

**Statement by Hon. Shigeyuki Tomita,
Senior Vice Minister of Finance of Japan
at The Forty-second Annual Meeting of The African Development Bank
and The Thirty-third Annual Meeting of The African Development Fund
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1. Introduction

Mr. Chairman, Mr. President, distinguished governors, ladies and gentlemen,

I would like to express my heartfelt gratitude to the Government of the People's Republic of China for hosting the 42nd Annual Meeting of the Board of Governors of the African Development Bank (ADB) and the 33rd Meeting of the Board of the African Development Fund (ADF), and to the people of Shanghai for their warm welcome.

2. Current Situation in Africa

In recent years the African economy has been performing strongly backed by factors such as the improvement in the macro-economic policies of various African countries, as well as a favorable world economy and the rising value of primary industry products internationally. As such, this is the third year in a row that it has achieved economic growth of over 5%.

On the other hand, the progress toward the achievement of the Millennium Development Goals (MDGs), which are targeted for completion in 2015, is lagging behind. As an example, nearly half of the people in the Sub-Saharan region are still living on less than US\$1 per day, a situation which is largely unchanged from 1990, which is the benchmark year for the MDGs. In addition, the number of persons infected with HIV/AIDS in the Sub-Sahara region is increasing substantially, with approximately two-thirds of the world's total infected persons, and 90% of those 15 years and under, concentrated in this region. Furthermore, other indices such as the under five mortality rate and access to safe drinking water also remain largely unimproved from 1990. In addition, the effect of global warming such as desertification and severe drought is becoming serious. In light of various challenges such as these, the international community as a whole must further enhance its support for Africa. In particular, the ADB should continue playing a leading role in this as a regional development financial institution specializing in Africa.

3. Challenges for the ADB

Reflecting such aspirations on the part of the international community, a number of countries, including Japan, have provided substantial contributions of funds to the ADB group. The ADB group is required to utilize these funds more efficiently for the achievement of the MDGs as a responsible institution. Unfortunately, however, at the present it cannot be claimed that the ADB group is utilizing the funds in its possession effectively and efficiently. In recent years the ADB's outstanding loans have been on a decreasing trend, and in 2006 remained at SDR5.29 billion. Conversely, liquidity investments have been on an increasing trend, with these exceeding outstanding loans in 2006 with SDR6.09 billion. Looking at the disbursed amount reveals that it has also been on a decreasing trend for the past four years. Furthermore, in terms of the ADF the disbursed amount for the past three years has been approximately SDR700 million, hovering at a higher level compared with previous the past years. However,

this remains at a low level relative to the scale of funding. In this sense, the funds of the ADB are not being provided in a manner that is consistent with the wishes of the donor countries or of the recipient. To be sure, part of the reason for this situation lies on the side of the recipient countries as well. However, the ADB group must proactively make efforts so that the funds which it has on hand are utilized in an effective manner.

For that purpose, it is essential that the ADB strengthen its institutional capacity. First of all, in terms of its human resources the Bank must secure exceptional human resources who are well-versed in Africa's regional characteristics and development challenges. Matters like the hiring and recruitment of and pay raises and promotions for personnel must be conducted through a fair and transparent system in which the greatest consideration is given to balancing factors like gender, languages used, and nationality. Once the fairness and transparency of the personnel system have been ensured, it will then be possible to secure talented human resources who are capable of achieving development results. Furthermore, there is also a need to strengthen institutional governance. The ADB's headquarters and field offices should fulfill their respective roles, which must be done in a manner in which the bank functions coherently. Currently, decentralization has progressed with a view to opening 25 field offices and has reached its final stage. However, we must assess what sorts of results have been achieved through this decentralization. As for delegating authority for procurement to field offices, it should be very cautiously considered since procurement is an issue which pertains to their credibility.

