

Statement by the Honorable Katsunobu KATO
Finance Minister of Japan and IDB Governor for Japan

**At the 65th Annual Meeting of the Inter-American Development Bank and
the 39th Annual Meeting of the Inter-American Investment Corporation**

Santiago, the Republic of Chile, March 29, 2025

1. Introduction

Mr. Chairperson, Mr. President, distinguished Governors, ladies, and gentlemen,

On behalf of the Government of Japan, I express my heartfelt gratitude to the Government of the Republic of Chile for hosting the 65th Annual Meeting of the Inter-American Development Bank (IDB) and the 39th Annual Meeting of the Inter-American Investment Corporation, or IDB Invest.

2. The role of the IDB Group and its response to development challenges

(1) Role of the IDB Group in Latin America and the Caribbean (LAC) region

The LAC region's macroeconomic prospect is steady. The growth rate of the region dropped to minus 6.9% in 2020 due to the COVID-19 pandemic but recovered to 7.4% in 2021 and has stabled around 2% since then. The region, where many countries have reached middle income status, has enormous potential for strong private sector-led growth, with abundant natural resources and critical minerals such as copper and lithium. At the same time, it still faces various development challenges, such as poverty, inequality, food in security, climate change, and natural disasters. It is imperative to enhance economic resilience and achieve sustainable and inclusive growth by developing disaster-proof institutions and infrastructure. We believe that the IDB Group's financial and non-financial support plays an even more important role, as it is the leading international development financial organization in the LAC region.

We also stress that the IDB Group made significant contributions to the MDB Evolution, the Capital Adequacy Framework review, and the G20 MDB Roadmap, as the chair of the Heads of MDBs last year. In particular, we highly commend President Goldfajn's leadership in formulating the Viewpoint Note.

(2) IDB Group Reform, IDB Impact+

We welcome the reform package, adopted at the Annual Meeting in Punta Cana in March 2024. The reform includes (i) the IDB new Institutional Strategy, (ii) the IDB Invest's new business model and its general capital increase III, and (iii) the replenishment of MIF, or IDB Lab. We welcome the IDB Impact+, as an effort to implement the reform and raise the development impact as a group. The IDB Impact+ is complemented by 11 key reform initiatives, including more financing solutions to mobilize more private capital, regional approaches, and an innovative mechanism for achieving private sector-led economic growth. Japan expects that these initiatives will further leverage the knowledge and experience of the IDB Group for the development of the LAC region in an effective manner.

(3) IDB Strategy+

We welcome the development of the Strategy+ as one of the pillars of IDB Impact+, bringing together the IDB Group's strategic policies. We also commend the IDB Group for developing approach papers on the three strategic priorities within the new Institutional Strategy, namely: (i) reducing poverty and inequality, (ii) addressing climate change, (iii) bolstering sustainable growth, as well as reporting on the outcomes and progress over the past year. We support the alignment to Japan's priorities in these papers, such as Universal Health Coverage and disaster risk management.

(4) IDB Invest+

In March 2024, IDB member countries agreed on the IDB Invest's third general capital increase. IDB Invest has taken a new step forward to play a core role in the IDB Group. Japan strongly supports the IDB Group's strategy of strengthening private sector support and welcomes IDB Invest's ambitious direction to further mobilize private capital. Japan has submitted a bill to revise the domestic legislation to the Diet, with a view to enabling IDB Invest to expand its businesses in a timely manner. We will continue our efforts to obtain domestic understanding about the importance of the IDB Group's role in the LAC region, so that IDB Invest can support the development of the private sector as one of the core functions of the Group.

(5) IDB Lab+

Japan has been in a close collaboration with IDB Lab for decades, including through Transformational Start Ups' Business Acceleration for the SDGs Agenda (TSUBASA), a startup support framework launched by Japan International Cooperation Agency (JICA). As a top donor of IDB Lab, we will continue to support Japanese start-ups in contributing to the private-sector-led growth in the LAC region. We expect that the MIF III pending payment issues in some countries will be fully addressed and that IDB Lab will continue to

work in a sustainable manner.

3. Collaboration between the IDB Group and Japan

In this February, Japan hosted the IDB non-regional meeting in Tokyo, which was the second time since 1995, or 30 years ago. At this meeting, the participants affirmed that the IDB Group and the IDB non-regional countries will strengthen cooperation to leverage knowledge and experiences of the non-regional countries for the common agenda, such as achieving sustainable growth of the LAC region. Japan will continue to contribute to strengthening such partnerships, as one of the major shareholders of the IDB Group.

In addition, Japan will work on the following three points to deepen its collaboration with the IDB Group in terms of both financial contributions and human resources.

First, on February 18 this year, the launch of a new financing framework, Trust Fund Achieving Development of Latin America and the Caribbean, or TADAC, was signed between JICA and the IDB Invest to promote private investment. This is a great addition to the long history of cooperation between Japan and the IDB Group, enabling JICA and IDB to jointly strengthen their support for the private sector through co-financing. We expect that both IDB Group's knowledge in the LAC region and JICA's solid relationship with Japanese companies will be fully utilized to promote private sector investment in the region. Together with a long-standing co-financing framework between the IDB Group and JICA, the Cooperation for Economic Recovery and Social Inclusion (CORE), we will promote the collaboration on both private and public sector fronts.

Second, we aim to strengthen the partnership between the IDB Group and Japanese companies, through which we will enhance the support for Japanese companies who will venture into the LAC region and collaborate with business partners in the region. The IDB Representative Office in Asia, located in Tokyo, has long contributed to supporting Asian companies in promoting investment in the LAC region. We welcome that IDB Invest staff has been stationed at the office since this January, which has an explicit mission to enhance outreach to Asian companies. We commend the Management for its strong commitment to disseminating information in Japanese, including the launch of the Japanese-written website last September, and encourage the IDB Group to enrich the content of such outreaches. We are convinced that the outreach in local languages will further strengthen cooperation between Asian companies and the IDB Group in sharing technology and knowledge and further mobilizing private capital.

Third, Japan will continue to support the IDB Group through the contribution of human resources. In the context of cross-border crises and challenges, it is essential to utilize the

experiences of the staff from non-regional countries. We believe that the IDB Group should promote the diversification of its staff portfolio. We expect that IDB management pursue more active recruitment of Japanese staff, when advancing IDB Impact+ agenda.

4. Conclusion

With the current uncertainties globally, multilateral development banks, such as the IDB Group, play an even more crucial role. IDB Group's support is essential in helping the LAC region achieve sustainable and inclusive growth. Despite the looming said uncertainties, Japan remains committed to collaborating with the IDB Group and contributing to the mutually-beneficial prosperity of Japan and the LAC region. To that end, we look forward to President Goldfajn's strong leadership in realizing the reform of the IDB Group.