

Statement by the Honorable KATO Katsunobu
ADB Governor for Japan
at the Fifty-eighth Annual Meeting of the Board of Governors of
the Asian Development Bank
(Milan, Italy, 5 May 2025)

1. Introduction

Chairperson of the Board of Governors, Mr. President, Governors, Ladies and Gentlemen:

First, I would like to express my sincere gratitude to the Government of Italy and the citizens of Milan for extending their warm hospitality when hosting this year's Annual Meeting. I believe that this Annual Meeting will be an opportunity for further strengthening the bilateral relationship between Italy and all the member countries, including Japan.

2. Japan's Expectation for ADB

Development Member Countries (DMCs) in the Asia-Pacific region are facing increasingly complex and multifaceted challenges, including climate change, frequent natural disasters, public health emergencies, and economic and fiscal vulnerabilities. We are of great concern that years of development progress in the region is halted.

Meanwhile, looming uncertainty over the global economy has added downward pressure on the growth prospect across the globe. The Asia-Pacific region cannot be immune from it, even though the region has served as the engine of the global economy. In part, the region's remarkable economic growth has been underpinned by the benefit of globalization. Hence, the recent heightened trade protectionism has become a downside risk factor, as a potential headwind to the regional economy.

Against this backdrop, multilateralism is growing in importance in advancing the development agenda. In particular, the expectation for ADB is increasingly high, as, since its establishment, ADB has greatly contributed to the sustainable and inclusive growth in the Asia-Pacific region as the region's "the most trusted partner". Japan believes that ADB can proactively respond to such expectations under the leadership of the new President, Mr. Kanda.

(1) Midterm review of Strategy 2030 and ADB's reforms

Japan commends ADB's ongoing efforts to play a leading role among MDBs in steadily implementing a series of reforms towards its vision of "achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific". Such reform measures include generating a cumulative additional \$100 billion in its lending capacity for ten years, enhancing its

operational capacity including through increasing staff presence at the resident missions, and upgrading its strategic focus areas. In particular, Japan supports the renewed five strategic focus areas under the midterm review of Strategy 2030, including climate action, private sector development (PSD), regional cooperation and integration (RCI), digital transformation, and resilience and empowerment.

ADB needs to make full use of its strengths in operationalizing the above-mentioned new strategy and institutional goals. For instance, ADB has sovereign and nonsovereign operations under one roof. It also has a wide variety of support tools that can respond to various development needs, not only through the provision of financial support, but also through the non-financial support such as knowledge cooperation and policy advice. Its strengths also include extensive networks that cover both public and private development partners. Japan expects ADB to further contribute towards achieving sustainable and inclusive growth in the region, by effectively and efficiently operationalizing its renewed strategy and goals under President Kanda's leadership.

(2) Response to various needs

The Asia-Pacific region embraces diversity. The composition of ADB's clients is shifting: while the region remains home to many low-income countries (LICs), countries in fragile and conflict-affected situations (FCAS), and small island developing states (SIDS), the proportion of upper middle-income countries (UMICs) in the ADB's portfolio is on the rise.

Notwithstanding the huge development needs faced by various clients, available resources are limited. Therefore, any support must be provided effectively and efficiently so as to maximize development impact in DMCs towards the achievement of sustainable and self-sustained growth of the region.

Allocation of financial support should be prioritized for countries with limited funding sources, including LICs, FCAS and SIDS. In this regard, Japan welcomes that ADF14 became duly effective on April 23, 2025. ADF14 secured approximately \$5 billion of concessional financing, which was the largest in its history. Going forward, we expect ADF14's priority actions will be implemented steadily, including enhancing climate resilience, promoting RCI, and strengthening crisis response.

Meanwhile, ADB should further help UMICs transit to high-income country status by accelerating the shift of its engagements towards non-financial cooperation, such as knowledge support and policy advice, with due regard to their development agenda, including reducing inequality, strengthening institutions, and promoting private sector-led growth.

3. Japan's Development Priorities

Japan expects ADB to play a greater role towards the achievement of sustainable growth and development in the Asia-Pacific region. In particular, I would like to highlight the following four policy areas: (i) private sector development, (ii) quality infrastructure and disaster risk management, (iii) support for Pacific Island Countries (PICs), and (iv) domestic resource and private capital mobilization.

