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**Mr. Kazuo Ogura**  
**Deputy Foreign Minister of Japan**

**Wednesday**

**November 8, 1995**

**3:05-3:30 pm**

**JDW office**

**Archives**



30484410

R2002-036 Other #: 6 Box #: 186456B

President Wolfensohn - Briefings Books for Presidents Meetings - Meeting - Kazuo  
Ogura - Deputy Foreign Minister of Japan - November 8, 1995

*Handwritten notes:*  
① Mr. Ogura  
② Mr. Wolfensohn  
③ Mr. Wolfensohn  
④ Mr. Wolfensohn  
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# OFFICE MEMORANDUM

DATE: November 7, 1995

TO: Mr. James D. Wolfensohn

FROM: Atsuko Horiguchi

EXTENSION: 84256

SUBJECT: **Your Meeting Tomorrow with Mr. Kazuo Ogura, Deputy Minister of Foreign Affairs, Japan, 3:05-3:30 pm, Wednesday, November 8, 1995 (Your Office)**

☆This is a 25-minute "courtesy call," but since you have met Mr. Ogura in Tokyo on September 13 where he already raised issues, he is likely to go beyond pleasantries and touch upon i.a.:

## ISSUES:

**Halifax Communiqué follow-up**, in particular IFI coordination and cooperation

- o Please note Mr. Ogura is "in charge" of G7 summits from Japanese side.
- ⇕ Mr. Choksi is coordinating the tracking of Halifax issues on a systematic basis.
- ⇕ G7 ED's identified (per Mr. Good's memo of 10/19) the following issues from the Halifax Communiqué as the most important for you to address:
  1. IDA Replenishment: you may wish to use this opportunity to empathize to Mr. Ogura your critical need for Japan's support at this juncture for IDA 10 and 11; "without adequate IDA resources, the Bank cannot hope to achieve other parts of the Halifax agenda expected from G7 countries."
  2. Private Sector Development
  3. Poverty Reduction
  4. Multilateral Debt
  5. Sustainable Development
  6. World Bank Governance
  7. IFI Coordination and Cooperation
- ➔ Please see *Halifax Follow-up* (third tab) -- Mr. Choksi has prepared one-page briefing notes on each of the seven points.

**Contact with Japanese Embassies in the Field:** Mr. Ogura may ask that the Bank make greater efforts to increase ties between resident missions and Japanese embassies in the field. (He raised this when you met each other in Tokyo.) The MOF -- through the Japanese ED's office -- has asked that you remain non-committal if this is raised. As you may recall, there are tensions between MOF and MOFA on development issues.

**Other issues that may arise: ODA, Cofinancing**

☆Mr. Ogura will be accompanied by:

- o Mr. Noriyuki Shikata, Assistant Director, Second North America Division, MOFA
- o Mr. Shinichi Hosono, First Secretary, Japanese Embassy in Washington

Mr. Nishihara will be in attendance as well; I will be there to take minutes.

cc: Sven, Rachel







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<b>Withdrawn by</b> Diego Hernández	<b>Date</b> January 24, 2025			



# MOFA Brief for Tokyo Trip

September, 1995

## (i) Brief History

### Meiji Restoration: Opening up to the West

The Ministry of Foreign Affairs was established on August 15, 1869 as one of the new ministries created by the Meiji government which restored political power to the Emperor as a constitutional monarch, replacing the Shogun as the head of state.

By ending more than 200 years of strict isolationism imposed by the feudal Tokugawa regime, Meiji leaders set the stage for modernizing Japan according to the best available models in Europe and the U.S. Foreign affairs played a key role during the Meiji era as Japan transformed itself into an industrial nation by adapting Western knowledge and technology. This rapid transformation from feudalism to industrialization was as great a "miracle" as the "economic miracle" of the 1960's.

### Foreign Assistance: from Recipient to Top Donor

Japan was a major recipient of foreign assistance during the immediate postwar period of reconstruction. It also benefited from loans from the World Bank and U.S. EXIM between 1950 and 1960.

Japan started bilateral technical cooperation with developing countries in Asia by joining the Colombo Plan in 1954 and marked the 40th anniversary of its Official Development Assistance (ODA) in 1994. By 1989, the total amount of Japan's ODA exceeded that of the U.S. for the first time, and Japan became the top donor in the world. Japan has continued to maintain this position, and in 1994 spent US\$ 13.2 billion in ODA expenditures.

### MOFA: Historical Context

1603-1867	Tokugawa regime of isolation policy
1853-1854	U.S. Commodore Perry gets trade treaty
1867-1868	Meiji Restoration and opening to the West
1869	MOFA established
1894-1895	Sino-Japanese War: Japanese victory
1904-1905	Russo-Japanese War: Japanese victory
1931	Manchurian Incident: military in power
1941-1945	Pacific War: Japan defeated
1945-1952	Allied Occupation of Japan

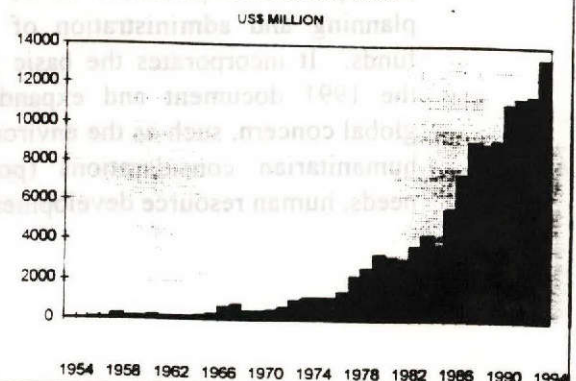
Source: Japan's Political System by Robert E. Ward  
Japan: The Story of a Nation by Edwin O. Reischauer

### JAPAN AND FOREIGN ASSISTANCE

1945-53	<u>Postwar Economic Reconstruction</u> : Japan as recipient of economic assistance from the U.S.
1954-63	<u>Postwar Reparations</u> : Japan begins providing foreign aid as payment of reparations
1964-76	<u>Aid Expansion</u> : Japan begins quantitative expansion and diversifies types of assistance
1977-88	<u>Systematic Aid Expansion</u> : Expansion of aid by setting up Medium-Term Targets
1989-Now	<u>Top Donor Position</u> : Japan takes initiatives as the top donor

Source: MOFA

### JAPANESE ODA: 1954-1994



Source: MOFA



# MOFA Brief for Tokyo Trip

September, 1995

## Japan develops its own philosophy of foreign assistance: 1991-1994

There are four cabinet level ministries that are responsible for ODA policy-making and implementation:

- Ministry of Foreign Affairs (MOFA)
- Ministry of Finance (MOF)
- Ministry of International Trade and Industry (MITI)
- Economic Planning Agency (EPA)

Following the collapse of the Soviet Union and the Gulf crisis in 1990, Japanese ODA policy makers became increasingly concerned about the impact that Japan's foreign assistance was having on recipient countries' development process and what criteria should be used for continued support.

Thus, to ensure the proper use of foreign assistance funds, the Japanese government adopted the Four-point Guidelines for ODA in April 1991. These guidelines were meant to encourage countries to promote democratic reforms and to discourage military expansion.

In June 1992, Japan further fine-tuned its foreign assistance policy by introducing the ODA Charter. The Charter defines the basic philosophy, principles, and priorities to be applied to the planning and administration of Japanese ODA funds. It incorporates the basic guidelines from the 1991 document and expands on issues of global concern, such as the environment and basic humanitarian considerations (population, basic needs, human resource development).

## JAPAN'S ODA GUIDELINES 1991

ODA policy makers and administrators will carefully consider the recipient countries' activities in the following areas:

- (1) trends in military expenditure;
- (2) development and production of mass destruction weapons and missiles;
- (3) export or import of arms; and
- (4) efforts in promoting democratization, introduction of a market-oriented economy, and securing basic human rights and freedom.

SOURCE: ODA SUMMARY 1994 BY MOFA

## JAPAN'S ODA CHARTER 1992

In addition to the four guidelines delineated above, the following additional issues will form the basis for ODA policy-making:

- (1) humanitarian considerations;
- (2) recognition of interdependence among nations of the international community;
- (3) environmental considerations; and
- (4) support for self-help efforts of recipient countries in promoting human, rights and freedom.

