

Statement by the Honorable Katayama Satsuki
Governor of the International Monetary Fund and the World Bank Group for Japan

I. Global Economic Developments and Japan's Economic and Fiscal Policies

Japan would like to express its sincere gratitude to the government of Thailand and the citizens of Bangkok for their warm hospitality in hosting this year's Annual Meetings. We also convey our deepest condolences to those who lost their lives in the floods that struck Thailand last month, and their families, as well as our sympathies to those affected.

The global economy is facing heightened uncertainty and a variety of risks, including geopolitical tensions and negative impacts on supply chains caused by trade restrictions. While it has shown a certain degree of resilience so far, risks remain significant. It is necessary to keep in mind the impact of uncertainty on financial markets.

The current situation in the Middle East is adversely affecting global energy supplies and logistics. It is essential to ensure the free and safe navigation of the Strait of Hormuz as soon as possible. Arbitrary export restrictions on critical minerals are downside risks to the global economy and hence should be withdrawn.

It is critical to end Russia's illegal aggression against Ukraine without delay, achieving a just and lasting peace. For Japan to continue its support for Ukraine together with the International Monetary Fund (IMF) and World Bank Group (WBG), we call on Ukraine to steadily implement its reforms.

In addition to tackling the immediate challenges, each country is required to address structural issues—technological innovation, intensifying and frequent natural disasters and demographic change—and to enhance its economic resilience. To this end, it is essential for advanced and developing economies to achieve both economic growth and fiscal sustainability. Amid Japan's transition to positive inflation and interest rates, we will maintain market confidence and achieve both economic growth and fiscal sustainability, including through placing the government debt to GDP ratio on a firm declining path.

II. EXPECTATIONS FOR THE IMF AND THE WBG

As challenges facing the global economy and development become increasingly complex and diverse, the roles of the IMF, as the center of the Global Financial Safety Net (GFSN), and the WBG, as the core of the Multilateral Development Banks (MDBs), have become more important than ever. Japan expects the IMF and the WBG to play an even greater role in the international community by leveraging each of their comparative advantages.

1) EXPECTATIONS FOR THE IMF

As the structure of the global economy and the crisis generation mechanism are evolving, the IMF's surveillance underpinned by its neutrality and expertise is becoming even more critical. In particular, excessive and persistent global imbalances risk further heightening trade tensions and triggering disorderly adjustments in financial markets. To prevent these risks, the IMF's candid policy recommendations based on its objective and professional analyses are essential. Japan calls on the IMF to further deepen empirical and scenario-based analyses of the negative spillover effects of a country's domestic policies, including overcapacity arising from non-market policies and practices (NMPPs).

Amid a variety of structural challenges and perils facing the global economy, the IMF's lending has become increasingly important. Specifically, as the number of lending programs for low-income and vulnerable countries has increased significantly, the assistance for low-income and vulnerable countries constitutes a core function of the IMF. It is important to ensure that the PRGT, which underpins the support, remains sustainable and effective. Japan will continue to provide Voluntary Financial Contributions (VFCs) to the PRGT. The IMF, as the center of the GFSN, should also further demonstrate its catalytic role. In doing so, enhanced cooperation between the IMF and Regional Financing Arrangements is beneficial.

The IMF's capacity development has become even more critical in enhancing the economic resilience of member countries. The IMF should further strengthen its efforts to promote integration of capacity development with surveillance and lending, sustain recipient countries' capacities acquired through the capacity development, and reinforce accountability through enhanced visibility of outcomes. In the Asia-Pacific region, Japan expects the IMF's Regional Office for Asia and the Pacific (OAP) to play an even greater role as a "bridge" in promoting synergies among various capacity development tools and cooperation among relevant institutions.

For the IMF to continue fulfilling its role in an evolving international financial landscape, the IMF should interweave its functional strengthening outlined above and quota and governance reforms. To further enhance the IMF's credibility and legitimacy, transparent and objective reforms based on an appropriate quota formula are paramount. It is essential for the quota formula to reflect changes in the international financial environment and to properly capture members' responsible contributions to the IMF's core functions, including VFCs.

