

**Statement by the Honorable SUZUKI Shunichi
Minister of Finance of Japan and IDB Governor for Japan**

**At the 63rd Annual Meeting of the Inter-American Development Bank and
the 37th Annual Meeting of the Inter-American Investment Corporation**

Panama City, the Republic of Panama, March 18th, 2023

1. Introduction

Mr. Chairperson, Mr. President, distinguished Governors, guests, and participants:

First of all, I would like to express my sincere gratitude to the Government of the Republic of Panama for its efforts in hosting the 63rd Annual Meeting of the Inter-American Development Bank (IDB) and the 37th Annual Meeting of the Inter-American Investment Corporation (known as IDB Invest).

Japan would also like to congratulate President Goldfajn, who took office for a five-year term on December 19th, 2022, on his appointment as President of the IDB Group.

2. Private Sector Development in the LAC region

(1) Current situation of the LAC region and the importance of the private sector

The economies of the Latin American and the Caribbean (LAC) region had been on the path to recovery from the devastating impacts of the COVID-19 pandemic. However, Russia's continued aggression against Ukraine and monetary tightening along with global inflation have hampered economic recovery, and as a result, the region remains in a difficult economic situation. In order to achieve sustainable, resilient, and inclusive growth while addressing global challenges including rising energy prices, food insecurity, climate change, and rising debt, in addition to the region's persistent structural challenges such as inequality and low productivity, the role of the IDB Group, as the premier development finance institution in the LAC region, is becoming increasingly important.

The LAC region, with more middle-income countries than other regions, has a high potential for growth through the private sector activities. Moreover, the region is facing limited fiscal space with the high level of public debt due to the expansionary fiscal policies addressing the economic crisis caused by the

pandemic. Under such circumstances, the role of the private sector is becoming increasingly significant, and accordingly, strengthening of the IDB Group's private sector operations is an urgent agenda.

(2) IDB Invest

From this perspective, we welcome the progress made on the development of the New Vision and Business Model for IDB Invest. We particularly support its operational direction that seeks to strengthen the risk-taking function and mobilization of private capital, while prioritizing social agenda including food security, quality infrastructure, and support for poor populations, as well as climate change. On the other hand, in the course of considering implementation plans for the New Vision and Business Model, a holistic and in-depth review and analysis should be conducted across the IDB Group including IDB Invest to make the most efficient use of its existing capital based on the recommendations under "An Independent Review of Multilateral Development Banks' Capital Adequacy Frameworks" (CAF Review) commissioned by the G20 countries.

Japan has long emphasized the concern over the underrepresentation of non-regional member countries in the Board of Executive Directors of IDB Invest. It is imperative to rectify such a governance structure as soon as possible. In addition, other reforms such as diversification of the means of payment should also be implemented so as to facilitate funding by member countries that are willing to contribute. Furthermore, in considering the financial resources of IDB Invest, a persuasive analysis and explanation are needed that takes into account the CAF review, the development needs of the LAC region, and the mobilization of domestic resources and private sector funds in respective countries. Japan is ready to participate in the discussion on the enhancement of the financial resources of IDB Invest, provided that the above-mentioned CAF review, the reform of the governance structure, and the convincing analysis and explanation are implemented.

(3) IDB Lab

The Multilateral Investment Fund (known as IDB Lab), which has been functioning as an "innovation laboratory" for the whole IDB Group, is indispensable for fostering the private sector-led recovery and development. It is important for the LAC region and the IDB Group that IDB Lab continues to

leverage its high risk appetite and carry out innovative work in the early-stage equity investments not covered by IDB or IDB Invest. While discussion on IDB Lab's future vision including the replenishment of its financial resources is also ongoing, Japan strongly asks that the pending payments under the Agreement Establishing the Multilateral Investment Fund III, which came into effect in 2019, should be settled immediately. A persuasive analysis and explanation justifying future replenishment are necessary as well. As its top shareholder, Japan is ready to continue our support to IDB Lab, provided that the issue of pending payments is addressed and the convincing analysis and explanation are provided.

In enhancing the IDB Group's value proposition and realizing more effective support as the Group, it is critical to strengthen synergies among the Group. Japan calls for such consideration in parallel with the above-mentioned discussion on the future visions of IDB Invest and IDB Lab.

3. Cooperation between Japan and the IDB Group

Japan has been contributing to the IDB Group through both financial and human resources since 1976 when the membership was opened for non-regional countries and Japan joined the IDB Group. We would like to highlight the following areas so that Japan further deepens our relationship with the IDB Group led by President Goldfajn and continues to contribute to the development of the LAC countries.

Firstly, the contribution through the Japan Special Fund. As some forecast that the LAC region will be the world's fastest aging region through 2030, strengthening the health system with universal accessibility through the expansion of Universal Health Coverage (UHC) has become an urgent task. Further, since the LAC region is one of the most vulnerable areas to natural disasters such as hurricanes, it is important to have the perspective of adaptation and resilience through the improvement of disaster risk management. Japan has contributed to addressing these development priorities in the LAC region through Japan Trust Funds in the IDB Group and continues to provide active support, including project formulation, in cooperation with the entire IDB Group.

Secondly, the cooperation between the IDB Group and Japan International Cooperation Agency (JICA). "Cooperation for Economic Recovery and Social Inclusion (CORE)", which is the financing framework between the IDB and JICA, has been making steady progress, and the total commitment amount by JICA under the CORE has reached about \$2.3 billion as of the end of 2022.

Japan also welcomes the recent development of “Transformational Start Ups’ Business Acceleration for the SDGs Agenda (TSUBASA)”, a new start-up support initiative jointly implemented by IDB Lab and JICA. TSUBASA has received and adopted a number of innovative approaches which utilize Artificial-Intelligence, satellites, and other leading-edge technologies by Japanese companies, to contribute to important development priorities in the LAC region, and the Japan Special Fund has provided support to the adopted pilot projects. Japan continues to strengthen our collaboration with the IDB Group through financial resources and knowledge in close collaboration with the private sector.

Thirdly, leveraging the function of the IDB Office in Asia. The Office has been playing a key role in supporting Japanese companies’ activities in the LAC region, and to this end, it is important to enhance public relations activities. Japan strongly expects that cooperation between the IDB Group and Japanese companies will be further facilitated through the strengthening of public relations activities, such as the dissemination of information in the Japanese language, and that Japanese technologies and expertise will be incorporated into the IDB Group’s operations.

Fourthly, contribution through human resources. In order for the IDB Group to respond flexibly and effectively to the various and complex needs, the Group should promote diversity of its staff at all levels, including nationality. Japan will further contribute to the IDB Group through qualified Japanese staff.

4. Conclusion

Amid the challenges in the LAC region and the increasing importance of IDB Group’s role, it is not easy to steer the Group. Japan expects President Goldfajn to lead the Group in accordance with common values we share, such as democracy, human rights, rule of law, and transparency, while working to restore stability and discipline of the Group. Since IDB Invest and IDB Lab are standing at an especially important juncture, Japan also expects President Goldfajn to continue to take the lead in the discussion on their future visions with his superb leadership and close communication with non-regional member countries including Japan. Japan will continue to work closely with the IDB Group led by President Goldfajn and contribute to the robust recovery and further development of the LAC region.