SOURCE: ODA SUMMARY 1994 BY MOFA



## MOFA Brief for Tokyo Trip

September, 1995

Four ministries share responsibility for ODA policy-making and implementation:

The **Ministry of Foreign Affairs (MOFA)** takes the leadership role in setting the tone for aid policy and conveying the consensus of the four ministries to external audiences. It supervises the Japan International Cooperation Agency (JICA), is solely responsible for grant aid decisions (for technical assistance and U.N. agencies) and represents Japan in donor meetings. It is the only ministry with an entire bureau, the **Economic Cooperation Bureau**, dedicated exclusively to implementing economic cooperation and has the largest staff assigned full-time to such issues.

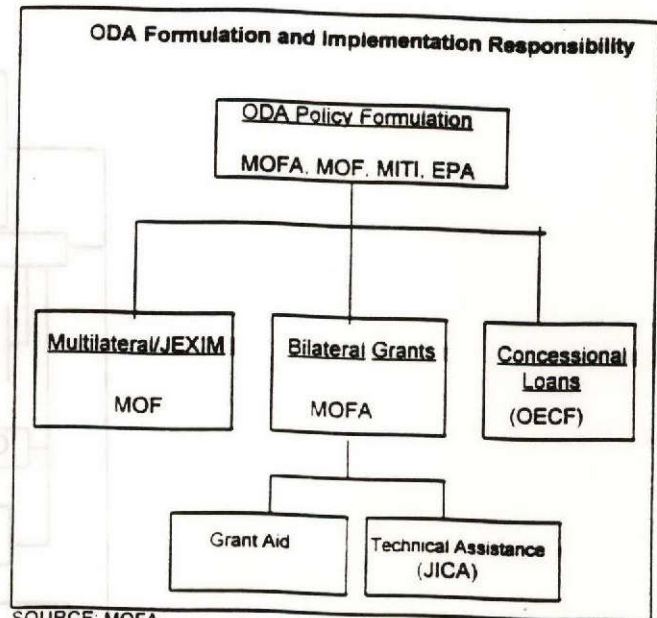
MOFA's major concerns over the years have been:

- to eradicate the view that Japan is a mere economic power, not a good global citizen;
- to ensure that Japan meets international expectations on its share of foreign assistance, especially compared to other major donors;
- to emphasize cultural and human aspects of international exchange; and
- to accept political responsibilities based on security and humanitarian considerations.

The **Ministry of Finance (MOF)** controls the budgetary aspects of foreign aid and supervises the Japan Export-Import Bank (JEXIM). It is also influential because the heads of JEXIM and Overseas Economic Cooperation Facility (OECF) are retired high-ranking MOF officials.

Three bureaus within the MOF have some staff who are involved in official aid:

- The **International Finance Bureau** has exclusive jurisdiction over issues related to multilateral financial institutions and is concerned with third world debt issues.
- The **Budget Bureau** has formal authority to set ceilings and to scrutinize budget items.
- The **Financial Bureau** is responsible for the Fiscal Investment and Loan Program (FILP) and government bonds, which, in addition to the general budget, finance ODA expenditures.



SOURCE: MOFA

The **Ministry of International Trade and Industry (MITI)** approaches official aid from the perspective of private business and is primarily interested in:

- aid-generated business opportunities; and
- maintaining a healthy global economy conducive to private capital flows.

As a matter of principle, MITI favors an increase in the quantity and quality of aid, assigns high priority to countries that have close economic relations with Japan, and promotes a comprehensive approach to economic cooperation by combining official aid, direct investment and market access.

The **Economic Planning Agency (EPA)** was assigned responsibility for supervising OECF largely to avoid conflicts and rivalries among the other three ministries over the control of OECF. In effect, however, EPA's role has been limited because differences in opinion among MOF, MOFA and MITI are typically resolved by appealing to higher political authorities.

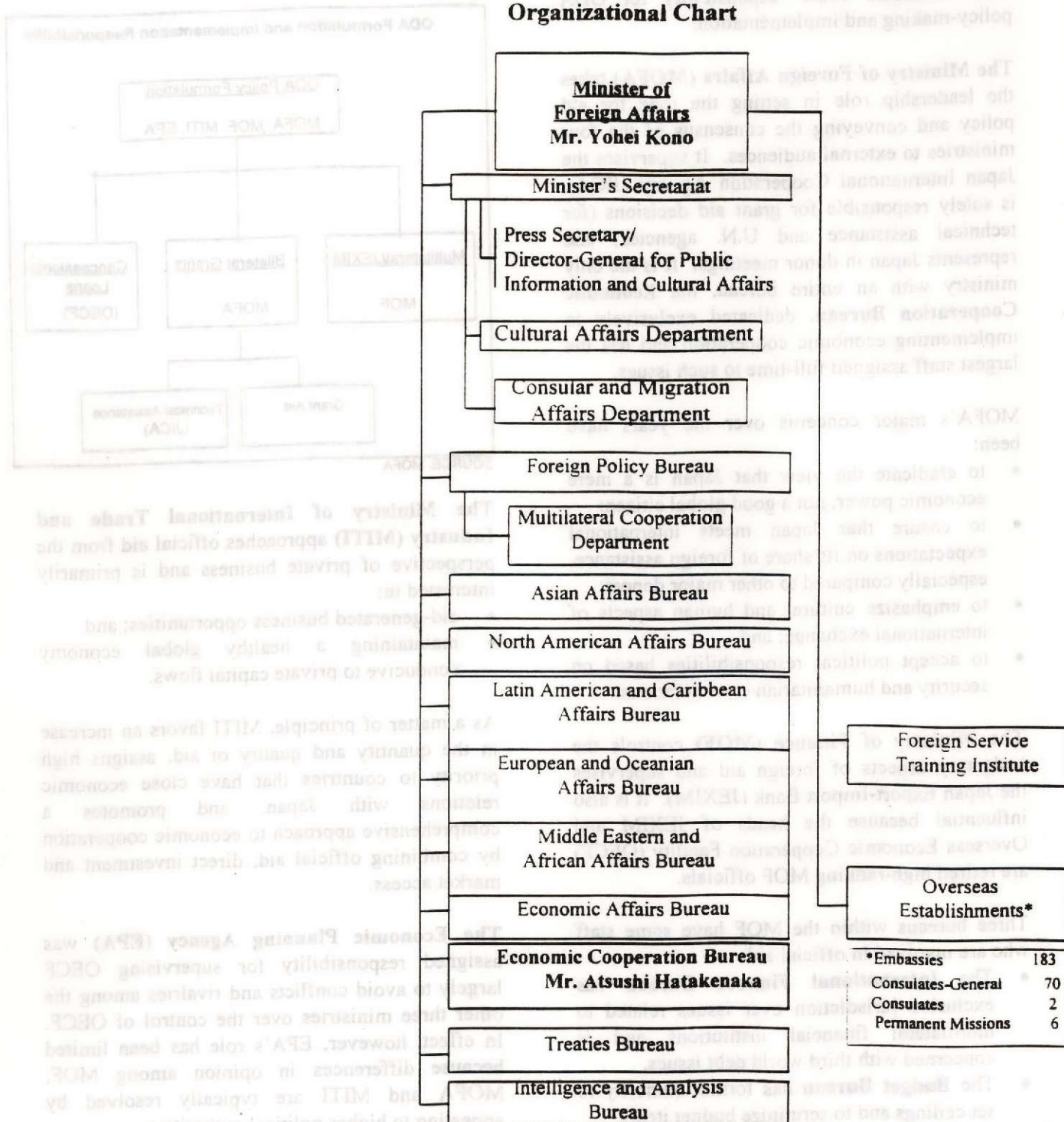
On the basis of its expertise in the analysis and formulation of Japanese economic policy, EPA has had its own role in contributing to official aid design.



# MOFA Brief for Tokyo Trip

September, 1995

## Ministry of Foreign Affairs (MOFA) Organizational Chart





**MOFA Brief for Tokyo Trip**  
**September, 1995**

There are several issues concerning the World Bank Group that are important to the Japanese government:

- further enhancing the global status of Japan as a major player in development
- Japan becoming, by default, the number one contributor to IDA
- China's access to IDA funds
- increasing Japan's IBRD voting shares, currently at 6.45%
- increasing the number of Japanese professionals at the Bank, currently 2.2%

Assisting Japan to achieve the position as a leader in global development is probably the one area that concerns MOFA the most and where the Bank can be of greatest assistance to Japan as a major donor. There are two initiatives that merit special consideration:

- holding Consultative Group (CG) meetings in Tokyo for Asian countries
- developing closer ties with MOFA through greater collaborations with JICA and U.N. agencies that receive grant money from Japan.

