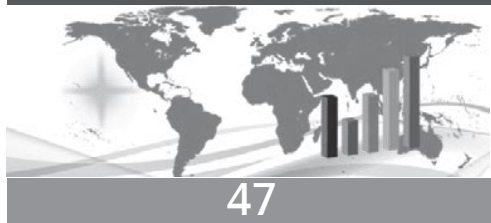


## PRI Open Campus

~ Introduction of Research and Exchange  
Activities of the Policy Research Institute,  
Ministry of Finance, Japan ~



## TFF 10th Anniversary Special Feature

- Interview with IMF Fiscal Affairs Department Director,

Vitor Gaspar -

Policy Research Institute, Ministry of Finance, Japan,  
Chief Economist **Hiroaki Miyamoto**  
Senior Economist **Yuri Mori**  
Researcher **Asa Nishida**

Series

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The Policy Research Institute, Ministry of Finance, Japan (hereinafter referred to as “PRI”), together with the IMF Fiscal Affairs Department and the Asian Development Bank Institute (ADBI), has been co-hosting an event called the “Tokyo Fiscal Forum” (TFF) every year since 2015. Building on the IMF’s technical cooperation that supports fiscal institutions and operations in Asia-Pacific countries, TFF, under Japan’s initiative, provides a venue for high-level policymakers across the Asia-Pacific region to share current situations and challenges, and to exchange views with experts from outside the Asia-Pacific region.

Nine forums have been held in the past, and in December 2021, an online seminar was also organized as a related event. On June 11–12, 2025, the memorable 10<sup>th</sup>, “The 10th Tokyo Fiscal Forum — Strengthening Fiscal Sustainability and Public Finance Operations —”, was held in person.

Two main themes of this time were: “Credible and Robust Fiscal Framework” and “Digitalizing Public Finance Operations.”

Guests and panelists from 19 countries, along with staff from international organizations and domestic researchers, making a total of about 80 participants, took part in the forum. We would like to express our sincere gratitude to the presenters, participants, IMF, ADBI, and all other stakeholders who contributed to the forum.

In this article, to commemorate the 10th forum, we conducted an interview with Mr. Vitor Gaspar, Director of the IMF Fiscal Affairs Department. Since its inception, Director Gaspar has played a central role in TFF, and we asked him to share his extensive experience and insights on the history of TFF as well as the role that fiscal policy should play amid changes in the international community.



## The 10th Tokyo Fiscal Forum — Strengthening Fiscal Sustainability and Public Finance Operations — Agenda (Overview)

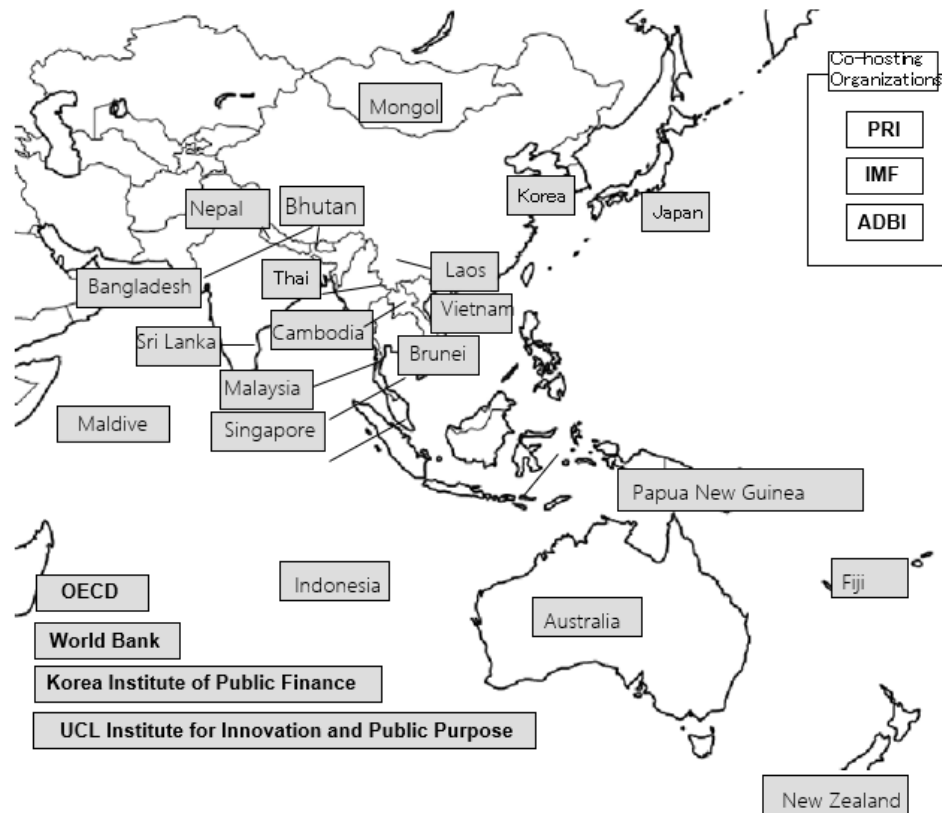
### [Day 1]

