having symbolic significance. As the G8 chair country, Japan will make efforts for the continuance of the Chernobyl nuclear safety.

As for dividends, Japan views the distribution of income to shareholders as sending a positive signal of the EBRD achieving success with respect to its mission. It does not imply that the EBRD will decrease its commitments to the countries receiving its support. Japan welcomes the phrasing in the resolution of the Board of Governors which states, "Dividends were made possible by the state of reserve funds and capital at the end of 2007." We continue to believe that dividends should be distributed and look forward to a serious discussion by member countries next year.

Fourth, strengthening activities related to climate change. Global issues such as climate change represent significant challenges to which the international community must act together. The EBRD has been a forerunner, working to address this issue by mainstreaming climate change in its operation, for which Japan appreciates highly. In particular, we welcome the success of the Sustainable Energy Initiative (SEI) which is progressing at a level exceeding our expectation.

Japan has accumulated cutting-edge technology in areas to improve energy efficiency and we intend to make use of this technology in countries of operation. I hereby pledge that Japan will contribute 3 million euros to the SEI to provide further support for initiatives for climate change through the EBRD.

Mr. Chairman,

Before concluding my remarks, since its establishment in 1991, EBRD has achieved significant results such as paving the way for graduating EU-8 countries. On the other hand, with its characteristics as a transition bank, the more it succeeds, the less remains for EBRD to tackle in the future. Now that the EBRD's operation has come to a turning point, we hear various opinions about the future of EBRD. I believe that when we start our discussion on CRR4 under the new President, we also need to begin discussing a blueprint for the future of EBRD after its transition mandate is largely achieved.

Thank you for your attention.