**Holding Consultative Group Meetings in Tokyo**

The first CG meeting to be held in Tokyo will be for the Philippines this coming October. Most, if not all, CG meetings for eligible countries take place at the Bank's Paris Office. The venue for such meetings is dictated by two considerations: cost effectiveness and the ability to get as many senior officials from donor countries as possible to participate. From time to time, and when opportunities are appropriate, CG meetings can be held elsewhere. This has been our policy so far and we will have to treat such requests on a case-by-case basis.

**Greater coordination with MOFA supported U.N. initiatives**

"Japan's role in economic and social affairs commensurate with its position in the world" was a key concern of current Foreign Minister Yohei Kono as he set up an informal advisory group consisting of scholars and experts to consider Japan's input for the Working Group on an Agenda for Development. One of the proposals is to strengthen cooperation with the Bretton Woods institutions in the areas of poverty elimination, sustainable energy, and environmental protection by coordinating strategies and maintaining substantive dialogue.



September, 1995

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### **Broadening the Bank's relationship base in Japan**

The Bank's major institutional relationship in Japan has been traditionally with the Ministry of Finance. This strong bond comes from a long history of cooperation that started during the days when Japan was a major borrower. This close relationship continues to be important to the Bank and Japan. However, individual units within the Bank have started developing relationships directly with other Japanese civic groups as well as other ministries, including the Ministry of Foreign Affairs (MOFA).

Relationship building with MOFA has been done in a decentralized manner, by regional and central vice presidencies, but it has not been done with an integrated, institutional approach to Japan. There is no "Japan country officer" within our staff; there is no centralized responsibility for strengthening the relationships between the Bank and our major donors. There is limited information available on an institutional level about Bank activities in Japan, except for the purposes of IDA replenishment, bond issuance and trust fund activity. The External Affairs Department is in the process of formulating a communication strategy to address this issue on a Bank-wide level.

### **Bank Staff and MOFA**

MOFA plays a key role in setting ODA policy based on broad national interest considerations and in coordinating ODA activities. Bank staff contact MOFA officials especially in connection with our regional work and other donor meetings.

In practice, official appointments with senior MOFA officials in Tokyo are made through MOF in coordination with the Japanese Executive Director's Office and the Bank's Tokyo Office. A schedule of such meetings held in Tokyo is attached.

### **Regularly held consultations involving MOFA**

- The Bank holds annual consultations with Japan International Cooperation Agency (JICA), for which MOFA has oversight responsibility.
- In the field, the Bank staff contact Japanese embassies to keep them informed about the Bank's work in that country and seek collaboration for appropriate sector or project work.
- Since MOFA administers Japanese contributions to UNDP, UNFPA, and other U.N. organizations, Bank staff consult the MOFA to obtain support for such collaboration between the appropriate U.N. agency and the Bank.



## MOFA and Bank Staff Meetings in the last three years

1995	MOFA	Bank Staff
08/03/95	Mr. Yasuaki Tanizaki, Director Loan Aid Division Economic Cooperation Bureau  Ms. Mane Miyoshi, Sr. Assistant for Economic Cooperation Aid Policy Division Economic Cooperation Bureau	Mr. Mark Malloch Brown, Director, EXT Mr. Spiros Voyadzis, Division Chief, EXT
07/13/95	Mr. Yasuaki Tanizaki, Director Loan Aid Division Economic Cooperation Bureau	Mr. Ram Chopra, Director, CFS Ms. Tomoko Matsukawa, Financial Officer, CFS
05/09/95	Mr. Ryotaro Suzuki, Deputy Director Multilateral Cooperation Division Economic Cooperation Bureau	Mr. Masood Ahmed, Director, IEC Mr. Kwang Jun, Senior Financial Economist, IEC
05/08/95	Mr. Toshinori Shigeie, Deputy Director-General Middle Eastern and African Affairs Bureau	Mr. Caio Koch-Weser, Vice President, MNA Mr. John Ijichi, Principal Cofinancing Adviser, MNA
04/12/95	Mr. Ryotaro Suzuki, Deputy Director Economic Cooperation Bureau	Mr. Ismail Serageldin, Vice President, ESD
02/21/95	Mr. Hatton, Deputy Director-General Economic Cooperation Bureau	Mr. Russell Cheetham, Vice President EAP Mr. Nicholas Hope, Director, EAP

1994	MOFA	Bank Staff
07/22/94	Mr. Koji Kakizawa Former Foreign Minister	Mr. John Ijichi, Principal Cofinancing Adviser, MNA
07/04/94	Mr. Osamu Imai, Director Ms. Keiko Ishihara Official Multilateral Cooperation Division Economic Cooperation Bureau	Mr. K.Y. Amoako, Director, ESP Ms. Minhchau Nguyen, Manager, ESP Mr. Kalanidhi Subbarao, Senior Economist, ESP
05/17/94	Mr. Yoshitaka Kawamura, Deputy Director General for Arms and Control Scientific Affairs	Mr. Ernest Stern, Managing Director
04/19/94	Mr. Matsunaga International Cooperation Division	Mr. Masood Ahmed, Director, IEC Mr. Kwang Jun, Senior Financial Economist, IEC
04/05/94	Mr. Hirabayashi, Director-General Economic Cooperation Bureau	Mr. Yasuyuki Kawahara, Executive Director for Japan
03/18/94	Mr. Norio Hatton, Deputy Director-General Economic Cooperation Bureau Mr. Toshinori Shigeie, Deputy Director-General Middle Eastern and African Affairs Division	Mr. Caio Koch-Weser, Vice President, MNA Mr. John Page, Chief Economist, Jr., MNA Mr. John Ijichi, Principal Cofinancing Adviser, MNA Mr. Abdallah Bouhabib, Senior External Affairs Counsellor, MNA
01/10/94	Mr. Hirabayashi, Director-General Economic Cooperation Bureau	Mr. Koji Kashiwaya, Vice President, CFS

1993	MOFA	Bank Staff
06/28/93	Mr. Tamotsu Shinozuka, Director Global Environmental Affairs Division United Nations Bureau Mr. Masafumi Kuroki, Director Research & Programming Division Economic Cooperation Bureau	Mr. Daniel Ritchie, Director, AST
06/04/93	Mr. Shigekazu Sato, Director Aid Loan Division Economic Cooperation Bureau	Mr. Shahid Javed Burki, Vice President, LAC
05/28/93	Mr. Yoshiji Nogami, Deputy Director-General Middle-East and African Affairs Bureau	Mr. Harinder Kohli, Director, MNA Mr. John Ijichi, Principal Cofinancing Adviser, MNA
05/27/93	Mr. Shohei Naitoh, Deputy Director-General Economic Cooperation Bureau	Mr. Harinder Kohli, Director, MNA Mr. John Ijichi, Principal Cofinancing, MNA
05/13/93	Mr. Shohei Naitoh, Deputy Director-General Economic Cooperation Bureau	Mr. Ismail Serageldin, Vice President, ESD
05/11/93	Mr. Shohei Naitoh, Deputy Director-General Economic Cooperation Bureau	Mr. Joseph Wood, SAS
04/27/93	Mr. Kawakami, Director General Mr. Ueda, Deputy Director General Economic Cooperation Bureau	Mr. Koji Kashiwaya, Vice President, CFS
04/02/93	Mr. Akira Urabe, Deputy Director-General Latin American and Caribbean Affairs Bureau	Mr. Shahid Husain, Vice president, LAC Mr. Miguel Rodriguez, Senior Adviser, LAC Mr. Rainer Steckhan, Director, LAC Mr. Edilberto Segura, Director, LAC Mr. Yoshiaki Abe, Director, LAC Mr. Ping-Cheung Loh, Director, LAC





# OFFICE MEMORANDUM

DATE: November 6, 1995

TO: Ms. Atsuko Horiguchi, EXC

FROM: Armeane M. Choksi, HCOVP 

EXTENSION: 31811

SUBJECT: **G-7 Halifax Communiqué Follow-up : Mr. Wolfensohn's Meeting with Mr. Kazuo Ogura, Deputy Foreign Minister of Japan on November 8, 1995**

1. Please find attached the one-page briefing notes for Mr. Wolfensohn's meeting. They follow the Halifax Agenda items that Mr. Good had identified in his memorandum to Mr. Wolfensohn:

IDA Replenishment

Private Sector Development

Poverty Reduction

Multilateral Debt: Assistance to Poorest Countries

Promoting Sustainable Development.

