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**Statement by H.E. Koji OMI,
Minister of Finance of Japan
and Chairperson of the Board of Governors,
at the Fortieth Annual Meeting of the Asian Development Bank
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Introduction

As governor of the host country for this 40th Annual Meeting of the Asian Development Bank, I am highly honored and pleased to welcome all of you to Kyoto. I especially welcome the delegations from Ireland and Georgia, which have become new members of ADB.

I am glad that Mr. Kuroda was reappointed as President last November, winning the confidence of all members for his strong leadership in managing the Bank.

Kyoto presents various faces—it is an ancient city, an academic city, and a city where traditional industries and advanced science and technology industries co-exist. Hence, it is an appropriate place to discuss the future of Asia, which has developed against the background of a long history and various cultures. In addition, Kyoto has prospered together with nature since it became the capital of Japan about 1,200 years ago. For this reason, it is very significant to hold the commemorative 40th annual meeting of ADB in this city and discuss how sustainable development can co-exist with the global environment.

The Japanese Government and the people of Kyoto worked together in making preparations for this meeting. This meeting could not have been held without the cooperation of many Kyoto citizens. As the chairperson of this meeting, I would like to extend our sincere gratitude to the citizens of Kyoto for their warm hospitality.

1. Overview of the regional economy

Looking back to 40 years ago, ADB was established based on the desire for independence and the spirit of solidarity among the countries of the Asia-Pacific region. Together, they worked hard to carve out the destiny of the Asia-Pacific region for themselves, with the strong cooperation of advanced countries outside the region.

Since then, the Asia-Pacific region has overcome many economic difficulties, firmly establishing its position as one of the growth centers of the global economy. ADB has supported the improvement of the economic and social infrastructure in its developing member countries, and has greatly contributed to reducing poverty in the region.

In Japan, ADB held its annual meeting in Fukuoka in 1997, exactly 10 years ago. Soon thereafter, a financial crisis hit the region and caused great hardship in many Asian countries, which has been deeply etched in our memories. But through the efforts of the countries that suffered from the financial crisis, and with the support extended by the international community

including ADB, the Asian economy began to grow once again, restoring the Asia-Pacific region to its position as a global growth center. In 2006, the developing countries in the Asia-Pacific region achieved high growth of more than 8% on average.

2. New challenges for the region and the role of ADB

As I have just illustrated, the economy in the Asia-Pacific region has continued rapid growth in recent years. However, there are still about 600 million people living in poverty in the region and poverty reduction remains an important agenda.

At the same time, we are now facing some new challenges in order to sustain the robust growth into the future. ADB is expected to play an increasingly greater role in assisting the regional countries' efforts to overcome these new challenges.

Today, I would like to highlight three major new challenges confronting the region, namely, promoting investment, tackling climate change, and facilitating cooperation in science and technology.

(i) Investment promotion

As the first challenge, further promotion of investment is necessary to ensure sustainable economic growth into the future. Given the limited availability of public funds, it is essential to promote private investment. This requires long-term and wide-ranging measures.

For mobilizing private investment in the region, construction of basic infrastructure is urgent because deficiencies in this respect are major bottlenecks for investment. It is also important to facilitate the investment climate, capacity building, and good governance.

ADB is expected to play a number of roles to promote further investment in the region.

First, ADB should continue to play a central role in infrastructure construction by extending loans to the developing countries in the region.

Then, ADB should also support the efforts of the developing countries to improve the investment climate. ADB should make full use of its accumulated knowledge and its position enabling close dialogue with developing countries, and support these countries to build policy frameworks to facilitate investment climate.

Moreover, given the private sector's expanded role, ADB should improve its catalyst function to facilitate the inflow of private funds. In this context, I would like to stress the significance of the Asian Bond Markets Initiative that aims to channel regional private savings into regional investments. I believe that the new proposals under the initiative, such as Exploring New Debt Instruments for Infrastructure Financing, would contribute to promoting regional investment.

Furthermore, connecting regional economies with each other and developing an open economic area will facilitate investment. Since the 1990s, as a regional development bank, ADB has taken the lead in promoting regional integration initiatives, such as the development of the Greater Mekong Subregion. ADB is expected to further promote regional cooperation and integration in the fields of infrastructure, trade, finance, and public goods.

(ii) Climate change

I now would like to turn to the second challenge. Even if we can ensure robust economic growth into the future by promoting further investment, it is essential to make the economic growth co-exist with the global environment. In particular, climate change is an imminent challenge.