2) EXPECTATIONS FOR THE WBG

As development challenges around the world become increasingly diverse and complex,

achieving greater development impact will require the World Bank to further advance the One WBG approach by bringing together expertise and knowledge across the institution, scale up private capital mobilization through the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA), and further deepen collaboration among MDBs.

Japan welcomes progress in the Procurement Change Program, including the introduction of rated criteria and efforts to diversify sources of suppliers. Quality-based procurement that takes life-cycle costs into account can enhance development impact and sustainability in borrowing countries. We encourage further efforts, including proactive market outreach and capacity building for procurement professionals.

On global health, we encourage the WBG to advance the Universal Health Coverage in partnership with WHO, including through UHC Knowledge Hub established in Tokyo, and enhance a prevention, preparedness, and response for future crises through the Pandemic Fund. Japan also pledges 40 million US dollars to the Global Financing Facility for maternal and child health and nutrition. In addition, we support the WBG's efforts on aging, recognizing its potential to promote growth and jobs through the development of new private sector activities.

Regarding critical minerals, we encourage continued efforts to develop Country Compacts to achieve greater diversification of supply chains. Japan will contribute to accelerating the formulation of concrete investments through RISE+, which was established under the WBG's Japanese Trust Fund this year. It is also important to strengthen guarantee and risk-sharing functions. In this regard, Japan welcomes the effort by MIGA to enhance its guarantee function for critical minerals projects. Japan actively supports this effort and calls on other countries to join us in supporting this initiative.

The WBG should develop concrete projects that contribute to enhancing the resilience of the global economy through promoting high-quality infrastructure investment, disaster risk management, and energy security. Japan welcomes the first project under DRIVE, launched to address the Middle East crisis, a joint initiative by IFC and JICA to support the energy transition in Southeast Asia and South Asia..

3) STRENGTHENING THE COOPERATION BETWEEN THE IMF AND THE WBG

Ensuring debt transparency is a vital element in enabling borrowing countries to maintain stable macroeconomic and fiscal management. In this regard, we welcome the progress made in the G20 discussions toward expanding participation in the World Bank's Data Sharing Exercise (DSE). We appreciate the World Bank's development of internal confidentiality protocol aimed at addressing concerns over data confidentiality. In light of

this progress, Japan once again urges all G20 members to participate in the World Bank's DSE. Japan will also continue to actively provide technical assistance for enhancing debt transparency. As part of these efforts, we look forward to further progress in the initiative being implemented by the World Bank and Japan in Indonesia on the automated real-time reconciliation of creditor and debtor data, expecting its benefits to ultimately extend to other countries.

With regard to debt restructuring, official bilateral creditors should work in a coordinated manner to promote more timely restructuring processes. In this regard, we welcome the publication of the Common Framework MoU template. Going forward, to further enhance the timeliness and comparability, we should also publish MoUs agreed in individual debt treatment cases. Debt restructuring for middle-income countries should also be implemented in line with the Common Framework. We look forward to the World Bank and the IMF taking the lead in advancing this discussion.

Strengthening domestic resource mobilization (DRM) while respecting ownership of recipient countries is an urgent challenge for those countries to build the foundations for sustainable economic growth and promote investment. Building on the discussions at the "Tax and Development Conference" held in Tokyo in March this year, which focused on DRM, we place importance on continued support tailored to the needs of recipient countries, including those in the Asia-Pacific region. We encourage the WBG and the IMF, in their efforts to strengthen DRM support, to enhance collaboration with international organizations, including the Organisation for Economic Co-operation and Development (OECD) and the Asian Development Bank (ADB), and to provide effective support.

III. CLOSING

Japan is committed to leading discussions on the reforms of both the IMF and the WBG and contributing to their respective missions, so that both organizations will address member countries' issues and global challenges more effectively and continue to play central roles in fostering further global economic development, under the leadership of IMF Managing Director Kristalina Georgieva and WBG President Ajay Banga. Japan will also make proactive human resource contributions to both institutions.