Moreover, a number of countries, including Japan, are taking part in the Multilateral Debt Relief Initiative (MDRI) which has been implemented since last year. These countries are providing support so that funding for development of Heavily Indebted Poor Countries (HIPC) may be enhanced. In order to make such an initiative contribute to achieving development effects, it is necessary to ensure that such funds are managed and utilized appropriately and that debts are not allowed to accumulate and once again exceed a sustainable level. Based on such a perspective, each donor must ensure that they are conducting responsible lending that takes into consideration the debt sustainability of the recipient countries. Yet there is a serious concern over recent developments in which some donors, both bilateral and multilateral, undertake lending activities which does not take the debt sustainability of the borrowing countries into account. In cooperation with the International Monetary Fund (IMF) and the World Bank, the ADB should play a leading role so as to ensure that every donor engages in responsible lending.

Japan hopes that President Kaberuka will demonstrate leadership in addressing numerous challenges facing the Bank, and collaborate with the staff in its efforts. We would also like to see the ADB become a robust institution which is trusted by the international community. The newly elected Board of Directors will play an important role in realizing this objective. The 18 members of the new board must perform their oversight function on a daily basis so as to properly ensure the institutional integrity of the ADB.

4. Japan's Support for Africa

Let me now touch on Japan's continued cooperation and support for African countries.

Japan has heretofore proactively contributed to Africa's economic and social development on both the financial and technical fronts. For African countries faced with debt, under the HIPC Initiative Japan has implemented debt forgiveness of US\$1.7 billion, the largest amount from among the G7 countries. In addition, Japan is implementing cooperation in various ways on

the technical front, with one example being its providing support for the research and development and diffusion of New Rice for Africa (NERICA) in the agricultural sector, which is Africa's chief industry.

Moreover, technological innovations through science and technology provide an enormous impetus for the resolution of problems in developing countries such as environmental issues and infectious diseases. From this viewpoint, the promotion of efforts like joint research concerning science and technology between developed and developing countries, as well as cooperation for the capacity building of developing countries, are important.

Japan's contributions to Africa have been bolstered since 1993 through the Tokyo International Conference on African Development (TICAD) process, which was initiated under Japan's leadership with the United Nations and the World Bank getting involved in the process later on. Japan will hold TICAD IV in Japan in the spring of the coming year of 2008, with expectations for the participation of high-level officials from each country in the conference.

In terms of its relations with the ADB, Japan is the bank's third largest shareholder, and the second largest from outside of the region. In addition, Japan is cumulatively the number one contributing country to the ADF. In these capacities, Japan is actively making contributions.

Furthermore, Japan has recently set up the Enhanced Private Sector Assistance (EPSA) Initiative for Africa in order to support the expansion of the private sector in the African region. In February of this year a yen loan contract which would provide funds for the ADB to use in extending financing to the private sector was signed between the ADB and the Japan Bank of International Cooperation (JBIC) beneath the EPSA initiative. Through this, the EPSA initiative was improved upon by being combined with the Accelerated Co-financing Scheme for Africa (ACFA) which was already being utilized by ADB and JBIC for sovereign guaranteed projects, as well as the Fund for African Private Sector Assistance (FAPA) which provides technical support. In order for African countries to achieve sustainable economic growth and to reduce poverty they must not only develop infrastructure but expand their private sectors as well, including financial sector. I hope that the EPSA initiative will be utilized appropriately and proactively and contribute to the economic and social development of African countries and to the achievement of the MDGs.

5. Conclusion

Comprising more than 20% of the world's surface, Africa is endowed with abundant natural resources and possesses a latent wealth of human resources; Africa has the potential for enormous growth in the future. It is anticipated that Africa will grow more and more by means of overcoming its numerous difficulties, which include achieving the MDGs and poverty, through strengthening the self-help efforts of Africa and increased ADB support. Japan will continue to make further efforts as a steady partner for the sake of the economic growth and sustainable development of the African countries into the future.

Thank you very much for your attention.