

**Statement by Mr. Kiyoshi Kodera,
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At the Fortieth Annual Meeting of the African Development Bank and
the Thirty-first Annual Meeting of the African Development Fund**

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1. Introduction

Mme. Chair, Mr. President, distinguished Governors, ladies and gentlemen:

It is a great honour for me to address the 40th Annual Meeting of the African Development Bank and the 31st Annual Meeting of the African Development Fund. On behalf of the Government of Japan, I would like to express our sincere gratitude to the Government of the Federal Republic of Nigeria and the people of Abuja for their warm hospitality.

I would like to take this opportunity to express our deepest appreciation to President Kabbaj for his achievements over the last decade. Especially, I would like to note that the ADF-X negotiations, which were concluded successfully last December under his strong leadership, is one of the most important and concrete steps to help progress toward the Millennium Development Goals (MDGs). Now, it's turn for each member country to expedite procedures to make the ADF-X come into effect. I am pleased to report that Japan has already taken necessary budgetary steps and is ready to deposit an Instrument of Subscription.

To further the reform progress President Kabbaj has made over the last decade, I would like to ask the Bank to focus particularly on four areas.

First, maintaining the financial soundness of the Bank. To expand its operations properly, it is essential for the Bank to maintain the AAA credit rating earned under President Kabbaj.

Second, securing quality human resources. For a multilateral development bank, the most important asset is human capital. Without it, there is no way the Bank can become the "knowledge bank" or can establish development strategies tailored to African countries' specific needs.

Third, developing adequate quality in implementing decentralization. For the Bank to ensure proper project implementation and management; to enhance policy dialogue with

recipient countries; and to promote coordination among the donor community at country level, a carefully phased approach is required in opening more field offices to ensure the high quality of field staff.

Fourth, establishing the Bank's visibility. It is essential for the Bank, as a sole regional development bank for Africa, to express its visions and opinions in an effective manner vis-à-vis regional member countries as well as the international development community. The Bank should articulate its position on proposals and recommendations done by prominent groups or organizations in a timely manner.

2. **African economic status and the challenge**

Mme. Chair:

Last year, African countries demonstrated solid economic growth, driven by both exogenous factors, such as the upturn in the world economy and buoyant international commodity markets, and internal factors, such as improvements in their macroeconomic environment. The regional economy on the whole grew by 4.5% in 2004, which is the highest growth since 1996. Moreover, it has achieved over 4% economic growth for two consecutive years for the first time in the last two decades. I offer my congratulations for such performance.

However, for Sub-Saharan countries to achieve the MDGs by 2015, their economies are required to maintain above 7% growth for the next 10 years, which implies that the region still confronts enormous challenges. For African economies to achieve broad-based growth accompanied by private sector development, as we have witnessed in Asia, the whole international community, including the African Development Bank, needs to strengthen its support. At the same time, it is essential for African countries with their strong ownership to intensify the reform that has been achieved over the last decade.

I see five challenges ahead.

The *first* challenge is to put an end to conflicts and to prevent their recurrence. Without peace-building, there will be no poverty reduction or economic growth. In this regard, I welcome the recent progress in conflict resolution in southern Sudan.

The *second* challenge is to build capacity across the public and private sectors and to be vigilant against brain drain. Without having good human resources in country, the region's ample natural resources cannot be translated into economic growth, and effective Poverty Reduction Strategy Papers (PRSPs) cannot be formulated, either.

The *third* challenge is to promote regional integration. For African countries to enjoy a scale of economies and to increase the impact of development, it is essential to

accelerate regional integration. Thus, I welcome the Bank's leadership role under the NEPAD in developing the regional infrastructure.

The *fourth* challenge is to improve governance. Effective rules of law by democratically elected governments are indispensable to realize economic growth. Public financial management is particularly important for African countries to effectively utilize its resources to make progress toward poverty reduction. In this regard, I would like to encourage the Bank to continuously take an active part in implementing the African Peer Review Mechanism to improve governance.

The *fifth* challenge is the empowerment of individuals to better cope with the threat of extreme poverty and conflicts. Japan recently announced the African Village Initiative, aiming at comprehensive support of rural community development by combining infrastructure development and capacity building of people so that rural communities can stand on their own.

3. **Japan's contribution**

Mme. Chair:

In its relationship with Sub-Saharan countries, Japan has provided its bilateral Official Development Assistance totaling 9.3 billion USD in the last decade. As for debt relief, Japan has provided 27 HIPC, most of which are Sub-Saharan countries, with approximately 2.2 billion USD. This debt relief is the largest among creditor countries and a quarter of the total contribution made by G7 countries.

At the Asian-African Summit last month, Prime Minister Junichiro Koizumi announced that Japan will double its ODA to Africa in three years, with grant aid continuing to be its central feature.

Japan has also decided to provide 10 million long-lasting insecticidal-treated nets by 2007, in response to "Quick Wins Actions" mentioned in the UN "Millennium Project Report".

Mme. Chair:

Japan is determined to further our partnership with the African Development Bank—a relationship we have developed ever since 1973 when Japan became a founding member of the African Development Fund. To help dealing with the five challenges, which I mentioned earlier, and to realize poverty reduction through broad-based sustainable growth accompanied with private sector development, Japan has recently proposed "the Enhanced Private-sector Assistance for Africa (EPA for Africa)".

The *first* proposal is to establish within the Bank a multi-donor special trust fund, which will serve as TA and grant facility. This fund will aim to provide technical and financial assistance to foster small and medium-sized enterprises activities, strengthen financial institutions' capacities, and improve public-sector governance. We propose about 200 million USD as a target size of this fund for the next five years and stand ready to contribute twenty percent of the total donor contribution.

The *second* proposal is to provide highly concessional and untied ODA loans of up to 1 billion USD over the next five years in partnership with the African Development Bank Group to support private-sector development and infrastructure improvement in Africa.

Details of these proposals are now being discussed and coordinated with the Bank management. For the early realization of these proposals, the support of my fellow governors would be most appreciated, and I'd like to encourage donor countries to take active part in the multi-donor special trust fund.

On top of these proposals, Japan is proposing to lower the debt of post-Completion Point HIPC's against the multilateral development banks to a sustainable level, based on the debt sustainability analysis by the IMF and the World Bank. The proposal allows for further debt reduction in countries with good policies and institutional environment, to create a room for future borrowing so that they can continue to make effective use of loans yet remain capable of making steady debt payments.

4. **Closing**

Mme. Chair:

In closing, I would like to highlight what Professor Wangari Maathai, Assistant Minister for the Environment of Kenya emphasized. She was awarded the Nobel Peace Prize last year for the first time as an African woman. From time to time, she cited the Japanese notion of "mottai nai", emphasizing the importance of the efficient use of resources and environmental conservation. Using things with care, using them to the full, and reusing things whenever possible-- these are the heart and soul of these words "mottai nai", which Professor Maathai understood completely. Africa is blessed with a richness of nature that yields enormous potential. I believe that it is possible to create a vibrant and dynamic society in which environmental conservation and development are both achieved. I would like to state Japan's resolute determination to spare no effort to create such a society.

Thank you.