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Folder Title: President Wolfensohn - Briefing Book for President's Meetings and Events - Luncheon - Vice Minister Takatoshi Kato - Semi-Annual Consultations - December 2, 1996

Folder ID: 30485864

Series: Meeting and event briefing materials

Dates: 05/08/1996 - 02/06/1997

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President Wolfensohn - Briefings Books for Presidents Meetings - Meeting Materials
Luncheon - Vice Minister Takatoshi Kato - Semi-Annual Consultations - December

Archive Management for the President's Office

Document Log

Reference # : Archive-01051

128

Edit

Print

A. CLASSIFICATION

☒	Meeting Material
☐	Trips
☐	Speeches

☐	Annual Meetings
☐	Corporate Management
☐	Communications with Staff

☐	Phone Logs
☐	Calendar
☐	Press Clippings/Photos

☐	JDW Transcripts
☐	Social Events
☐	Other

B. SUBJECT: LUNCHEON: VICE MINISTER TAKATOSHI KATO / SEMI-ANNUAL CONSULTATIONS (B) (N) // > > TOTAL ATTENDEES AT LUNCH:10 - Monday, December 2, 1996 1-2:30 p.m.
VENUE: KALORAMA RESIDENCE
CONTACT: MARY KEANE @ 80098 // AGENDA: MMB @ 85914 (JANE KIRBY-ZAKI)
WB ATTENDEES: JDW, SANDSTROM, MALLOCH-BROWN, MIKA IWASAKI (TOKYO OFFICE), (ASSISTANT > HANY)
JAPANESE ATTENDEES:
MR. TAKATOSHI KATO, VICE MINISTER
MR. MOTOMICHI IKAWA, DEPUTY DIRECTOR GENERAL
MR. MASATO KANDA, MOF REPRESENTATIVE
MR. ATSUKO NISHIHARA, EXECUTIVE DIRECTOR
MR. TATSUO YAMAZAKI, OFFICE OF THE VICE MINISTER
(N) SENT OUT BY ATSUKO HORIGUCHI (11/14)
(B) ATSUKO // DUE: NOVEMBER 26 NOON
EXC: ATSUKO // ALI (11/15)
& MEETING: VICE MINISTER TAKATOSHI KATO / SEMI-ANNUAL CONSULTATIONS (B) (N) - 2:30 -5:30 p.m.
VENUE: E1227 (CONF. RM.)
CONTACT: MARY KEANE @ 80098 // AGENDA: MMB @ 85914 (JANE KIRBY-ZAKI)
WB ATTENDEES: JDW, SANDSTROM, MALLOCH-BROWN, MIKA IWASAKI, (ASSISTANT > HANY)
JAPANESE ATTENDEES:
MR. TAKATOSHI KATO, VICE MINISTER
MR. MOTOMICHI IKAWA, DEPUTY DIRECTOR GENERAL
MR. MASATO KANDA, MOF REPRESENTATIVE
MR. ATSUKO NISHIHARA, EXECUTIVE DIRECTOR
(N) SENT OUT BY ATSUKO HORIGUCHI (11/14)
(B) ATSUKO // DUE: NOVEMBER 26 NOON
EXC: ATSUKO // ALI (11/15)

DATE: 12/02/96

This brief contains the following:

-Briefing Note; Overview by Mark Malloch Brown; Talking Points; Private Finances for Infrastructure; Asia Policy; Memo J. Linn on ECA/Japan Relations dated Dec. 3; IDA; HIPC Initiative; MIGA Capital Increase; Japanese Personnel; Cofinancing/PHRD; Borrowings; Intellectual Partnership; CG Meetings; Tokyo Office; New Cabinet Line-Up; ODA Budget
Minutes provided by Jane Kirby-Zaki, EXTVP

C. VPU

Corporate

- ☐ CTR
- ☐ EXT
- ☐ LEG
- ☐ MPS
- ☐ OED
- ☐ SEC/Board
- ☐ TRE

Regional

- ☐ AFR
- ☐ EAP
- ☐ ECA
- ☐ LAC
- ☐ MNA
- ☐ SAS

Central

- ☐ CFS
- ☐ DEC
- ☐ ESD
- ☐ FPD
- ☐ FPR
- ☐ HRO

Affiliates

- ☐ GEF
- ☐ ICSID
- ☐ IFC
- ☐ Inspection Panel
- ☐ Kennedy Center
- ☐ MIGA

D. EXTERNAL PARTNER

- ☐ IMF
- ☐ UN
- ☐ MDB/Other IO
- ☐ NGO
- ☐ Private Sector

- ☒ Part I
- ☐ Part II
- ☐ Other

E. COMMENTS:**File Location**

- ☐ EXC
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- ☒ Archives

Cleared By**Date:**

12/17/96

☐ View Update History

MARK MALLOCH BROWN
Vice President
External Affairs

November 26, 1996

Mr. James D. Wolfensohn

Jim,

Your Semi-Annual Consultations with Vice Minister Kato, Ministry of Finance, Japan
Monday, December 2, 1996

The consultations will include a luncheon at your residence from 1:00 to 2:30 p.m., followed by a meeting at the Bank thereafter until 5:00 p.m.