- Opening Remarks
- Opening Session 1: Fiscal Policies around the World
- Opening Session 2: Economic and Fiscal Challenges in Asia Pacific
- Session 1-1: Credible and Robust Fiscal Framework
- Session 1-2: Roundtable Discussion on Fiscal Frameworks in Asia and the Pacific

### [Day 2]

- Session 2-1: Digitalizing Public Finance Operations
- Session 2-2: Roundtable Discussion on GovTech in Asia and the Pacific
- Closing Remarks

### 2025 List of Participating Countries



The agenda and presentation materials of this TFF are available on the PRI website, so please refer to them.

<https://www.mof.go.jp/pri/research/seminar/tff2025.html>



## 1. IMF • FAD (Fiscal Affairs Department)

Director Gaspar has, since the establishment of the TFF in 2015, played a central role in the IMF Fiscal Affairs Department (Fiscal Affairs Department: FAD). As Director he has been leading the TFF for 10 years. Among the readers of Finance, there may be some who are not very familiar with the IMF or the FAD. First of all, please explain the role of the FAD, and also tell us what significance the TFF has for the FAD.

FAD is one of the IMF's departments with the longest history. It was established in 1964 and celebrated its 60th anniversary in 2024. The mission of FAD is to bring together outstanding expertise and human resources in the field of public finance, and to function as a "Center of Excellence."

FAD monitors and analyzes global fiscal trends and provides advice on fiscal policy to IMF member countries. These activities are carried out in close cooperation with the IMF's regional departments and are deeply involved in the design and implementation of IMF support programs.

In addition, FAD's analysis and research are always at the forefront of discussions on fiscal policy. Every year, FAD staff and experts provide the best development support and services to more than 150 IMF member countries, including advanced economies, emerging markets, and low-income developing countries.

For FAD, TFF is a very important event. It serves as a major venue for discussing all issues related to fiscal policy and public finance with countries in the Asia-Pacific region. At TFF, a tradition has been established where policymakers in the region engage in open and candid discussions, sometimes involving market participants and academics as well. For FAD, TFF is a valuable opportunity to gather with key policymakers in the Asia-Pacific region and engage in discussions.



Vitor Gaspar, IMF Director of the Fiscal Affairs Department

In 2014, Mr. Gaspar was appointed Director of the IMF Fiscal Affairs Department. Prior to that, from 2011 to 2013, he served as Minister of Finance of Portugal, and also held key positions in European and Portuguese public institutions, including Director-General of the Bureau of European Policy Advisers (BEPA) of the European Commission, Director-General of Research at the European Central Bank, Director of Economic Research and Statistics at the Bank of Portugal, and Director of Economic Studies at the Portuguese Ministry of Finance. He received his Ph.D. and post-doctoral degree in Economics from Nova University of Lisbon. Graduate of the Catholic University of Portugal. Mr. Gaspar holds a Ph.D. and a post-doctoral agregado in Economics from Universidade Nova de Lisboa; he graduated from Universidade Católica Portuguesa.

## 2. Looking Back on These 10 Years

**The TFF marks its 10th anniversary this year. And unfortunately, for Director Gaspar, this will be his last participation in the TFF as FAD Director. Looking back on the past 10 years, please tell us about the themes and issues that the FAD has emphasized, from both perspectives of "what has not changed over these 10 years" and "what has changed significantly."**

Thank you for the excellent question. Here, I would like to talk about issues that have consistently been emphasized over the past 10 years, but whose perspectives or focus have partially changed over time.

