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on the
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Statement by

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At the outset, I would like to congratulate the successful conclusion of the IDA15 replenishment. Japan will contribute 362.7 billion yen, a 31 percent increase from the previous replenishment. I am very pleased to be able to report to you today that the related bill was approved by the Diet just four days ago. We are entering a crucial stage towards achieving the MDGs, and IDA should play a central role in this international effort. I urge my colleagues to expedite the necessary legislative or budgetary procedures so that this replenishment could become effective as soon as possible.

I also welcome the progress made on the long-term strategic exercise of the Bank with strong leadership of the president. In particular, I welcome the strategic direction of reducing poverty through inclusive growth. I look forward to a report at the annual meeting this fall on how this strategy will be reflected on the operations of the Bank.

Inclusive growth in Africa

African countries have surpassed the developed countries in economic growth for the past decade. Seven resource-rich countries have grown at an average of 9 percent, buoyed by commodity prices including oil. It is even more encouraging that another 18 non-resource rich countries have achieved 5.5 percent growth on average. The mission before us today is to support these African countries continue and accelerate such growth trend. This is a very complicated and difficult challenge, given the rising uncertainties of the outlook of developed economies emanating from recent troubles in the financial sector, and the consequent possible downturn of investment and trade to Africa. African countries should continue to implement sound macro-economic management and improve investment climate in order to achieve sustainable growth led by the private sector. MDBs should provide appropriate policy advice and help build adequate infrastructure, capitalizing on their comparative strength.

In Asia, projects supporting regional integration have provided significant growth opportunities to the region by strengthening economic ties with the neighboring countries. Development of Mekong Corridor, in which Japan and the Asian Development Bank played a central role, has brought about an increase in manufacturing export by 6 times, inter-regional trade by 18 times, and doubling of number of visitors among the six Mekong countries; Cambodia, China, Lao PDR, Myanmar, Thailand and Vietnam, over the period of 1992 to 2006. During the same period, landlocked Lao PDR had made a remarkable progress in reducing poverty rate from 52.7 percent to 28.8 percent.

There are 15 landlocked countries in Africa. We should strengthen our effort in building cross-border infrastructure that will provide growth opportunities to such countries by promoting market integration. Japan started the EPSA initiative with the African Development Bank in 2005, providing up to one billion U.S. dollars of concessional yen loan to infrastructure projects with a view to developing the private sector. There are some 30 corridor plans in Africa, and Japan has been involved in nearly half of them. We have supported Niger Corridor, connecting Senegal, Mali and Niger. We have conducted a feasibility study of Nakara Corridor that will connect Mozambique, Malawi and Zambia. We will continue to support such projects, collaborating with not only the African Development Bank but also the World Bank and other donors. I expect the Bank to be more active in this area.

At the same time, our experience tells us that growth alone cannot reduce poverty. The growth must be broad based for its dividends to be shared by the poor. Given the fact that some 80 percent of the world poor live in rural villages, all inclusive growth strategies must address the issue of agriculture. The recent empirical study shows that increased farming income brought about by “green revolution,” has led to a dramatic reduction in poverty rate in Asia, achieved over a long period of time. In Vietnam, the poverty rate has been reduced from 58 percent to 16 percent over the past 15 years. The poverty rate has fallen, not only in fertile Mekong Delta region, but also in the northern mountain area. Vigorous public investment in rural infrastructure is regarded as one of the factors that has contributed to this remarkable result.

As highlighted in the WDR2008, public investment in agriculture accounts for only 4 percent of total public expenditures in Sub-Saharan Africa, where farmers make up 65 percent of overall workforce. The Bank support to irrigation has been modest for the past ten years. International community has paid little attention to agriculture.

African Union has now set a target to increase the share of agricultural public investment at least to 10 percent of national budget. Irrigated land accounts for only 5 percent of cultivated area. Increasing irrigated land is an urgent task before us. Proper water and land management together with use of better seeds also play a key role in increasing productivity. Further efforts are needed on agricultural research.

