



**JAPAN**

**SEIICHIRO MURAKAMI, Governor ad interim**

It is a great pleasure for me to address the Thirty-Fourth Annual Meeting of the Asian Development Bank (ADB). On behalf of the Government of Japan, I would first like to express our gratitude to our hosts, the government of the United States and the people of Honolulu, for their generous hospitality.

May I also take this opportunity to extend a warm welcome to Turkmenistan, which joined ADB in August last year.

We had sad news, too. In January, an earthquake struck Gujarat in India, leaving thousands of victims. I would like to join my fellow Governors in expressing our heartfelt sympathy to those who suffered. I must add that ADB's emergency loan to the sufferers was quick and timely. For our part, in addition to the emergency aid we have provided so far, Japan will continue to offer support for reconstruction of the earthquake-affected areas.

### **Regional Cooperation in Asia (Chiang Mai Initiative)**

Recovery of Asian economies from the painful aftermath of the currency and financial crisis has been dramatic. In 2000, as a result, the developing economies in Asia as a whole posted a 7.1 percent growth. The pace of growth, however, is expected to slow down this year to a level of 5 percent, reflecting the uncertain prospects of the world economy.

Against such a backdrop, it is certainly necessary to maintain the momentum for appropriate macroeconomic policies and structural reforms. At the same time, it is also essential to strengthen monetary cooperation in the region to prevent a future currency crisis and to ensure stability in the international monetary and financial system.

That's why the ASEAN+3 Finance Ministers' Meeting, held in May 2000 on the sidelines of ADB's annual meeting, recognized the need for regional cooperation in East Asia and agreed upon the Chiang Mai Initiative—a framework for strengthened cooperation between the region's monetary authorities. Since then, a series of discussions has been held among the parties concerned, and I welcome the announcement made at a meeting yesterday that among a number of participating countries, talks on bilateral swap agreements are under way and that some of them had virtually reached an agreement.

This confirms the progress we are making toward the building of a support network for monetary stability in the region.

### **ADB's Poverty Reduction Effort and Japan's Support**

Poverty reduction in Asia is undoubtedly the most important task for ADB. Thus, two years ago, ADB set forth eliminating poverty as its overarching goal, and formulated a new poverty reduction strategy based upon three pillars: pro-poor, sustainable economic growth; social development; and good governance.

With regard to the Asian Development Fund (ADF), an instrument essential to promote poverty reduction, the negotiation for ADF VIII was successfully concluded at the Okinawa meeting last September.

Furthermore, ADB also adopted a long-term strategic framework (LTSF) in March this year, to provide the institution with operational guidelines for the next 15 years and to rededicate itself to eradicating poverty—the international development goal.

ADB is required to fully translate these implementation strategies into the institution's day-to-day operations. ADB is also expected to implement support in a manner both effective and efficient, and in line with its poverty reduction strategy.

For our part, the Government of Japan established the Japan Fund for Poverty Reduction within ADB last year, to support its fight against poverty. May I take this opportunity to announce that in addition to the contribution we have made so far, Japan is prepared this year to make a further contribution of Y7.9 billion. I hope the effective use of this fund will help increase the impact of ADB's fight against poverty.

### **Challenges for the Asian Development Bank**

Now, may I turn to the challenges that need to be addressed by ADB.

For over three decades since inception, and as the only multilateral development bank with a regional focus on Asia, ADB has remained dedicated to the development of Asia and has made a substantial contribution to the economic and social development as well as the quality of life in the region.

For ADB to serve the region with an even greater impact in the future, it is essential to implement a broad agenda. For example, ADB must exhibit greater devotion to regional cooperation and integration, while maintaining a proactive dialogue with the governments in developing countries, civil society, and other aid institutions. It needs to strengthen resident missions through decentralization of the authorities. It must also promote diversification of operations in such areas as program loans, sector loans, and private sector operations to help achieve medium-term structural reforms in developing countries. ADB must also provide support in the area of information and communication technology (ICT) to bridge the digital divide. Of these challenges, let me highlight the following.

First, the enhanced dialogue with stakeholders.

Dialogue helps strengthen the ownership of developing countries, increase the poverty reduction impact, and improve the efficiency of aid provision by avoiding unnecessary overlap in development aid.

Thus, we believe it is essential for ADB to strengthen partnerships, through dialogue, with donor countries, the governments in developing countries, civil society, local communities, private sector, and other development institutions. Strengthened partnerships with these stakeholders will then prove their worth in promoting structural reforms and governance in the countries of operations.

At the same time, it is also necessary to strengthen the capacity of the Inspection Panel, an independent function to monitor ongoing ADB projects.

All this will lead to greater accountability and transparency of ADB.

Second, the strengthening of ADB's internal resources.

As is mentioned in the LTSF, adequate internal resources of ADB—both financial and staffing—will be indispensable to implement its strategic agenda. Likewise, in order for ADB to remain responsive to the needs of recipient countries, while ensuring smooth project or program implementation and their appropriate management, the functions of resident missions must also be strengthened through decentralization and delegation of the authorities.

In this context, we encourage ADB to actively strengthen its organizational integrity and capacity building of its human resources, while increasing its operational efficiency.

Furthermore, in response to the request of the international community for improved operational quality of the multilateral development banks, ADB also needs to improve its own governance by strengthening its compliance mechanism as well as postevaluation procedure.

Third, the challenges related to ICT.

The advancement of ICT is indispensable to the new prosperity of the world economy. So, it is critical for ADB to take steps to help the region fully exploit its ICT potential.

For our part, Japan announced last July a comprehensive cooperation package to address the international digital divide. This is a package of cooperation to be implemented with official financial assistance. As a part of this initiative, Japan will contribute approximately Y1,270 million this year to ADB to assist in promoting ICT in developing countries. This fund is intended to help improve the ICT environment and develop human resources in developing countries. I hope the fund will be utilized to this end.

In addition, allow me to emphasize the importance of the environment, as without appropriate considerations to the environment, ADB's contribution will not be fully accepted by the local communities.

Thus, it is essential to incorporate the opinions of the broadest segment of stakeholders, from technical experts to civil society, into ADB's environment policy, which is currently being formulated. I hope ADB will compile a high-quality policy at an early time. Also, in actual lending activities, ADB is expected to strengthen environmental impact assessment by fully drawing upon its various experience.

All these efforts will also help promote stakeholders' understanding of ADB's activity, and ADB will enjoy even greater respect and evaluation from them.

### **Conclusion**

In welcoming the 21<sup>st</sup> century, we all must rededicate ourselves to reducing poverty, as the fight against poverty is still far from over. All of us—governments, peoples, international organizations—must join hands to win this battle and to ensure prosperity and stability for Asia and the Pacific as well as for the rest of the world.

In closing, I hope that ADB will play an even more significant role in making that vision a reality.