World Bank Governance

International Financial Institutions : Coordination and Cooperation

2. We have used our Halifax agenda data gathering system to put together these briefs and a note from Mr. Ian Scott on World Bank governance. Let me know if you need any more material on these issues.

Attachments

cc: Messrs./Ms. Alexander, Rajapatirana (OPR); Shakow (DCS), Scott (OBP)

## IDA Replenishment

You may wish to begin the meeting by noting that you made the strongest pitch for IDA at the Annual Meetings. You have received President Clinton's and Vice President Gore's strong support for IDA replenishment. And for the first time, important NGOs have gone on record in support of IDA replenishment.

- Of the total IDA-10 replenishment of \$13 billion, the US contribution is \$3.75 billion of which, \$1.64 billion remains due. Also, the combined amount of SDR 466 million from Italy and Kuwait remains due.
- The US House-Senate conference approved in late October, a FY96 budget appropriation of \$700 million for IDA-10, i.e., \$934 million short of the amount due.
- IDA-11 negotiations are well under way. The next meeting of IDA Deputies will be held in Luxembourg on November 17th and 18th and a subsequent meeting is likely to be in mid-December. You would value Japan's support at these meetings.
- The US has indicated its intention to clarify its pledge for IDA-11 after the FY96 budget is approved. Several countries have indicated their intention to exercise their right to withhold their contribution to IDA-10 pro-rata with the US shortfall. As a result, the actual amount of the IDA-10 replenishment still stands in doubt depending on the final outcome of the US budget processes and the extent to which others exercise their right to withhold their contributions.
- It is crucial that you receive the full support of the G-7 members for IDA replenishment for IDA-10 as well as for IDA-11. If the US were to base its IDA-11 contribution on IDA-10, you would have cumulative and unprecedented shortfalls and a funding crisis.
- In the meantime, the needs of IDA countries go on increasing. With a shortfall in IDA funds, we will be forced to reduce support for the poorest of the poor, recent democracies, and countries that are willing to undertake crucial reforms.
- The Deputy Minister may recall that the Halifax Communiqué urged all donor countries to "fulfill" promptly their commitments to IDA-10 and to support a "significant replenishment" for IDA-11. You cannot hope to achieve the other parts of the Halifax Agenda that G-7 expects from us without adequate IDA resources. You need Japan's support more than ever at this crucial juncture.



## **Private Sector Development (PSD)**

The Halifax Agenda has emphasized support for PSD in a variety of forms, in particular, support for the creation of an enabling environment and the use of guarantees for infrastructure development.

- You may wish to emphasize the larger role the Bank Group plays in this area. It includes policy advice and analytical services relating to medium-term macroeconomic policy (with our IMF colleagues), reforms of trade regimes, tax, price and regulatory systems as well as privatization. Loans and guarantees from the Bank Group are just one part of our services in support of PSD.
- No less potent support for PSD is what we do with the public sector to make it more efficient, deliver services to the private sector, and help reduce private sector costs through investment in infrastructure, environment, and support for social sector development.
- In FY95, the Bank undertook four guarantee operations mobilizing \$650 million in private debt financing for infrastructure projects totaling \$4.8 billion. By September, 1995 another \$200 million has been mobilized in private debt financing for infrastructure projects totaling \$3.1 billion.
- In FY95, IFC project financing on its own account rose to nearly \$3.0 billion in 213 projects. It also mobilized \$2.6 billion through syndications. Including financing from other sources, the total costs of projects supported by IFC rose to some \$19 billion. During FY96-98, IFC's annual investment will increase to \$4.0 billion.
- MIGA has delivered 164 contracts which have led to \$10 billion in private investment in 40 countries in the 6 years since it was created. In the past year, it has created 20 technical assistance programs to attract foreign investment in 54 countries, of which 30 were in Africa. MIGA has a pipeline of more than 300 applications from potential investors.
- We have launched a micro finance initiative this year under the aegis of the Consultative Group to Assist the Poorest with a fund of \$200 million. It is PSD at its most basic level – to provide small loans to help people who help themselves. There are now 15 donors to the Fund.

## Poverty Reduction

You may want to emphasize that this is the single most important item in the Halifax Agenda, and the reason for the Bank Group's existence. You may also refer to your Annual Meeting's speech in which you outlined the dimensions of the problem as the greatest challenge of our time, and noted the bitter irony of a cut in IDA funds when it is the first line of defense to help reduce poverty.

- We have outlined a strategy for reducing poverty that involves promoting broad based growth and policies that provide the poor better access to social services and safety nets.
- You may emphasize that your approach to poverty reduction is one of participation and partnership not only with governments but also NGOs as well. The problems are so horrendous that we need everyone's help. We need to understand the nature and the causes of poverty better. You like to see progress of poverty reduction actions on the ground. That's why you spent a good part of your time visiting the poorest countries.
- The Bank has begun to increase its lending to the basic social programs that attack the roots of poverty. During FY95, 32% of World Bank and IDA lending went to the program of targeted interventions for the poor. For IDA alone this proportion was 54%. We are making good progress in this area. But we have to do more.
- At the World Summit on Social Development, we announced our plans to increase social sector spending by 50% over the next three years. We will spend around \$15 billion for basic social sector needs and a further \$5 billion for water supply and sanitation programs. We recently announced plans to provide \$900 million a year for the next five years for girls education.
- One area which came under criticism in the past is the effect of structural adjustment policies in social expenditures. You want to assure the Deputy Minister, that great care is being taken at present to provide safety nets during adjustments. In a 1994 review of adjustment operations, we have found that 18 out of 23 adjustment operations advocated maintaining or increasing social expenditures. In the future, we will make sure that these expenditures are protected in all our adjustment operations.



## **Multilateral Debt: Assistance to the Poorest Countries**

You might refer to the Halifax Agenda item which indicated an interest by the G-7 countries to assist the poorest countries with the debt they owe to multilateral institutions. At the October meeting of the Development Committee, there was strong endorsement for this idea. Nothing concrete has been agreed upon at this moment.

- About 40% of the World's poorest countries are having unsustainably high debt burdens. The present value of their debts exceed more than 220% of their exports. Multilateral debt is a part of this burden. High debt discourages both domestic and foreign investment since the credibility of economic policy is undermined. Part of the funds that could be used to promote growth and address much needed social sector needs is used for debt service to multilateral institutions. While there are traditional means to help these countries with existing instruments , those would not be sufficient for a small group of countries. For them, the burden is too great.
- There is no universal solution to this debt overhang. We need to identify the dimensions of the need for relieving the burden of individual countries, and the design of measures that would address them without compromising the financial integrity of the parties that supply the funds. Obviously there are concerns surrounding moral hazards it may create, the competition between earmarked funds and new funds, and the likely contagion effects such relief could entail.
- During the first half of 1995, Bank staff explored potential measures to enhance the existing menu of IDA instruments to assist the heavily indebted poor countries and discussed them at the Bank's Board during last spring and with the IDA deputies in June 1995.
- Meanwhile in July, the Board approved a three-year extension of the Debt Reduction facility for IDA-only countries to support commercial debt buy-back operations. And in October, the Board of Governors agreed to transfer \$100 million from FY95 net income for the purpose.
- The Bank and the Fund staff are studying this issue. Our respective staffs will come up with some recommendations which we hope to be able to discuss at the April meeting of the Development Committee.



## Promoting Sustainable Development

You may indicate that the Halifax agenda identified the integration of environmental considerations in Bank Group programs and the creation of appropriate legal and structural frameworks as crucial for sustainable development.

- The Deputy Minister might note your strong personal commitment to the environment and the much wider concerns that the Bank is pursuing in this area. You spoke recently at the World Resources Institute outlining your views at a dinner in your honor and identified the dimensions of the environmental challenge facing the world.
- Ten years ago we had one environment project in our portfolio. Today we have 137 environmental projects under implementation, representing a total investment of \$23 billion. Over half of these projects were approved since the Rio Summit. In addition, over 200 projects in our portfolio now incorporate environmental considerations.
- All projects in the Bank and IFC are subject to environmental screening. No project can go forward without it. We have also looked at the existing portfolio to see whether they are consistent with our new standards.
- Our work in the environment has included the support for some 63 national environment action plans or equivalent documents, developing new methodologies to integrate economic, social and environmental factors in measuring wealth, and sector studies on different aspects of the environment ranging from forests, water, energy, transport and urban development to underpin environmental considerations in our lending and policy advice.
- In addition to our own portfolio, the Bank is the implementing agency for the Global Environment Fund and also supports the Multilateral Fund for the implementation of the Montreal Protocol.
- In the area of creating legal and structural frameworks for sustainable development, we have been active in providing advice on legal reforms in many regions – Africa, Central and Eastern Europe, and East Asia. This support has included advice on preparation and implementation of specific laws that relate to the environment, development of legal information, assistance to the judiciary, and strengthening of regulatory agencies.