With Asia's role in the world economy growing, CO₂ emissions from Asia are having an increasing environmental impact. At present, Asia accounts for about 30% of global energy consumption. Asia's energy consumption in 2030 will have doubled from its current level. More efficient use of the energy and the reduction of CO₂ emissions in Asia are necessary for achieving sustainable growth not only in the region, but also in the world.

Now, what should we do to resolve the problem?

First, I would like to stress the importance of creating a framework beyond the Kyoto Protocol. The Kyoto Protocol covers only about 30% of total current CO₂ emissions in the world. This ratio is projected to decline further as emissions from developing countries increase, especially in the region.

We should address the problem of CO₂ emission based on the understanding that this is our common agenda to ensure the continued existence of humankind. In this context, it is important to go beyond the Kyoto Protocol to create a new, practical and effective framework in which all countries, including the United States, the People's Republic of China, and India, will participate.

In this regard, Prime Minister Abe and President Bush have agreed recently on the commitment of Japan and the United States to the ultimate objective of stabilizing greenhouse gas concentrations, and to further explore the steps forward to this objective. Also, at a meeting with Chinese Premier Wen Jiabao, Prime Minister Abe stressed the importance of reducing greenhouse gas emissions and the construction of an effective framework beyond the Kyoto Protocol, and both sides agreed to cooperate.

Second, it is also necessary to promote alternative energy sources. Among other things, the use of nuclear energy, under strict conditions of safety and non-proliferation, can be a key solution for the climate change problem. Renewable energy sources also should be further developed.

Third, it is crucial that the countries in the region make full efforts to promote energy efficiency. Each country should recognize the issue as their own challenge, and take measures to address it. Among other things, establishing legal and regulatory systems such as energy efficiency laws might be important to promote energy savings.

ADB should play a vital role in supporting efforts of the member countries to achieve energy efficiency. For example, ADB can provide financial resources to projects that facilitate energy efficiency. At the same time, as a knowledge bank, ADB should support the creation of developing countries' regulatory frameworks for energy efficiency as well as capacity building through technical assistance and policy dialogue.

(iii) Cooperation in science and technology

I now would like to highlight cooperation in science and technology as the third challenge.

Innovation in science and technology will enhance our efforts to address important challenges such as striking a good balance between economic activity and environmental protection, improving living standards by enhancing productivity, and supporting poor people in developing countries. Joint research between developed and developing countries and capacity building in developing countries will make a crucial long-term contribution to the prosperity of humankind.

I am convinced that such an approach will provide a “win-win” solution to both developed and developing countries. In this regard, I believe it may be worthwhile to direct a portion of overseas development assistance to co-operation in research activities and capacity building in science and technology. In order to develop this idea into a more specific form, Japan intends to give it further thought in the coming months.

I also believe it would be appropriate for ADB to place more emphasis on science and technology. This will give a new wing to the bank in supporting the developing countries in the region.

3. Japan’s initiative

I now would like to announce a new initiative of Japan to address the new challenges of promoting investment and tackling climate change through energy efficiency.

Japan will implement an initiative called Enhanced Sustainable Development for Asia (ESDA). This initiative supports the efforts by the developing countries in the region and ADB to overcome these challenges.

The first pillar under ESDA will be enhanced cooperation between the Japan Bank for International Cooperation (JBIC) and ADB in the areas of investment promotion and climate change. More concretely, a joint implementation plan will be established between ADB and JBIC. Yen-loans of up to US\$2 billion will be extended through JBIC over 5 years under the joint plans. Moreover, a new scheme—Accelerated Co-Financing scheme with ADB (ACFA)—will be introduced to enable more rapid implementation of yen-denominated loans through closer linkage between JBIC and ADB.

As the second pillar, Japan will establish two funds in cooperation with ADB, namely, the Asian Clean Energy Fund and the Investment Climate Facilitation Fund. Japan will contribute up to US\$100 million through these two funds in order to support such Japan-ADB cooperation as well as ADB’s assistance in these areas.

I expect this initiative will help ensure sustainable economic development in the region.

Conclusion

To conclude my remarks, I would like to commend ADB for its tremendous achievements in the past 40 years, and to encourage ADB to continue playing a central role in regional development under the leadership of President Kuroda, so that the region will truly enjoy lasting prosperity and peace.

Japan has been a strong partner in the development of the Asia-Pacific region. Japan is firmly committed to continuing in this direction.

Together, we worked hard for 40 years to achieve a great success. But there are still lots to be done, and we cannot be complacent. Let us keep going for a brighter future.