

**FOR
INFORMATION**

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To: Members of the Executive Board

From: The Secretary

Subject: **Mr. Furusawa's Report to the Executive Board on his Visit to the Republic of Azerbaijan and Thailand—May 2–6, 2015**

Board Action: Executive Directors' **information**

**Mr. Furusawa's Report to the Executive Board
on his Visit to the Republic of Azerbaijan and Thailand
May 2–6, 2015**

Azerbaijan

I visited Baku to participate in the Annual Meetings of the Asian Development Bank, which took place on May 2–5. During the visit, I participated in the ASEAN+3 Finance Ministers and Central Bank Governors' meeting, took part in an ADB-IMF seminar, and held bilateral meetings with country officials. I was accompanied by Mr. Rhee, and MCD, APD and COM provided excellent support.

At the ASEAN+3 meeting, the IMF was invited for the first time to the session on economic review and dialogue, which represents an important step-up in our cooperation. I gave a presentation on the global and Asian economic outlook, emphasizing that Asia remains the growth leader of the world, although vulnerabilities are rising, and that policies should focus on boosting resilience and potential growth.

The joint ADB-IMF seminar considered the role of the financial sector in supporting growth. In my opening remarks, I stressed the pivotal role for Asia's financial sector as regional integration advances. I noted that there is a critical need to channel financial resources to productive sectors in the current environment where potential growth remains below pre-crisis levels.

The Annual Meetings took place against the backdrop of the devastating earthquake in Nepal on 25 April. I joined other delegates at the "Partnership with Nepal" meeting, which was convened at short notice and co-chaired by Nepal's Minister Mahat and ADB President. I was encouraged by the strong support being extended by all partners, and flagged in my intervention the need for continued support by the international community, including the IMF's readiness to provide urgent support through the Rapid Credit Facility (RCF).

At the margins of the Annual Meetings, I held bilateral meetings with officials from Australia, Brunei, Indonesia, Myanmar, Tajikistan, Turkmenistan, Uzbekistan, and Vanuatu. These meetings helped me gain a better understanding of the challenges these countries face and of their appreciation for the work of the IMF. The authorities in the Caucasus and Central Asian countries are concerned with the difficult external environment, due to the slowdown in Russia, the devaluation of the ruble, and the decline in oil prices. I emphasized that the IMF stands ready to assist them in the design of policies to respond to the recent shocks. While I heard widespread support for our work, I was particularly pleased to hear the Vanuatu authorities express appreciation for the timely support received from the IMF, soon after a devastating cyclone hit the country in March.

In this first visit by management to Azerbaijan, I had the opportunity to meet with President Aliiev, Minister of Finance Sharifov, and First Deputy Chairman of the Central Bank of

Azerbaijan Gulyev. We discussed recent economic developments and policy plans to deal with the sharp fall in oil prices and the sizable devaluation of the manat in February. The authorities stressed the importance of reducing the non-oil fiscal deficit and moving gradually to a flexible exchange rate and inflation-targeting system. I noted the need to complement these policies with business environment reforms to enhance the role of the private sector.

Thailand

While brief, my visit to Bangkok offered me a chance to assess the economic reform challenges of a country in the midst of a political transition. I had very fruitful meetings with Thai government officials, visited our Technical Assistance Office for Laos and Myanmar (TAOLAM) located at the Bank of Thailand, and met with officials from Cambodia, Laos, Myanmar, and Vietnam, who were attending an IMF workshop. I also spoke to students and faculty of the historic Chulalongkorn University.

I met with the Deputy Prime Minister Pridiyathorn Devakula, who shared their plans and ongoing actions aimed at boosting potential growth, including through a series of structural reforms that will leverage Thailand's geographical opportunities. I also met with Finance Minister Sommai Phasee, who explained to me his priority reforms, including in public financial management and taxation. He expressed deep gratitude for the support that the IMF has provided Thailand, including through technical assistance. I thanked Bank of Thailand Governor Prasarn Trairatvorakul for the very generous support that TAOLAM is receiving from them, and, more broadly, for his support to our TA and capacity building efforts in the region.

My meeting with graduate students and faculty at Chulalongkorn University was lively. We had an interesting discussion that touched upon many issues, such as the reforms to boost potential growth, regional integration, and the future role of the Asian Infrastructure Investment Bank (AIIB). Students and faculty shared some of their concerns, including on the modest recovery of the Thai economy, and offered interesting ideas on how to deal with this situation.

Overall, I came away from my visit with an appreciation of the challenges facing our member countries in the region, notably Azerbaijan and Thailand, and was impressed by the level of trust and good communications between country officials and the IMF.