(1) Private sector development (PSD)

Strengthening PSD, one of the ADB's core mandates, is critical for achieving the sustainable and self-sustained development in the Asia-Pacific region.

In this context, ADB should take advantage of its characteristics, such as housing sovereign and nonsovereign operations under one roof, which allows ADB to integrate all available financial, personnel, and knowledge-related resources, and optimize their allocation. This is essential for providing holistic support from upstream to downstream, in other words, from facilitating enabling an environment to financing projects.

Donors can play an important role in effectively supporting such ADB's efforts. In this context, ADB has established a trust fund to accelerate the PSD shift, the "ADB Market Acceleration Platform for Asia and the Pacific", or AMAP. Japan announces the contribution of \$20 million to AMAP, and encourages other interested partners to participate in this initiative.

Japan also welcomes the launch of a cross-cutting platform for donors' PSD-related activities, and expects it to effectively function as a vehicle to ensure that a common strategic direction is in place across donor-driven PSD-related activities, just beyond mere coordination and information sharing.

Moreover, strengthening outreach to member countries beyond DMCs is also crucial in promoting PSD. For instance, Japan has rich experience and expertise on the challenges faced by the countries in the Asia-Pacific region, including disaster risk management, quality infrastructure and public health. Enhanced outreach to Japanese private sector would unleash such in-depth knowledge and channel it towards the region.

To utilize Japanese companies' knowhows and experience to address challenges in DMCs, we expect ADB's Japan Representative Office (JRO) to play a more proactive role in bridging Japanese companies, ADB, and DMCs. The Government of Japan will continue to strongly support JRO's efforts to strengthen business outreach activities.

(2) Quality infrastructure and disaster risk management

This year marks the 30th anniversary of the Great Hanshin-Awaji Earthquake. One of our lessons from this incident is the importance of crisis preparedness. A large-scale earthquake that struck Myanmar on March 28 this year destroyed many buildings and infrastructures, reminding us of the importance of quality infrastructure investment for strengthening disaster preparedness, or resilience to natural disasters.

ADB and Japan, in cooperation with like-minded countries, have jointly promoted quality infrastructure investment. Our collaborative initiatives include the Asia-Pacific Project Preparation Facility (AP3F), and the Leading Asia's Private Infrastructure Fund (LEAP) —a cooperative framework between ADB and the Japan International Cooperation Agency (JICA). Japan expects ADB to continue to mainstream “the G20 principles for quality infrastructure investment” in ADB and DMCs, which embraces openness, transparency, economic efficiency in view of life cycle cost, and debt sustainability, as well as resilience to natural disasters.

Large-scale fiscal expenditures are often required in the wake of natural disasters, highlighting the importance of enhancing fiscal resilience beforehand natural disasters hit hard the countries. Japan has long supported the region’s initiatives on disaster risk financing, including the Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI) and Southeast Asia Disaster Risk Insurance Facility (SEADRIF). This unwavering support reflects our belief that the initiatives can address market failure, such as lacking access to global insurance markets at the individual county level and expensive insurance premium.

To support such disaster risk financing initiatives, Japan welcomes the start of a technical assistance project funded by the Japan Fund for Prosperous and Resilient Asia and the Pacific (JFPR) for PICs to be covered by PCRAFI in April this year. Going forward, we expect ADB to enhance the region’s resilience more proactively, including through the establishment of a dedicated trust fund for PCRAFI and strengthened engagement with SEADRIF.

The Asia-Pacific region is one of the most vulnerable areas to climate change, suffering from rising sea-levels, typhoons and tropical cyclones, and droughts. The region also accounts for almost a half of the world's greenhouse gas emissions, highlighting the urgent need for ADB to strengthen its efforts to address these challenges, by striking the right balance between mitigation and adaptation. Addressing these challenges requires the maximum use of ADB’s strengths, including financial tools, technology, knowledge, high environmental and social standards, and extensive networks.