It is critical for African countries to mainstream agriculture in their poverty reduction strategy and to make efforts to increase agricultural productivity in a comprehensive way. The Bank should support this effort. The Bank support to irrigation should be focused on areas near cities where substantial amount of consumption takes place. I think this approach will ultimately contribute to developing agribusiness.

Health in Africa

Without human security the poor can not benefit from growth. People must be free from fear of death and able to enjoy a healthy life. In reality, however, 5 million people die of the three major infectious diseases, namely, HIV-AIDS, tuberculosis and malaria. In Sub-Saharan Africa, one out of every six children die before turning five. Maternal mortality rate is 200 times higher than that of developed countries. Health related MDGs in Sub-Saharan Africa are the ones that are most lagging behind.

It is not because the international community did not take actions. We did. Aid to health sector increased dramatically from 7.3 billion U.S. dollars in 2000 to 13.8 billion U.S. dollars in 2007, driven largely by increase in contribution to treatments of specific diseases such as the Global Fund To Fight AIDS, Tuberculosis and Malaria. Nevertheless, treatments and preventive measures desperately needed by the vulnerable have not been delivered adequately. Only 3 percent of global health workforce is working in Sub-Saharan Africa where 25 percent of the infected people live.

Providing intensive preventive care in a specific area is most effective to prevent epidemics of highly infectious diseases such as polio and tuberculosis. Governments must maintain effective health care systems and retain adequate quantity and quality of health workforce at each community level. At the global health summit held in Japan this February, we highlighted the importance of balancing our support between strengthening the health system and fighting specific diseases. It was also recognized that strong commitment from governments and capacity building of communities would be particularly important.

Delivering results in the health sector is not an easy task. Health workforce requires special skills and experiences. Logistics to deliver health service are complicated. Wide range of infrastructure including

clean facilities, water, electricity, road and means of transport are needed. These factors call for a multi-sector approach that is more focused on results. In this context, results based financing, including buy-downs, has been explored. New approach to focus on infant malnutrition, which makes the poor difficult to get out of poverty, is also presented.

I welcome the Bank's new health sector strategy of 2007 that focuses on strengthening the health care system to ensure proper health service delivery. Without empowering communities we will not make progress in strengthening quality health service delivery, results focus and multi-sector approach. Japan will support the Bank's effort to strengthen the health care system at community levels, through the Japan Social Development Fund.

We will take up growth and health agenda in Africa and present solutions at the TICAD4 that we will host in Japan next month, as well as at the Hokkaido-Toyako G8 Summit process.

How to support fragile states

Many African countries have begun to show steady economic growth. Some 20 countries, however, faced with various difficulties, have been stagnating at around 2 percent growth for the past ten years. The international community must combine its expertise and knowledge on how to support such countries so that they can get on the track towards achieving the MDGs.

Post conflict countries are faced with fragile governance structure and difficulties in advancing national reconciliation. It is critical to provide intensive support for a certain period in order to prevent such countries from slipping back to conflicts, enabling them to make a smooth transition from a rehabilitation phase to a reconstruction and development phase. The Bank Group should focus its support on strengthening governance and building capacity of the governments with a medium-term perspective.

Afghanistan is faced with the challenge of reconstructing its governance structure that was destroyed by the prolonged war. As it was not blessed with natural resources, it also faced development challenges that were there even before the war. Growing of poppy and Taliban insurgents have presented additional challenges to restoring security. Nevertheless, Afghanistan has shown some remarkable progress by sending 6 million children to school and reducing child mortality rate by 20 percent. Japan has contributed 100 million U.S. dollars to support the Bank's national solidarity program. It is a part of our total assistance of 1.4 billion U.S. dollar since hosting the Tokyo Conference in 2002. Development cannot be achieved without a solid local community. I expect the Bank to play a more active role in this area.