The first point I would like to raise is the "importance of demographic trends," which was also the theme of the first TFF. Demographics are extremely important for the economy, finance, and politics. I believe it was very appropriate that TFF took up this theme as a major topic at its very first meeting. This is because Japan is at the forefront of demographic changes called "population aging" or "population decline." In fact, what we have learned



from Japan's experience is that it extremely important to understand demographic details.

Japan's working-age population had already begun to decline since 1995, and I recall that the decline in the total population became full-scale after 2008. The difference in timing between these two developments can be explained by movements in Japan's fertility rate, particularly the baby boom that occurred in many countries, including Japan, after World War II. Based on these findings, other countries participating in the TFF have had much to learn, and the topic of demographics remains relevant today.

The second topic I would like to mention is the natural rate of interest. The natural rate of interest is also related to fiscal indicators and the lower bound on policy rates. Here again, Japan has been at the forefront of facing this issue.

By the mid-1990s, Japan's nominal interest rate had fallen to near zero, and the zero-rate policy became part of the Bank of Japan's official policy management framework by the end of 1999. When I visited Japan for the first time in 2001, I had the opportunity to exchange views with Japanese bank officials about the Bank of Japan's monetary policy. Since then, this zero interest rate policy has continued in Japan for more than 25 years, but now it is approaching the point where it is "exiting" from that phase.

Inflation is approaching the Bank of Japan's target, and nominal and real interest rates are rising from extremely low levels of five years ago. In other words, while the topic has been continuously discussed, the focus of the discussion has changed. In the past, the focus was on "monetary and fiscal policy responses under zero interest rates", but now the main focus is "the direction of monetary policy after breaking away from the zero interest rate policy". Inflation is a factor that the Bank of Japan must take into consideration, as policy rates increase as inflation increases, resulting in higher funding costs for the Ministry of Finance. The natural real interest rate has been a consistently important theme, but the emphasis has changed significantly.

Finally, I would like to briefly touch on the importance of politics in fiscal policy. The government is facing three policy pressures: expenditure demands in areas such as social security and defense, public resistance to increased burdens, and the growth of public debt. Policymakers are confronted with the "fiscal policy trilemma," in which it is difficult to address all three points simultaneously. I have explained the "fiscal policy trilemma" in detail in my contribution to *Foreign Policy* magazine<sup>1</sup>. At this 10th TFF, many participants referred to the "fiscal policy trilemma", showing the strong interconnection among expenditure restraint, revenue securing, and

ensuring debt sustainability. In implementing fiscal policy, a long-term perspective that enhances reliability and credibility to firmly anchor the expectations of economic agents is indispensable. It is also necessary to link fiscal policy with structural policy to improve long-term growth prospects. Such improvements in outlook play a role in easing the strong interconnections of the fiscal policy trilemma.

**That is a very insightful observation. The three themes you have just mentioned are all extremely important themes for Japan.**

**Over the past 10 years, Director Gaspar has been deeply involved in the TFF. The TFF has served as a venue for regional dialogue, mainly among Asia-Pacific countries. In that context, how do you think Japan's position and role in the region have changed? I would also like to hear what kind of role Japan is expected to play in the future.**

As you can see from the three examples I mentioned earlier, Japan has been a country that has experienced important changes ahead of not only Asian nations but also the world. In Japan, policymakers from various countries gather and hold discussions, which provides a great learning opportunity for other countries.

A few years ago, I read Mark Ravina's book "To Stand with the Nations of the World: Japan's Meiji Restoration in World History." What the author argues is that 150 years ago, during the Meiji Restoration, Japan strongly desired to establish a firm position as one of the great powers in world politics, but it sought to achieve this "without losing Japanese identity."

This means that while Japan has maintained a very open attitude toward the world, it has also been strongly conscious of preserving its own identity. I believe that this coexistence of a "strong identity" and an "open attitude toward the ideas and solutions of other countries" is precisely why Japan is such a suitable host for international forums like TFF. Visiting Japan every year and learning from Japan as well as from participants of other countries has been a very meaningful experience for me.