In this regard, Japan welcomes that the Innovative Finance Facility for Climate in Asia and the Pacific (IF-CAP), which is an innovative mechanism to boost climate finance by leveraging donor contributions, became fully operationalized last November. We also expect the Energy Transition Mechanism (ETM), an innovative initiative that accelerates early retirement of coal-

fired power plants and the introduction of substitutable renewable energy, to make tangible progress at the earliest possible time.

(3) Support for Pacific Island Countries

Given the diversity of ADB member countries, it is crucial to adopt a differentiated approach by tailoring its support to the idiosyncratic conditions of each country and sub-region.

PICs have vulnerabilities that stem from their geographical uniqueness such as smallness, isolatedness, remoteness, and oceanic nature. They also have commonalities, such as prominence of tourism industry in their economies; vulnerabilities to climate change, natural disasters, and environmental hazards including marine waste; and limited access to public services including health and education due to their geographical dispersion.

Tackling these challenges requires both country-specific and region-wide approaches.

On the former, Japan appreciates ADB's ongoing efforts to promote procurement based on merit point criteria, greater resource allocation to the resident missions in PICs, and capacity building for officials from the Pacific DMCs. We expect ADB to strengthen such support to PICs, with a view to promoting their self-sustained growth.

On the region-wide approach, Japan believes that RCI, such as the ADB-led projects in South Asia and Central Asia, is also effective for PICs. We expect ADB to mainstream RCI in the forthcoming Pacific Approach 2026-2030, including further promotion of the regional procurement, which is one of the key policy commitments under ADF14.

Japan co-hosted the second Japan-Pacific Islands Finance Ministers' Meeting in the margins of this Annual Meeting in Milan, where the participants agreed to hold the meeting on a regular basis. Japan continues to advocate the importance of supporting PICs, with a view to attracting greater interests from more donors.

(4) Domestic resource and private capital mobilization

Strengthening own capacity for domestic resource mobilization and developing ownership in securing development financing resources are prerequisites for the achievement of self-sustained growth.

Japan supports ADB's Domestic Resource Mobilization Trust Fund (DRMTF) through both financial and human resources supports. Through the DRMTF, Japan also contributes to the Asia-Pacific Tax Hub (APTH), which is a platform for information sharing and policy dialogue on tax-related matters.

As the largest donor of the DRMTF, Japan requests ADB to formulate a strategic direction for promoting domestic resource mobilization over the medium-term. Our expectation to ADB includes: (i) providing tailored support for broadening the domestic revenue base and enhancing tax administration capacity of DMCs; (ii) strengthening knowledge sharing activities through the APTH, while promoting the participation in the OECD/G20 Inclusive Framework on BEPS (IF), the Global Forum on Transparency and Exchange of Information for Tax Purposes (GF) and the Asia Initiative; and (iii) facilitating coordination with relevant international organizations such as the International Monetary Fund, the World Bank, and the OECD.

It is also essential to mobilize not only domestic resources but also private capital to respond to the current enormous development financing needs. I look forward to ADB playing a proactive role in this regard, such as in the areas of promoting digital ESG bonds and transition finance. Japan will continue to cooperate closely with ADB in these areas, with a view to promoting the use of advanced technologies and innovative finance. Japan expects that ADB will further contribute to the development of local currency bond markets in the region, including through various ongoing activities under the Asian Bond Markets Initiative (ABMI).

4. Conclusion

Since its establishment, ADB has worked closely hand in hand with its member countries in Asia and the Pacific, as the region's "the most trusted partner". Even amid the looming uncertainty over the global economy, ADB should continue to closely communicate with various stakeholders, and steadily implement a series of reforms under the leadership of President Kanda.

ADB will celebrate its 60th anniversary next year, and chair the Heads of MDBs Group. Furthermore, Japan will host the 60th ADB Annual Meeting in Nagoya, Aichi in 2027, just as approved by the Governors in this Annual Meeting. I express our sincere gratitude to all the Governors and colleagues for their understanding and support to our invitation.

Japan expects ADB to enhance its presence in Japan, in the Asia-Pacific region, and across the globe, so that ADB's activities and impacts will be known more. Japan remains committed to contributing to the region's further development by continuing its close cooperation with ADB.