You have met Vice Minister Takatoshi Kato five times now, most recently at the time of the Annual Meetings. He will be accompanied by Mr. Motomichi Ikawa, who succeeded Mr. Hideichiro Hamanaka as IDA Deputy for Japan. Others present will include Mr. Atsuo Nishihara, Executive Director for Japan; Mr. Masato Kanda, Advisor to the Executive Director; Sven Sandstrom; Mika Iwasaki from EXT Tokyo; and myself.

Following is the agenda agreed upon through Mr. Nishihara's office:

1. Private Capital Flows for Infrastructure Development:
 Role of the World Bank Group
2. East Asia Policy: Enhancing Dialogue
3. IDA
 - update
 - procurement restrictions
 - long-term stability
4. HIPC Initiative
 - update since Development committee
 - Japanese participation
5. MIGA Capital Increase
6. Japanese Personnel

As you know, Sven was in Tokyo in late October, and met with Vice Minister Kato and Mr. Ikawa to follow up on Japan's proposal on infrastructure development, as well as on IDA and HIPCs.

Attached in the first tab is a summary of the agenda items and the CV's of Messrs. Kato and Ikawa for your easy reference. More detailed information on the agenda items as well as general background are contained in the further tabs.

World Bank/IFC/MIGA
O F I C E M E M O R A N D U M

DATE: November 27, 1996 06:19pm

TO: Bernard Pasquier (BERNARD PASQUIER)

FROM: Orsalia Kalantzopoulos, EXC (ORSALIA KALANTZOPOULOS)

EXT.: 82636

SUBJECT: RE: Brief for Meeting with Vice Minister Kato

Thanks, Bernard, for the input.

We will change from "Committee" to Group.

I did not incorporate your comment of "many" countries, as you have suggested earlier, because there was nothing concrete -- minutes, Board discussion -- I could put my hands on and support this point. But two countries, are not many, and we should be generous giving credit to the Japanese.

As you may recall, the outline and work program arrangements were discussed by the Executive Committee. The EVPs of IFC and MIGA are members of the committee.

Furthermore, as we discussed, the working group will include staff from IFC and MIGA so that the initiative clearly reflects a Group approach. In addition, the working group will obviously need to consult widely across the Bank Group, both early on and as work progresses.

We take your other points. There are clearly many omissions in this draft. After all this is a zero draft.

Again, thanks for the comments, and happy holiday,
Orsalia

CC: Richard Frank	(RICHARD FRANK)
CC: Sven Sandstrom	(SVEN SANDSTROM)
CC: Hany Assaad	(HANY ASSAAD)
CC: GREGORY INGRAM	(GREGORY INGRAM @A1@WBHQB)
CC: EXCMDC	(EXCMDC)

World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: November 27, 1996 02:42pm

TO: Orsalia Kalantzopoulos (ORSALIA KALANTZOPOULOS)
FROM: Bernard Pasquier, EXC (BERNARD PASQUIER)
EXT.: 30736

SUBJECT: RE: Brief for Meeting with Vice Minister Kato

Orsalia,

Thanks for the brief. It is too bad we could not get it in time for comments, but please find my inputs below anyways.

Proposed Workplan and Reporting Arrangements

I forwarded my earlier comments on this section, some of which have been taken into account. Mr. Kato might like to know that several other countries have expressed interest in such an initiative. In particular, Richard Frank discussed this with Mr. Peretz at the UK Treasury last week who expressed support. Also, the Dutch cofinancing delegation which visited this week is also very interested in helping, including through funding.

I'm not aware of the existence of the Private Sector Development Committee referred to in the reporting arrangements section. You must be thinking about the Private Sector Development Group. More generally, I believe it would be a good idea to have both IFC and MIGA comment early on, particularly if one wants to keep a meaningful group dimension to this exercise.

Zero Draft Outline

While the outline is good, the ultimate objective is unclear. What we should be aiming for is to find ways to leverage the Bank resources more effectively to provide basic infrastructure services (water, power etc) to the poor in our client countries. Another report is not going to achieve that, unless the recommendations are much more specific than even this "Zero Draft Outline" suggests. Please be aware that we are much more advanced than the draft suggests with respect to developing new catalytic instruments on a group basis.