## **World Bank Governance**

The Halifax Agenda indicated the need for reinforcing coherence, efficiency and effectiveness of the institution. You stated in your Annual Meeting speech that the Bank must adopt a results culture and judge performance by the impact of its work in the field. While there have been initiatives under Mr. Preston to improve efficiency, you are in the process of providing a framework for change, based on the principles that you have underlined: excellence, results orientation, and partnership.

- All six regions are engaged in initiatives to improve performance. For example:
  - Africa and MNA have initiated region-wide change programs within the parameters agreed by the Regional Management.
  - in the LAC Region changes are centered around the initiatives in the Mexico department to decentralize operations.
- We discussed the issues of decentralization with the Board in September and are working on a detailed proposal.
- Despite the apparent diversity of the regional initiatives , there is underlying convergence of the principles of client focus, participation, selectivity, technical excellence, partnership, and thematic flexibility.
- The central vice presidencies and other parts of the Bank are also refining their work. DEC is introducing innovations in nonlending services. HCO is leading the simplification of loan documents, rationalization of country assistance strategies, and exploration of ways to introduce greater flexibility in loan processing. FOD is introducing new financial operations to be responsive to the special needs of the market. ESD is transforming divisions to support sustainable global production systems. EXT is taking measures to increase the amount of information publicly available and improve the external audience's view of the Bank.
- You have established two working groups to come up with further ideas for change: one focused on professional excellence, the other on client responsiveness, results, and accountability.
- Within the larger framework that you have established, changes will take place based on the work of these committees. You have indicated a two-and-a-half-year horizon to change the Bank culture, its technical capacity, and the reward system to go with it.



## **International Financial Institutions — Coordination and Cooperation**

You believe that partnership with other institutions is a central tenet of our work; the challenges we face are enormous, the resources limited, and the number of agencies and organizations able to make a significant contribution is much more numerous than even a decade ago.

- You have developed close links with Michel Camdessus and you have changed the role of the Development Committee to make it an effective instrument of partnership.
- You have recently met with the heads of the regional banks, individually and as a group; and have begun to develop a close personal relationship with them.
- You will, for example, host another meeting of MDB heads in the next several months and Bank staff will meet with their counterparts beforehand to ensure that we address critical issues common to all our institutions. (These include MDB debt initiatives and the work of the Development Committee on MDB Task Force.)
- Given that this has to be a Bank-wide effort, each regional vice-presidency has established close working relations with the appropriate regional bank; above all, this would ensure increased effectiveness and cooperation.
- The IDB and the LAC region of the Bank carried out parallel reorganizations last year to make coordination easy at all levels. Joint loans to Mexico and Argentina in recent months have demonstrated our ability to work in tandem on critical issues with speed and agility. We are collaborating closely in Haiti. The IDB is also taking on responsibility for chairing some Consultative Groups.
- The AsDB and the Bank are collaborating on developing a coordinated country assistance strategy for Pakistan. In the Kyrgyz Republic, AsDB is taking the lead in the education sector while we are doing so in health. We are collaborating with EBRD on a number of projects but collaboration with AfDB is more difficult because of their funding problems.
- Clearly, more needs to be done, but the relationships are such that the MDBs now work increasingly closely with one another.

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THE WORLD BANK/IFC/M.I.G.A.

# OFFICE MEMORANDUM

DATE: October 19, 1995

TO: James Wolfensohn

FROM: Len Good 

EXTENSION: 8-0077

SUBJECT: **G-7 Follow-up**

Further to our September 28th meeting, below are the topics flowing from the Halifax Summit communiqué which I and my G-7 colleagues on the Board believe are the most important for you to address. They are not necessarily presented in order of importance:

1. IDA Replenishment
2. Private Sector Development
3. Poverty Reduction
4. Multilateral Debt
5. Sustainable Development
6. World Bank Governance/IFI Reform/Aid Effectiveness
7. IFI Coordination and Cooperation

The Halifax communiqué also promotes the World Bank's cooperation with the Ukraine on the continuation of economic reform and in devising a realistic long-term energy strategy. It should be noted that the communiqué refers to a number of other issues which the Bank may wish to comment upon.

cc.

Messrs. Autheman  
Evans  
Fischer  
Grilli  
Nishihara  
Ms. Piercy

Mr. Choksi







Halifax Summit

# COMMUNIQUE

June 15 - 17, 1995





## HALIFAX SUMMIT COMMUNIQUE

### PREAMBLE

1. We, the Heads of State and Government of seven major industrialized nations and the President of the European Commission, have met in Halifax for our 21st annual Summit. We have gathered at a time of change and opportunity, and have reaffirmed our commitment to working together and with our partners throughout the world.

### GROWTH AND EMPLOYMENT

2. The central purpose of our economic policy is to improve the well being of our people, allowing them to lead full and productive lives. Creating good quality jobs and reducing unemployment, which remains unacceptably high in too many of our countries, is thus an urgent priority for all of us. We are committed to establishing an economic environment conducive to the accomplishment of this goal.

3. We remain encouraged by the continued strong growth in much of the world's economy. While there has been some slowing, in most of our countries the conditions for continued growth appear to be in place and inflation is well under control. We will pursue appropriate macroeconomic and structural policies to maintain the momentum of growth.

4. Yet problems remain. Internal and external imbalances, together with unhelpful fluctuations in financial and currency markets, could jeopardize achievement of sustained, non-inflationary growth as well as the continued expansion of international trade.

5. We remain committed to the medium-term economic strategy that we earlier agreed upon. Consistent with it, we are determined to make the best possible use of the current economic expansion by taking steps to promote durable job creation. This requires determined action to further reduce public deficits, to maintain a non-inflationary environment and to increase national savings for the funding of a high level of global investment. Each country has to keep its own house in order.

6. We endorse the conclusions reached by G-7 Finance Ministers in Washington and ask them to maintain close cooperation in economic surveillance and in exchange markets.

7. Good fiscal and monetary policies will not on their own deliver the full fruits of better economic performance. We must also remove obstacles to achieving the longer-term potential of our economies to grow and create secure, well-paying jobs. This will require measures to upgrade the skills of our labour force, and to promote, where appropriate, greater flexibility in labour markets and elimination of unnecessary regulations. At Naples we committed ourselves to a range of reforms in the areas of training and education, labour market regulation and adjustment, technological innovation and enhanced competition. As we pursue these reforms, we welcome the initiation by the OECD of a detailed review of each member economy's structural and employment policies.



8. As a follow up to our discussions, we agree to ask ministers to meet in France before our next Summit to review the progress made in job creation and consider how best to increase employment in all of our countries.

9. We are also committed to ensuring protection for our aging populations and those in need in our societies. To this end, some of our countries must take measures to ensure the sustainability of our public pension programs and systems of social support. Similar attention is required in some of our countries to ensuring the availability of private sector pension funds.

10. We welcome the results of the G-7 Information Society conference held in Brussels in February, including the eight core policy principles agreed to by Ministers, and encourage implementation of the series of pilot projects designed to help promote innovation and the spread of new technologies. We also welcome the involvement of the private sector. We encourage a dialogue with developing countries and economies in transition in establishing the Global Information Society, and welcome the proposal that an information society conference be convened in South Africa in spring 1996.

### **MEETING THE CHALLENGES OF THE 21ST CENTURY**

11. International institutions have been central to our pursuit of stability, prosperity and equity for the past 50 years. Last year, in Naples, we called for a review of the international institutions to ensure that they are equipped to deal effectively with the challenges of the future. Today, in Halifax, we are proposing some concrete steps toward this goal. All countries have a stake in effective, efficient institutions. We pledge our full energies to strengthening the institutions in partnership with their entire membership to enhance the security and prosperity of the world.