**That is exactly what you mentioned in the closing address of this TFF. I am glad to have the opportunity to hear it again.**

<sup>1</sup> <https://foreignpolicy.com/2024/09/23/imf-fiscal-affairs-global-policy-trilemma-economies/>

Tokyo Fiscal Forum Annual Themes

Year	Theme	Number of Participating Countries	Notes
2015	Fiscal Policy for Long-Term Growth and Sustainability in Aging Societies	15 countries	In-person
2016	Fiscal Policy for Long-Term Growth and Sustainability in Aging Societies: Achieving Sustainable Social Spending	12 countries	In-person
2017	Fiscal Policy under Demographic Changes and Radical Uncertainties: Formulating Sustainable Policies for Inclusive Growth in Asia	14 countries	In-person
2018	Strengthened Fiscal Management in Asia	15 countries	In-person
2019	Implications of G20: Achievements for Asia	19 countries	In-person
2020	Toward Strong Economic Recovery and Sound Public Finance in Asia	20 countries	Online
2022	Fiscal Policy after the COVID-19 Crisis: Toward a Resilient, Inclusive, and Digital Future in Asia	21 countries	In-person
2023	Building Resilience and Reshaping Fiscal Policy in Asia and Pacific Region	18 countries	Hybrid
2024	Strengthening Public Finance by Collecting and Spending Transparently and Efficiently	20 countries	Hybrid
2025	Strengthening Fiscal Sustainability and Public Finance Operations	19 countries	In-person

\* In 2021, as a related event, an online seminar was held with policymakers and experts (Theme: Towards Post-COVID Fiscal Policy and Digitalization in Asia). 16 fiscal authorities participated.



### 3. Changes in the International Community and the Role of Fiscal Policy, Issues Policymakers Should Consider in the Future

Japan is facing two major challenges. Population decline and a public debt amounting to about 240% of GDP. These challenges are also related to the fiscal policy trilemma that Director Gaspar often refers to. From the perspective of the IMF, what points do you think Japan should pay attention to regarding the fiscal challenges it faces? If you have any advice for the Japanese government, please share it.

First of all, what I would like to say is that Japan currently has limited “fiscal space (buffers).” This is, as you pointed out, due to pressures on the expenditure side, including high levels of public debt, rising interest rates, and increased spending on healthcare and pensions due to an aging population. Such a situation underscores the need for Japan to formulate a long-term strategy that balances debt sustainability with financial stability, to ensure the country can respond to future economic shocks. Especially in today's world of heightened global economic uncertainty, this importance is further increasing.

This situation is also related to the fiscal policy “trilemma” mentioned earlier. In Japan, easing this trilemma is not easy, but I do not believe it is impossible. The key lies in “improving growth prospects.” Japan should place a strong priority on improving its long-term potential growth rate. At the same time, it is also important to manage fiscal policy from a long-term perspective. From this perspective, “strengthening governance” and “improving fiscal transparency” are also highly meaningful. This is because when the Japanese government undertakes structural reforms, these two elements are essential for gaining public understanding and acceptance of the reforms. Since fiscal policy is also structural policy, it can

strengthen the outlook for Japan's economic growth trend through fiscal measures.

In future issues of the “Fiscal Monitor<sup>2</sup>”, we also plan to address precisely “Fiscal Policy and Growth” and “Public Expenditure.” In the upcoming spring issue, we will once again take up “Fiscal Policy and Growth,” with a focus on taxation. I hope you will pay close attention.

**Strengthening governance, improving fiscal transparency, and having a long-term strategy are indispensable. What role can the fiscal policy framework play in this regard? What role can be expected in the case of Japan?**

The fiscal policy is about building trust, credibility, and providing a foundation that economic agents can rely on when making decisions. What I always emphasize is the importance of combining institutional frameworks such as fiscal rules and numerical targets with organizational elements such as independent fiscal institutions. In particular, independent fiscal institutions vary greatly in design and function from country to country. And most importantly, what matters is how well the system introduced fits with the political system of that country. Frankly speaking, I cannot say that I fully understand Japan's political system. Therefore, I would like to refrain from making specific proposals tailored to Japan. However, I do intend to actively share insights and engage in discussions on what kinds of systems have been introduced in other countries and under what conditions they have functioned. And I believe that “what is most appropriate for Japan” should be debated domestically in Japan and decided after reaching a consensus.

