



ANNUAL MEETINGS

2025 | WASHINGTON DC

WORLD BANK GROUP
INTERNATIONAL MONETARY FUND

Governor's Statement No. 8

October 17, 2025

Statement by the Hon. **KATSUNOBU KATO**,
Governor of the IBRD and the Fund for **JAPAN**

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I. THE GLOBAL ECONOMY AND THE JAPANESE ECONOMY

The outlook of the global economy is uncertain due to trade measures and geopolitical tensions, constraining the behavior of businesses and consumers. In addition, long-term structural transformations, including accelerated technological innovations, intensified climate change, and demographic shifts, are arising.

As the global economic and trade order becomes increasingly fluid, we must adapt to the reality while working to shape a new order. To this end, countries should enhance their own economic and social resilience through their self-help efforts, seek rules that can be shared among nations that hold diverse values, and build a multi-layered international economic system encompassing bilateral, regional, and plurilateral frameworks.

In this regard, Russia's protracted and illegal aggression against Ukraine remains a serious risk factor for the entire global economy and an obstacle to rebuilding an orderly international economic system. Japan strongly calls for an immediate end of the aggression by Russia and an achievement of a just and lasting peace. We remain committed to supporting Ukraine centered around the World Bank Group (WBG) and the IMF programs and will continue to back Ukraine's efforts in domestic reforms.

Japan's economy is transitioning toward a "growth-oriented economy" driven by wage increases and investment. To ensure this momentum, Japan aims to raise productivity and added value, while realizing a stable increase in real wages.

II. EXPECTATIONS FOR THE WBG AND THE IMF

The public financial resources and development assistance required for countries to address increasingly diverse and complex challenges through their own efforts remain limited. In light of these circumstances, it is of utmost importance that the WBG functions with efficiency and effectiveness as the core of multilateral development banks (MDBs), and that the IMF's role as the center of the global financial safety net (GFSN) be reinforced.

1) EXPECTATIONS FOR THE WBG

From the perspective of efficient utilization of existing capital, Japan welcomes the WBG's expansion of lending capacity through efforts based on the recommendations of the Capital Adequacy Framework (CAF) review. We look forward to this enhanced lending capacity being used to provide sufficient support to countries that are truly in need.

To maximize development impact, it is important that all WBG institutions collaborate organically under the One WBG approach. In particular, given the limited availability of public financial resources for development assistance, private capital mobilization is increasingly necessary. We expect the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) to play a more active role in this regard.

To enhance the efficiency of MDBs, it is important that they function as a system. Japan welcomes the approval of the first co-implemented project under the Full Mutual Reliance Framework between the World Bank and the Asian Development Bank (ADB) last month, and we hope such initiatives will be expanded to other MDBs.

To provide efficient and effective support, it is important for the WBG to better incorporate the voices of developing countries in its operations. To this end, Japan looks forward to WBG promptly working on Voice reforms and to implement concrete reforms such as enhancing the capacity of Executive Directors' offices and strengthening their engagement with WBG management and staff. To this end, Japan is committed to making the necessary contributions.

On global health, it is important to promote Universal Health Coverage (UHC) in tandem with the effort to strengthen pandemic prevention, preparedness, and response (PPR). Japan looks forward to WBG strengthening its support for the development of sustainable health financing in developing countries through the UHC Knowledge Hub located in Tokyo, by collaborating with the World Health Organization and utilizing Japan's expertise. In addition, with President Banga's attendance, "UHC High-Level Forum" to be convened in Tokyo this December will discuss initiatives to accelerate progress toward UHC.

The increasing frequency and scale of natural disasters associated with climate change have further underscored the importance of developing high-quality and resilient infrastructure. Japan welcomes the World Bank's procurement policy reform which

promotes quality, and looks forward to capacity building for the recipient countries to be provided and outreach efforts to be made towards diverse companies that possess high-quality technologies and expertise. In addition, we look forward to the WBG's dedicated efforts on the Resilient and Inclusive Supply-chain Enhancement (RISE) Partnership, which aims to strengthen supply chains for clean energy-related products in developing countries. We look forward to this initiative contributing not only to the realization of net-zero emissions, but also to promote job creation, sustainable economic development, and the resilience of the global economy.