#### **Strengthening the Global Economy**

12. The world economy has changed beyond all recognition over the last fifty years. The process of globalization, driven by technological change, has led to increased economic interdependence: this applies to some policy areas seen previously as purely domestic, and to interactions between policy areas. The major challenge confronting us is to manage this increased interdependence while working with the grain of markets, and recognizing the growing number of important players. This is especially important in the pursuit of global macroeconomic and financial stability.

13. Close consultation and effective cooperation on macroeconomic policies among the G-7 are important elements in promoting sustained non-inflationary growth avoiding the emergence of large external and internal imbalances, and promoting greater exchange market stability. Our Ministers have adopted a number of changes to the structure of their consultations over time, in order to strengthen policy cooperation, including enhanced consultation with the IMF.



14. The growth and integration of global capital markets have created both enormous opportunities and new risks. We have a shared interest in ensuring the international community remains able to manage the risks inherent in the growth of private capital flows, the increased integration of domestic capital markets, and the accelerating pace of financial innovation.

15. The developments in Mexico earlier this year and their repercussions have sharpened our focus on these issues. We welcome the recent more positive turn of events in Mexico, as well as the positive developments in a number of emerging economies.

16. The prevention of crisis is the preferred course of action. This is best achieved through each country pursuing sound fiscal and monetary policies. But it also requires an improved early warning system, so that we can act more quickly to prevent or handle financial shocks. Such a system must include improved and effective surveillance of national economic policies and financial market developments, and fuller disclosure of this information to market participants. To this end, we urge the IMF to:

- establish benchmarks for the timely publication of key economic and financial data;
- establish a procedure for the regular public identification of countries which comply with these benchmarks;
- insist on full and timely reporting by member countries of standard sets of data, provide sharper policy advice to all governments, and deliver franker messages to countries that appear to be avoiding necessary actions.

17. If prevention fails, financial market distress requires that multilateral institutions and major economies be able to respond where appropriate in a quick and coordinated fashion. Financing mechanisms must operate on a scale and with the timeliness required to manage shocks effectively. In this context, we urge the IMF to:

- establish a new standing procedure -- "Emergency Financing Mechanism"-- which would provide faster access to Fund arrangements with strong conditionality and larger upfront disbursements in crisis situations.

18. To support this procedure, we ask:

- the G-10 and other countries with the capacity to support the system to develop financing arrangements with the objective of doubling as soon as possible the amount currently available under the GAB to respond to financial emergencies;

19. To ensure that the IMF has sufficient resources to meet its ongoing responsibilities, we urge continued discussions on a new IMF quota review.



20. Solid progress on the elements discussed above should significantly improve our ability to cope with future financial crises. Nevertheless, these improvements may not be sufficient in all cases. In line with this, and recognizing the complex legal and other issues posed in debt crisis situations by the wide variety of sources of international finance involved, we would encourage further review by G-10 Ministers and Governors of other procedures that might also usefully be considered for their orderly resolution.

21. We continue to support the inclusion of all IMF members in the SDR system. Moreover, we urge the IMF to initiate a broad review of the role and functions of the SDR in light of changes in the world financial system.

22. Closer international cooperation in the regulation and supervision of financial institutions and markets is essential to safeguard the financial system and prevent an erosion of prudential standards. We urge:

- a deepening of cooperation among regulators and supervisory agencies to ensure an effective and integrated approach, on a global basis, to developing and enhancing the safeguards, standards, transparency and systems necessary to monitor and contain risks;
- continued encouragement to countries to remove capital market restrictions, coupled with strengthened policy advice from international financial institutions on the appropriate supervisory structures;
- Finance ministers to commission studies and analysis from the international organizations responsible for banking and securities regulations and to report on the adequacy of current arrangements, together with proposals for improvement where necessary, at the next Summit.

23. We also recognize that international financial fraud is a growing problem. We are committed to improving communication between regulators and law enforcement agencies.

### **Promoting Sustainable Development**

24. A higher quality of life for all people is the goal of sustainable development. Democracy, human rights, transparent and accountable governance, investment in people and environmental protection are the foundations of sustainable development. The primary responsibility rests with each country but bilateral and multilateral international cooperation is essential to reinforce national efforts. We are committed to securing substantial flows of funds and to improving the quality of our assistance.

25. IDA plays an indispensable role in helping to reduce poverty and integrate the poorest countries into the global economy. We urge all donor countries to fulfil promptly their commitments to IDA-10 and to support a significant replenishment through IDA-11. We look forward to the recommendations of the Development Committee's Task Force on Multilateral Development Banks.



26.

Multilateral institutions play a crucial role by providing intellectual leadership and policy advice, and by marshalling resources for countries committed to sustainable development. The United Nations and the Bretton Woods institutions should build on their respective strengths. The UN offers a unique forum for consensus building on global priorities, is an advocate for core values, and responds to development and humanitarian needs. The Bretton Woods institutions have a particular role in promoting macroeconomic stability, in supporting favourable environments for sustainable development and in mobilizing and transferring resources for development. We will work with the organizations and all their members to ensure relevant multilateral institutions:

- make sustainable development a central goal of their policies and programmes, including by intensifying and deepening the integration of environmental considerations into all aspects of their programmes;
- encourage countries to follow sound economic, environmental and social policies and to create the appropriate legal and structural framework for sustainable development;
- encourage countries to follow participatory development strategies and support governmental reforms that assure transparency and public accountability, a stable rule of law, and an active civil society;
- encourage the development of a healthy private sector, expand guarantees and co-financing arrangements to catalyze private flows, and increase credit for small and medium-sized enterprises;
- continue to provide resources for the infrastructure needed for sustainable development, where these are not available from the private sector.

27.

We agree on the need to actively support the peace process in the Middle-East. Such support would include the establishment of a new institution and financing mechanism enhancing regional cooperation. We therefore urge the Task Force already at work to continue its deliberations with an aim to arriving at a suitable proposal in time for the Amman summit next October.

### **Reducing Poverty**

28.

An overriding priority is to improve the plight of the world's poor. Persistence of extreme poverty and marginalization of the poorest countries is simply not compatible with universal aspirations for prosperity and security. Sub-Saharan Africa faces especially severe challenges. We will work with others to encourage relevant multilateral institutions to:



- focus concessional resources on the poorest countries, especially those in Sub-Saharan Africa, which have a demonstrated capacity and commitment to use them effectively, and take trends in military and other unproductive spending into account in extending assistance;
- direct a substantially increased proportion of their resources to basic social programmes and other measures which attack the roots of poverty.

(29)

We welcome the Paris Club response to our encouragement last year to improve the treatment of the debt of the poorest countries and urge the full and constructive implementation of the Naples terms. We recognize that some of the poorest countries have substantial multilateral debt burdens. We will encourage:

- the Bretton Woods institutions to develop a comprehensive approach to assist countries with multilateral debt problems, through the flexible implementation of existing instruments and new mechanisms where necessary;
- better use of all existing World Bank and IMF resources and adoption of appropriate measures in the multilateral development banks to advance this objective and to continue concessional ESAF lending operations.

(30)

Open markets throughout the world are also crucial to accelerated economic growth in the developing countries. Multilateral institutions should work to assist the integration of the poorest countries into the world trading system. We encourage the WTO to monitor and review the Uruguay Round's impact on the least developed countries.

### **Safeguarding the Environment**

31. We place top priority on both domestic and international action to safeguard the environment. Environmental protection triggers the development and deployment of innovative technologies, which enhance economic efficiency and growth and help create long term employment. In their policies, operations and procurement, G-7 governments must show leadership in improving the environment. This will require the appropriate mix of economic instruments, innovative accountability mechanisms, environmental impact assessment and voluntary measures. Efforts must focus on pollution prevention, the "polluter pays" principle, internalization of environmental costs, and the integration of environmental considerations into policy and decision making in all sectors.

32. We underline the importance of meeting the commitments we made at the 1992 Rio Earth Summit and subsequently, and the need to review and strengthen them, where appropriate. Climate change remains of major global importance. We will work with others to:

- fulfil our existing obligations under the Climate Change Convention, and our commitments to meet the agreed ambitious timetable and objectives to



follow up the Berlin Conference of the Parties;

- implement the medium term work program adopted pursuant to the Convention on Biological Diversity;
- conclude successfully the work of the CSD intergovernmental panel on forests, and promote a successful UN Conference on Straddling Fish Stocks and Highly Migratory Fish Stocks and international consensus at the next CSD session on action to deal with the problems of the world's oceans.

