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the Forty-ninth Annual Meeting of the African Development Fund

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1. Introduction

Mr. Chairperson of the Board of Governors, Mr. President, distinguished Governors, guests, and participants.

On behalf of the Government of Japan, I am honored to address at the Annual Meetings of the African Development Bank and the African Development Fund. Let me also take this opportunity to express my sincere gratitude to the warm welcome extended by the Government of Arab Republic of Egypt and by the people of Sharm el-Sheikh.

2. Current situation in Africa and expectation for the AfDB Group

(1) Current situation in Africa

The world continues to face unprecedented multiple crises and challenges, including the COVID-19 pandemic, debt issues, climate change, and food insecurity caused by Russia's continued invasion of Ukraine. Africa, the continent which still accommodates a number of poor and vulnerable people, has particularly and disproportionately been affected. Africa's inflation rate for 2022 is significantly above the global average, and food price hikes are negatively affecting African people. African countries are in a severe situation.

On the other hand, Africa has the highest growth potential in the world due to abundant resources, including mineral resources that can be used as materials of products which are essential for decarbonization, as well as growing young human resources. It is important to overcome current difficulties and achieve sustainable, resilient and "leaving no one behind" growth by boosting Africa's potential as much as possible, and the role that the AfDB Group can play is getting even more crucial.

(2) Expectation for the AfDB Group

In order to achieve sustainable and resilient growth, it is critical to adequately respond to important agenda including climate change, quality infrastructure, and global health, all of which Japan has long been emphasizing. In addition, it is essential to mobilize

resources of private sector. For instance, adaptation finance remains insufficient although Africa is highly vulnerable to climate change and adaptation and resilience are crucial. Furthermore, since adaptation finance is largely supported by the limited public resources, promotion of private resource mobilization is an urgent agenda to scale up the support.

In order to promote private investment in African countries, fundamental causes of debt issues need to be addressed under the Common Framework. Ensuring debt sustainability and improving debt transparency are critical. To this end, debt data reconciliation should be conducted in cooperation with creditor countries to improve debt data accuracy and transparency. Japan welcomes the leadership role played by the AfDB Group in addressing debt issues in African countries through close coordination with the IMF and the World Bank. Japan will actively support the Group's efforts in this area, including through EPSA as stated below.

Developing a higher value-added and more diverse industrial base is also a priority for African countries. For instance, they can seize new opportunities for their own growth while also contributing to the global energy transition, once they can play bigger roles beyond mineral extraction in the supply chains of essential products for decarbonization, including through leveraging their mineral resources and developing human capital. To facilitate such win-win outcomes, Japan will explore effective ways to collaborate with the AfDB Group in this area.

In addition, it is important to address conventional issues including sound macroeconomic policy management and improvement of investment environment, and actively invest in emerging areas such as start-up business and digitalization. Japan will work with the AfDB Group to mobilize resources of private sector through the efforts mentioned above.

It is pointed out that there is a gap between perceived risk and actual risk on investment to Africa. External Representation Office for Asia (PEXT) in Tokyo, which represents longstanding partnership between the AfDB Group and Japan, has made extensive contributions to promote private investment from Japan to Africa including through convening business matching seminars. While financing gap in Africa has been expanding, Japan expects PEXT to strengthen their efforts for further development of business opportunity between African countries and Japanese companies, including by decreasing risk perception gap.

It is crucial to promote private investment as stated above, but the AfDB Group itself is required to make more effort than ever to deal with multiple crises and challenges. In this regard, Japan asks the Group to further explore measures to make the best use of its balance sheets based on recommendations by the Independent Review of Multilateral

Development Banks' Capital Adequacy Frameworks (CAF) of the G20. In this context, Japan welcomes that discussions are ongoing in a positive and constructive manner on various CAF measures including Market Borrowing Option and SDR channeling. On SDR channeling, Japan is seriously considering participating in it and continues to actively contribute to the discussion.

3. Japan's Cooperation with the AfDB Group

The Eighth Tokyo International Conference on African Development (TICAD 8) was held in Tunisia last August. TICAD is a major international forum that is held triennially under the leadership of the government of Japan as “a partner growing together with Africa”.

At TICAD 8, Prime Minister Kishida committed to invest a total of \$30 billion over the next three years both from the public and private sectors, for the initiatives of green growth and promotion of private investment to help realize resilient and sustainable growth in Africa.

Also, Japan and the AfDB announced joint financial cooperation of up to \$5 billion from 2023 to 2025 for the purposes of supporting infrastructure development and improvement of agricultural productivity under the fifth phase of the Enhanced Private Sector Assistance for Africa (EPSA 5), which provides comprehensive support for private sector development to foster sustainable and inclusive growth in Africa.

In addition, Japan expressed its intention to continue to actively provide support in addressing debt issues, on which Japan has long been playing a leading role. First, Japan supported “High level Policy Dialogue on Sustainable Debt Management in Africa” hosted by the AfDB at the occasion of TICAD 8. Second, under the EPSA 5, Japan established the Special Window of up to \$1 billion to support countries that are engaging in reforms for enhancing debt transparency and sustainability and thereby making steady and significant progress in their debt situations.

As stated above, Africa is highly vulnerable to climate change. Therefore, it is critical to promote quality infrastructure investment to enhance resilience to natural disasters. Having experienced quite a few natural disasters, Japan has abundant knowledge and lessons in climate adaptation. We continue to support Africa in tackling climate change, in close cooperation with the AfDB Group through utilization of advanced Japanese expertise and technology.

While all of the abovementioned agendas are important, it is obvious that the most essential and highest priority issue in Africa is poverty reduction, which is fundamental for sustainable and resilient growth.

In the midst of multiple crises, many people in Africa have been thrown back into

poverty and vulnerability. Against this backdrop, the role of the AfDF has never been more important. In this regard, Japan welcomes the successful conclusion of AfDF-16 negotiation last December. Japan appreciates that the development agendas on which we put importance are included in the priority areas of AfDF-16, and thus committed 55.3 billion yen for grant contribution. Japan asks the AfDF to use donor contribution in an effective and efficient manner.

4. Closing

While many African countries have been facing difficulties, the multiple challenges can also be seen as opportunities to achieve economic growth. Growing African countries with large potential have high expectations for the AfDB Group. Japan also expects that the AfDB Group, as the premier development financial institution of Africa, will continue to play a leading role in African development under the strong leadership of President Adesina. Japan is committed to further contribute to the AfDB Group, not only financially but also through our human resources.

Thank you.