Good governance is also important for those that have not gone through severe conflict. Resource rich countries face the risk of falling into conflicts as various groups fight over the control of its resources, and many of them have actually fallen into the vicious cycle of conflict leading to weakened governance. It is important that all donor countries adhere to international initiatives that aim to strengthen governance and transparency such as the Extractive Industries Transparency Initiative.

The impact of higher food prices on the poor

The recent surge in commodity prices, including oil price, have affected developing countries in various ways. I will, however, limit my comment on how higher food prices have affected the poor.

Over the past 36 months, the food price index has increased by 80 percent. We must keep a close eye on how this will affect the price of food at the consumption level across developing countries. Food consumption accounts for nearly 50 percent of total expenditures in developing countries. We must also

monitor carefully how higher food prices will affect the poor. In this respect, the speech by President Zoellick, calling for the need of a new deal in food policy in order to overcome a food problem, is quite timely and to the point.

Some countries have introduced fiscal measures such as food subsidy and subsidy to small farmers as emergency measures. Others have imposed administrative measures such as export ban on food. Safety-nets targeting the poor are necessary from a humanitarian perspective. However, we should be careful in designing such measures so that they do not discourage farmers to increase their production. I highly appreciate the Bank trying to respond to urgent needs of developing countries.

As the affected countries scramble to take immediate actions, it is important for the international community to help provide medium-term solutions. As I mentioned before now is an opportune moment for the developing countries to review and overhaul their agricultural policies. Support should be tailored to strengthen the connectivity between rural villages and neighboring cities, so that higher food prices would translate into increased supply. Supporting small scale farmers to increase productivity is also timely.

In scaling up assistance to agriculture, we should not forget its environmental aspects. Mismanagement of irrigation facility brings about land degradation. Excessive logging results in deforestation and soil erosion. We should ensure that natural resources are managed properly in order to make agricultural development sustainable.

The current price hike also provides the commodity exporting countries with added fiscal flexibility and a chance to take decisive actions to reduce poverty. How they distribute their additional revenue equitably among various stakeholders and between current and future generations will determine their future growth path. The Bank's advice on how to build a sustainable and equitable social system is of vital importance, notwithstanding advice on public financial management.

Tackling higher food price is not a new agenda. But the impact on the poor might be severer than ever. A comprehensive solution is needed, covering both short-term and medium-term policies, and also micro-level as well as macro-level measures. International community must act together, now.

Tackling climate change

Urgent and collective action on a global scale is needed in tackling climate change. It is also a critical development agenda. We strongly support the MDBs' effort to explore ways to mobilize resources using market mechanism, and encourage providing knowledge services that enable developing countries to make the transition to low carbon economies or enhance resilience to climate change.

Resources should be mobilized by using market mechanisms such as insurance, guarantee and bond issuance. Recently, some Japanese financial institutions made donation to IDA using a portion of their commissions paid by investors. We should promote similar arrangements that encourage private firms and individuals to make financial contribution to international efforts on climate change. I welcome various innovative approaches proposed by the Bank and would like to invite further ideas.

We need concessional donor funding as a catalyst to private funds. A new donor fund for climate change should be established, facilitating international efforts to reduce green house gas emissions. Japan has been making its best effort towards establishing the fund. It should complement the existing financing mechanisms including bilateral assistance, MDBs and GEF, and should be consistent with international aid architecture. The new fund should become a platform to provide additional donor resources. I expect that we can reach a consensus through continued dialogue among the stakeholders.

Voice and participation

It is critical for a development institution like the Bank to reflect the views of low income countries in the design and implementation of its policies and projects. Japan is ready to participate in a constructive discussion on how to increase the voice and participation of low income countries in the Bank's operations. We reached a consensus on the quota reform of the IMF. The Bank and the Fund, however, have two different mandates, and the Bank does not necessarily have to adopt the same reform. We should focus on how we can better reflect the voice of low income countries and expedite our discussion so that we can come to an early consensus for its swift implementation.