2) EXPECTATIONS FOR THE IMF

While upholding its core mandate of addressing Balance of Payment (BOP) issues of member countries, the IMF must boldly review its functions and governance in order to adapt to the evolving external environment and meet the changing needs of its member countries to the maximum extent possible. Japan has initiated discussions to redefine the IMF's role from a long-term and "out-of-the-box" perspectives, and to further strengthen its functions. From this standpoint, Japan emphasizes the following three points as critical:

First, the IMF's multilateral and bilateral surveillances based on analyses underpinned by its neutrality and expertise, together with objective policy recommendations are more critical than ever for encouraging member countries to carry out necessary reforms. Surveillance should prioritize macro-critical issues that directly affect member countries' BOP. Japan expects the IMF to continue providing concrete policy advice based on insights gained through surveillance, and to offer opportunities that help members implement necessary reforms.

Second, to enable the IMF as the core of the GFSN, its lending function has to be continuously reviewed and strengthened — both in terms of quality and quantity. In that sense, support for low-income and small island countries who are vulnerable to external shocks should be regarded as one of the core functions of the IMF, since those countries are not covered by either Regional Financing Arrangements (RFAs) or bilateral swaps under the multi-layered GFSN. In addition, the IMF and RFAs should build a framework for collaboration, so that they can respond to member countries' financing needs by leveraging each of their comparative advantages.

Last but not least, it is more important than ever for member countries to strengthen their

institutional and human resource capacity, for enhancing their ability to address these challenges. From this perspective, capacity development must be more effective as a core function of the IMF, along with surveillance and lending. Japan, as a longstanding top donor to the IMF capacity development, calls for: (1) enhancing synergies among capacity development tools; (2) ensuring integration of capacity development with surveillance and lending; and (3) strengthening performance management.

For the IMF to effectively fulfill its functions and better respond to evolving BOP needs of its member countries through the reforms outlined above, quota and governance reform is imperative. In this context, it is important to advance discussions toward establishing Guiding Principles by the Spring Meetings next year, in line with the Diriyah Declaration. Japan believes that these Principles should serve as a guideline not only for the 17th General Review of Quotas but also for the subsequent IMF quota reviews and governance reforms and intends to actively contribute to this process.

3) STRENGTHENING THE COOPERATION BETWEEN THE WBG AND THE IMF

Lastly, I will present Japan's position on debt issues and domestic resource mobilization (DRM) as issues which both institutions should cooperate on.

Addressing debt-related challenges remains a critical priority to enable developing countries to tackle development issues over the medium to long term and to achieve sustainable growth. We welcome the publication of the playbook at the Global Sovereign Debt Roundtable (GSDR) this spring which outlines an indicative timeline for the debt restructuring process including those under the Common Framework. To further accelerate and facilitate future restructuring process, we should continue to improve the implementation of the Common Framework. For middle-income countries, it is also essential to address them through multilateral efforts drawing on the experiences and lessons learned from debt restructuring of Sri Lanka. We look forward to the continued role of the IMF and the WBG, including through updates to the playbook.

Accurate and transparent debt data is essential for ensuring debt sustainability. In this regard, we welcome the Radical Debt Transparency Report published by the WBG. As the report recommends, it is critical to strengthen debt management capacity of borrowing countries, while creditor countries should also work to enhance debt transparency through the participation of all G20 countries in the Data Sharing Exercise (DSE). Japan will make

a new contribution of \$7 million to Phase 4 of the Debt Management Facility (DMF), which will be launched next year.

Strengthening DRM, through enhanced fiscal sustainability and fiscal management, is an urgent and critical challenge for achieving sustainable economic growth in developing countries. Japan will continue to work with Platform for Collaboration on Tax (PCT), which consists of related international organizations including the WBG and the IMF, and welcomes that PCT is holding the Tax and Development Conference, focusing on DRM, in Tokyo next March. Through such dialogue, we hope that the challenges and needs are accurately identified, thereby enhancing the effectiveness and efficiency of technical assistance on domestic tax policy and tax administration capacity improvements, to which Japan has long placed emphasis on.

III. CLOSING

This year marks the 80th anniversary of the establishment of both the International Bank for Reconstruction and Development (IBRD) and the IMF. Over the decades, these institutions have continuously responded to the needs of their member countries, in pursuit of their respective missions, while adapting to the rapidly evolving global economic and financial landscape. Japan is committed to leading the discussion on the reform of both the WBG and the IMF and contributing to both institutions achieving their respective missions, so that both institutions can adapt to the structural transformation of the global economy and address each country's issues and global challenges more effectively and efficiently. Japan will also continue to contribute its human resources to the WBG and the IMF.