**In the TFF, this year, that were held over 2 days many topics were discussed. Among them, one that particularly attracted attention was “GovTech.” It is believed that new technologies such as AI and robots will have a major impact on the economy and society. I think GovTech is a relatively new concept that takes advantage of these technological advances, but how do you think the ideal form of government provision of public goods, funding for them, and income redistribution will change in the long run?**

There are already cases where technology is being used to solve challenges faced by public administration. One prime example is the use of technology in tax administration. What is extremely important in tax administration is “how much information about taxpayers can be captured.” In this sense, the use of third-party information can be considered one of the greatest advancements in tax

<sup>2</sup> A flagship report on the global fiscal situation produced twice a year by the IMF's FAD. ( <https://www.imf.org/en/publications/FM> )

administration in the past several decades. In many countries around the world, tax authorities have introduced systems where they prepare tax returns in advance based on third-party information and send them to taxpayers. Individual taxpayers may simply receive pre-filled tax returns from the tax authorities, check them, and sign if correctly, while of course being able to provide additional information if revisions are necessary. Today, the advancement of GovTech has significantly increased the amount of information available to tax authorities, creating room to reconsider the very design of the tax system. In other words, technological progress in tax administration is expanding the options for tax system design. By combining tax administration with legal systems, it becomes possible to view the economy and taxation from a comprehensive perspective called the "Tax System Approach." At present, GovTech is enhancing the importance of this comprehensive approach more than ever, and especially in tax administration, I feel that a good framework already exists to think systematically about GovTech. In that sense, tax administration is considered one of the areas where the advancement of GovTech can be relatively easily realized.

Another area where there are many successful examples around the world is the targeted delivery of income transfers such as grants. During the pandemic, even countries without well-developed social safety nets were required to respond quickly. On the other hand, it became clear that the more advanced the use of digital technology in public administration, the more effectively countries could identify beneficiaries and deliver support swiftly and accurately. What is interesting is that even in countries like Afghanistan, where the spread of digital technology is limited, a system was built through civil society initiatives to deliver cash benefits to very poor households via smartphones. Because that system is fully documented and integrated, it has become an excellent system with an extremely low risk of misuse. In other words, what I want to convey here is that there are indeed cases where public sector initiatives utilizing GovTech have achieved remarkably high results. Moreover, when considering the potential of GovTech in public administration, it truly holds the potential to bring about a revolutionary change.

However, managing this process is extremely complex. This point was also discussed at the recent TFF, and while we already know some things, we also feel that there are many more things we do not yet understand. Therefore, how to advance the application of technology in government administration, and what should the government do and not do? This balance will require further international discussion in the future. At present, it is difficult to say that there is a clear

answer.

**Thank you for providing a specific example. GovTech is a very promising initiative, but we also understand that its introduction and operation involve many challenges and difficulties.**

**In recent years, there have been concerns about globalization and moves to adopt trade policies with a different approach than before. What impact do you think these moves will have on each country's fiscal policy?**

In response to this question, there are two major points I would like to emphasize.

First, uncertainty regarding trade policy makes policies worldwide uncertain, which makes the management of fiscal policy more difficult. This is because it leads to pressure on fiscal deficits and public debt. In my analysis presented at this TFF, it has shown that increased policy uncertainty tends to increase the risk of future public debt growth. In other words, for future debt, not only will the "average level" rise, but the outlook of "how much it could expand in the worst case" also becomes larger. This means an even more difficult situation for fiscal authorities. In addition to the pressure on public debt, the range of risks is also expanding. Therefore, it suggests the necessity of securing a "larger buffer" in preparation.

Second, tariffs as a tool of trade policy can impose a very concentrated burden on specific countries or sectors. In such cases, targeted and appropriate fiscal policy support may be required. Of course, this is a policy response that involves expenditure. Therefore, in order to implement such support effectively within stability-oriented fiscal management, it is important to secure sufficient buffers in advance.

However, there is some overlap between these two points. For example, the impact of tariffs mentioned in the second point may also be reflected in public debt risk through the policy uncertainty described in the first point. Nevertheless, they do not completely overlap. The impact of trade policy varies greatly by country and sector, and the challenges each country faces differ depending on its circumstances. In this case, the corresponding fiscal policies also need to be differentiated. What is important here is not merely the general issue of policy uncertainty, but the fact that the starting point of this uncertainty lies in "trade policy."

**Thank you, Director Gaspar, for your valuable insights today.**





IMF Fiscal Affairs Department  
 Director Vitor Gaspar (front row, center),  
 Advisor Ikuo Saito (back row, left)

(Interviewer)

Policy Research Institute, Ministry of Finance, Japan  
 Chief Economist Hiroaki Miyamoto (front row, left),  
 Senior Economist Yuri Mori (back row, right)  
 Researcher Asa Nishida (front row, right)

\*The interview was conducted on June 12, 2025 .

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