33. We encourage a clearer delineation of the mandates of the CSD and UNEP. CSD should be the global forum for identifying and agreeing upon long term strategic goals for sustainable development. UNEP should act as an international environmental voice and catalyst; it should focus on monitoring, assessment, and the development of international environmental law.

### Preventing and Responding to Crises

34. Disasters and other crises complicate the development challenge and have exposed gaps in our institutional machinery. To help prevent and mitigate emerging crises, including those with human rights and refugee dimensions, we will ask:

- the UN Secretary General to explore means to improve the analysis and utilization of disaster and conflict-related early warning information, particularly through the High Commissioners on Human Rights and Refugees;
- the Bretton Woods institutions and the U.N. to establish a new coordination procedure, supported as necessary by existing resources, to facilitate a smooth transition from the emergency to the rehabilitation phase of a crisis, and to cooperate more effectively with donor countries;
- the bodies involved in the provision of humanitarian assistance to cooperate more closely with the Department of Humanitarian Affairs in its assigned coordination role.

### Reinforcing Coherence, Effectiveness and Efficiency of Institutions

(35) To fulfil their missions effectively into the future, multilateral institutions must continue to undertake reforms and to improve coordination and reduce overlap. The international financial institutions have shown flexibility in responding to the changing needs of the world economy; there nevertheless remain a number of areas where improvements are desirable to better prepare the institutions for the challenges ahead. We will encourage:

- || the World Bank and the regional development banks to decentralize their



operations wherever possible;

- the IMF and World Bank to concentrate on their respective core concerns (broadly, macroeconomic policy for the IMF and structural and sectoral policies for the World Bank);
- revision of the Ministerial committees of the IMF and World Bank to promote more effective decision-making;
- the World Bank Group to integrate more effectively the activities of the International Finance Corporation and the Multilateral Investment Guarantee Agency into its country assistance strategies;
- the multilateral development banks to coordinate their respective country programmes more effectively with bilateral and other multilateral donors.

36. So as to allow the United Nations better to meet the objectives in its Charter, we will encourage broadening and deepening the reform process already underway, and will work with others to:

- complete the Agenda for Development, which should set out a fresh approach to international cooperation and define the particular contribution expected of UN bodies;
- develop a more effective internal policy coordination role for the Economic and Social Council (ECOSOC); encourage deeper cooperation between UN and specialized agencies both at headquarters and in the field; consolidate and streamline organizations in the economic and social fields, such as humanitarian relief and development assistance; and encourage the adoption of modern management techniques, with a more transparent and accountable Secretariat;
- update and focus mandates to avoid duplication; eliminate overlaps with new organizations, eg. UNCTAD with WTO, and consider the roles of certain institutions in light of evolving challenges, eg. Regional Economic Commissions and UNIDO;

We call upon Member States to meet their financial obligations and urge early agreement on reform of the system of assessment.

37. To increase overall coherence, cooperation and cost effectiveness we will work with others to encourage:

- rationalization of data collection, analysis, priority setting, and reporting activities, and greater complementarity in the provision of assistance at the country level;



- improved coordination among international organizations, bilateral donors and NGOs;
- all institutions to formulate and implement plans to effect significant reductions in operating costs over the next few years.

### **Follow-up**

38. These are our initial proposals to prepare multilateral institutions for the challenges of the next century. We intend to promote them actively, working together with the wider international community in all appropriate organizations. In particular, in the UN, we commit ourselves to working with other members to advance these goals. We will use the 50th anniversary celebrations in October 1995 to build consensus on these priorities with others. We will take stock at our meeting next year in France.

### **CREATING OPPORTUNITIES THROUGH OPEN MARKETS**

39. We recognize that new investment and increased trade are vital to achieving our growth and employment objectives. In a global market, opportunities for domestic and foreign producers and suppliers of goods and services depend as much on domestic policies as on external barriers. In order to improve market access, we intend to work for the reduction of remaining internal and external barriers.

40. We will implement the Uruguay Round Agreements fully, and reaffirm our commitment to resist protectionism in all its forms. We will build on the Agreements to create new opportunities for growth, employment and global cooperation. We will work together and with our trading partners to consolidate the WTO as an effective institution, and are committed to ensuring a well-functioning and respected dispute settlement mechanism. We endorse closer cooperation between the WTO and other international economic institutions. We recognize the importance of enhancing the transparency of the WTO.

41. We support accession to the WTO in accordance with the rules that apply to all of its members and on the basis of meaningful market access commitments. We are committed to ensuring that our participation in regional trade initiatives continues to be a positive force for the multilateral system.

42. The momentum of trade liberalization must be maintained. We are committed to the successful completion of current negotiations in services sectors and, in particular, significant liberalization in financial and telecommunications services. We will proceed with follow-up work foreseen in the Uruguay Round Final Act. We encourage work in areas such as technical standards, intellectual property and government procurement; an immediate priority is the negotiation in the OECD of a high standard multilateral agreement on investment. We will begin discussions on investment with our partners in the WTO. We recognize that initiatives such as regulatory reform have a particularly important contribution to make to trade liberalization and economic growth by removing administrative and structural impediments to global competition.



43. Consistent with the goal of continued trade liberalization, we will pursue work on:

- trade and environment to ensure that rules and policies in these different areas are compatible;
- the scope for multilateral action in the fields of trade and competition policy;
- trade, employment and labour standards.

44. We will work together with our partners in the WTO and other appropriate fora to create the basis for an ambitious first WTO Ministerial Meeting in Singapore in 1996.

### ECONOMIES IN TRANSITION

45. We recognize the progress of many countries in transition toward democratic, market-based societies. Early and determined macroeconomic stabilization has proven the most effective strategy to allow an early return to growth. To consolidate these gains, the process of far reaching structural reform must be pursued vigorously. We will continue our support for economic reform in the economies in transition, and their integration into the global trade and financial systems. We recognize their need for improved market access.

46. We welcome the good start Ukraine has made on its bold program of economic reform. The recent Stand-By Arrangement with the IMF provided the basis for substantial financial support by the international financial institutions and bilateral donors. We encourage Ukraine to continue its reform efforts in close cooperation with the international financial institutions. Assuming the continuation of strong economic reform, an additional \$2 billion in commitments could be available from the international financial institutions by the end of 1996.

47. We are encouraged by Russia's renewed commitments to financial stabilization and economic reform. Continued political reform is also necessary. We believe that a stable political, regulatory and legal environment, and the development of a modern financial sector, together with the full implementation of the policy measures outlined in the recently-signed IMF Stand-By Arrangement, will promote Russian economic recovery. We welcome the June 3 Paris Club debt rescheduling agreement and recognize the relevance of a comprehensive multilateral treatment of Russia's external public debt. We also note Russia's interest in working in close cooperation with the Paris Club.

### NUCLEAR SAFETY

(44-49)  
48. Each country is responsible for the safety of its nuclear facilities. We welcome progress to date in improving levels of nuclear safety in the countries of central and eastern



Europe and the Newly Independent States. We congratulate President Kuchma of Ukraine on his decision to close the Chernobyl nuclear power plant by the year 2000. We reaffirm the commitments of support made last year at Naples under the G-7 Action Plan for Ukraine's Energy Sector. We are pleased to note the replenishment of the EBRD Nuclear Safety Account and the commitment of bilateral resources for short-term safety upgrades and preliminary decommissioning work for the closure of Chernobyl. We invite other donors to join with the G-7 countries in contributing funds for this purpose.

(49)

In order to assist the closure of Chernobyl, we will continue our efforts to mobilize international support for appropriate energy production, energy efficiency and nuclear safety projects. Any assistance for replacement power for Chernobyl will be based on sound cost-effective and environmental criteria. The World Bank and EBRD should continue their cooperation with Ukraine in devising a realistic long-term energy strategy. They should increase their financial contribution in support of appropriate energy sector reform and energy conservation measures, and mobilize private sector support for energy investments.

#### NEXT SUMMIT

50. We have accepted the invitation of the President of France to meet in Lyon from June 27th to 29th, 1996.

Halifax, June 16, 1995





## JDW Meeting Aide Memoire

**When:** 17:00-17:20, Wednesday, 13 September 1995

**Where:** Deputy Minister's Office, Tokyo

**With:** Mr. Kazuo Ogura, Deputy Minister for Foreign Affairs

**Bank staff:** S. Miyamura (TOK), A. Horiguchi (EXC)

### **Main points raised:**

#### *Mr. Ogura*

- o Just returned from discussions about reform of IFIs in Vienna; agreement that the process was on the right track.
- o How can dynamic Asian economies contribute to the international community? (Was Ambassador to Hanoi until last month.)
- o Would like to intensify dialogue in-the-field assistance, e.g. feasibility of cofinancing, country strategy.

#### *JDW*

- o President Chirac stated publicly (in July in Geneva) that M. Camdessus and JDW should come to G7 meeting (in Lyons in 1996) to report progress on the Halifax Communique recommendations.
- . Meeting with M. Camdessus twice a month. Spent time together this summer with M. Camdessus and B. Boutros-Ghali. Along with R. Ruggiero, the four will spend September 30 at BBG's NY home.
- . Trying to organize meeting with heads of regional development banks.
- . Hope to be able to report back what actions taken to increase efficiency, instead of waiting for G7 instructions.

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## JDW Meeting Aide Memoire

**When:** 16:30-17:00, Wednesday, 13 September 1995

**Where:** Minister's Office, Ministry of Foreign Affairs

**With:** Mr. Yohei Kono, Minister of Foreign Affairs

**Bank staff:** S. Miyamura (TOK), A. Horiguchi (EXC)

### **Main points raised:**

#### *Minister Kono*

- o Congratulations. Thanks for JDW's role in the Emperor's US visit, including events at the Kennedy Center; heard reports from Ambassador Kuriyama (Japanese Ambassador to US). The visit left a deep impression on the Emperor and Empress; hope people of the US learned about their character.
- o Thanks on behalf of Government of Japan and MOFA for the Bank's support that Japan received in post-war period, when Japan was totally dilapidated. Today's aid fatigue is a difficult time for aid recipients. As a one-point recipient, Japan is determined to meet the needs of developing countries.
- o At the G7 Summit (in Halifax), there was much debate about reform of the UN and Bretton Woods institutions at their 50th year mark. It is important that we are mindful of our desire for the Bank to be more effective. Institutions should be related more organically -- organic coordination to enhance efficiency and effectiveness. It is only natural that there is room for improvement in international organizations after 50 years. Closer collaboration could have led to better effectiveness and served the purpose better.  
On JDW's initiatives for collaboration (see "JDW" below), they are good steps indeed. Appreciate efforts to bring various international organizations together but emphasize the need for each organization to coordinate with shareholders.

#### *JDW*

- o The Imperial couple "mixed with ease" with people for more than two hours at the Kennedy Center; they left an "indelible impression" among people. Have only photo of Empress with a kiss mark on HerRH's right cheek; an excited young singer kissed, the lady-in-waiting almost fainted.
- o "Heard loud and clear" the results of the G7 Summit, and have taken action as a result. On the first morning as Bank President, went to meet M. Camdessus and agreed to meet twice a month. Within two weeks, saw B. Boutros-Ghali and explained desire to work together better. Then with R. Ruggiero, the four met in Geneva, then the three (without Ruggiero) met in Wyoming. On September 30, the four will meet for a day together in New York, and will continue to meet every three months. In November, heads of UN agencies will come to



Washington to meet with [JDW] all day. Put forward proposal for an initiative for regional banks to get together to ADB President. Want to take action before receiving instructions from G7 sherpas. President Chirac has already invited M. Camdessus and JDW to the next Summit (in Lyons). Would rather be able to give Minister Kono a progress report (than receive G7 directives); hope the Minister regards the above as positive step.

- o Today, communicated to the heads of Japanese aid agencies JDW's desire to better understand Japanese policy and thinking, and requested extended follow-up meetings on regular basis to increase effectiveness.
- o Have been visiting Japan 50 times since 1961; have a strong understanding of Japan's importance. Have many friends in Japan, but with this new job, need to find new ways. Need to build relationships at MOF. Want [the Minister] to know that a "friend of Japan" is running the Bank. If there are any issues about which JDW should know, the Minister should feel free to call directly, or indirectly through the Japanese ED's office or the Bank's Tokyo office.

Correspondence:  
JDW & MOFA



**The World Bank**  
Washington, D.C. 20433  
U.S.A

JAMES D. WOLFENSOHN  
President

October 11, 1995

Mr. Kazuo Ogura  
Deputy Minister for Foreign Affairs  
Ministry of Foreign Affairs  
2-2-1, Kasumigaseki  
Chiyoda-ku, Tokyo 100  
JAPAN

Dear Mr. Ogura:

It was a great pleasure to visit you in Tokyo last month. I was encouraged by your Minister's assurance of the Government of Japan's commitment to continue its generous support of the World Bank, particularly in these challenging times for development assistance.

The single most important and serious problem I face today is IDA. I was certainly heartened by President Clinton's impassioned and unequivocal message in support of IDA at the World Bank/IMF Annual Meetings, and am committed as ever to do everything I can to preserve what I consider to be the bedrock of the Bank's work. I would be grateful for any personal support you may be able to provide me in this endeavor.

When we met in Tokyo, I was interested to know that you had just returned from Vienna, where you had participated in discussions about reform of IFIs and where there was general agreement that the process was on the right track. From the first day in office, I have been very mindful about the need to enhance the effectiveness of the Bank's work on the ground through *inter alia* cooperation with other IFIs. Indeed, the imperative for cooperation and partnership was one of the key messages in my speech at the Annual Meetings.

Through my *tour d'horizon* to some 25 borrower countries thus far, I have learned that development is a tough and complex business. No singular player has a monopoly on the solutions to the challenges of poverty and sustainable development. We -- the Bank, IMF, regional banks, UN system, WTO, bilateral donors, private sector, NGOs, civil society -- must all work together. I have personally been meeting with each of these partners, both in capitols and in field visits. It is my hope to put forth a progress report on cooperation at the next G7 Summit.

The Bank is extraordinarily grateful for the generosity of Japan, and I am personally committed to bringing our relationship to another level of dialogue. I look forward to building a close and fruitful relationship with you and your colleagues in the years ahead.

With my best personal wishes.

*As ever,*  
Sincerely yours,

A handwritten signature in dark ink, appearing to read 'James D. Wolfensohn', written in a cursive style.

James D. Wolfensohn



The World Bank  
Washington, D.C. 20433  
U.S.A

JAMES D. WOLFENSOHN  
President

October 11, 1995

His Excellency  
Yohei Kono  
Minister of Foreign Affairs  
2-2-1, Kasumigaseki  
Chiyoda-ku, Tokyo 100  
JAPAN

Dear Minister Kono:

It was a great pleasure to visit you in Tokyo last month. I was particularly grateful for your assurance of the Government of Japan's commitment to continue its generous support of the World Bank, particularly in these challenging times for development assistance.

I very much concur with your views about the desirability of the Bretton Woods institutions to enhance efficiency and effectiveness through *organic coordination*. Indeed, the imperative for cooperation and partnership was one of the key messages in my speech at the recent World Bank/IMF Annual Meetings. Through my *tour d'horizon* to some 25 borrower countries thus far, I have learned that development is a tough and complex business. No singular player has a monopoly on the solutions to the challenges of poverty and sustainable development. I am convinced that we must all work together, and am personally committed to seeing that the Bank forge new, working partnerships with not only the IMF and other multilateral development banks, but also with the UN system, the WTO, bilateral donors, the private sector, NGOs and civil society. I have personally been meeting with each of these partners, both in capitals and in field visits. It is my hope to put forth a progress report on cooperation among multilateral institutions at the next G7 Summit.

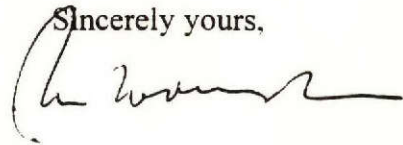
The single most important and serious problem I face today is IDA. I was certainly heartened by President Clinton's impassioned and unequivocal message in support of IDA at the World Bank/IMF Annual Meetings, and am committed as ever to do everything I can to preserve what I consider to be the bedrock of the Bank's work. I would be grateful for any personal support you may be able to provide me in this endeavor.

The Bank is extraordinarily grateful for the generosity of Japan, and I am personally committed to bringing our relationship to another level of dialogue, where we may benefit from discussions on the issues of mutual concern.

Japan is one of the Bank's most important partners. I look forward to building a close and fruitful relationship with you and your colleagues in the years ahead.

With my best personal wishes.

Sincerely yours,

A handwritten signature in dark ink, appearing to read 'J. Wolfensohn', with a large, stylized initial 'J'.

James D. Wolfensohn