Among the prospective catalytic instruments, the outline should mention that the ability to deal with government performance risks at the sub-national level is missing from the Bank Group arsenal. This has been singled out by Governments, bankers and developers as a key shortcoming in mobilizing private capital flows for infrastructure development, and is one of the products that the Guarantee Facility would offer.

With respect to the coordinating instruments section, I have the same comment as above on the need to bring IFC and MIGA on board early on.

I hope this is helpful,

Bernard

CC: Richard Frank	(RICHARD FRANK)
CC: Sven Sandstrom	(SVEN SANDSTROM)
CC: Jane Kirby	(JANE KIRBY)
CC: EXCMDC	(EXCMDC)
CC: Hany Assaad	(HANY ASSAAD)
CC: Africa ISC Files	(AFRICA ISC FILES)



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File Title President Wolfensohn - Briefing Book for President's Meetings - Meeting Material - Luncheon - Vice Minister Takatoshi Kato - Semi-Annual Consultations - December 2, 1996		Barcode No. 30485864
Document Date November 20, 1996	Document Type Memorandum	
Correspondents / Participants To: Mark Malloch Brown Akira Iida, MIGEX		
Subject / Title Re: Mr. Wolfensohn's Semi-Annual Consultations with Japan: Meeting with Vice Minister Kato, December 2, 1996		
Exception(s) Information Provided by Member Countries or Third Parties in Confidence		
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.
		<table border="1"><tr><td>Withdrawn by Diego Hernández</td><td>Date March 27, 2025</td></tr></table>
Withdrawn by Diego Hernández	Date March 27, 2025	

World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: November 15, 1996 06:39pm

TO: Nicholas Hope (NICHOLAS HOPE@A1@WBHQB)

FROM: Jane Armitage, EXTVP (JANE ARMITAGE@A1@WBHQB)

EXT.: 81114

SUBJECT: Mr. Wolfensohn's Semi-Annual Consultations with Japan:
meeting with Vice Minister Kato, December 2, 1996

Nick,

EXT has been asked to prepare a briefing package for Mr. Wolfensohn's meeting with Vice Minister Kato on December 2.

As you will note from the attached EM, one of the main topics for discussion is "East Asia Policy: Enhancing Dialogue." We understand that this refers to the Ministry of Finance's desire to have a more direct dialogue with the Bank on policy issues in major countries. They mentioned this to Mr. Wolfensohn during his last meetings in Tokyo in May 1996.

We will need a briefing note from you that represents the East Asia Region's suggested response on this issue and any brief background information you would suggest.

Given the Thanksgiving holidays, our objective is to finalize the briefing package by Wednesday, November 27. Therefore, could we have your contribution by noontime of Monday, November 25 at the latest?

Mika Iwasaki of the Tokyo Office will be in Washington as of November 20 to prepare for these meetings. She will be in contact with your office to touch base about this. In the meantime, please feel free to contact Jane Kirby-Zaki or myself with any questions.

Many thanks, and best regards,

Jane

CC: SVEN SANDSTROM	(SVEN SANDSTROM@A1@WBWASH)
CC: MARK MALLOCH BROWN	(MARK MALLOCH BROWN@A1@WBWASH)
CC: ATSUKO HORIGUCHI	(ATSUKO HORIGUCHI@A1@WBWASH)
CC: HANY ASSAAD	(HANY ASSAAD@A1@WBWASH)
CC: SATORU MIYAMURA	(SATORU MIYAMURA@A1@WBWASH)
CC: MIKA IWASAKI	(MIKA IWASAKI@A1@WBWASH)
CC: JANE KIRBY	(JANE KIRBY@A1@WBWASH)

World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: November 15, 1996 06:37pm

TO: Dorothy Berry (DOROTHY BERRY@A1@WBHQB)

FROM: Jane Armitage, EXTVP (JANE ARMITAGE@A1@WBHQB)

EXT.: 81114

SUBJECT: Mr. Wolfensohn's Semi -Annual Consultation with Japan:
Meeting with Vice Minister Kato, December 2, 1996

Dorothy,

EXT has been asked to prepare a briefing package for Mr. Wolfensohn's meeting with Vice Minister Kato on December 2.

As you will note from the attached EM, one of the main topics for discussion is the Japanese staffing situation in the Bank. Could we request from you a short note describing where things stand and any issues that Mr. Wolfensohn should raise or that you expect the Vice Minister will raise. Could we also request the necessary background statistics on current staffing and the exchange program?

Given the Thanksgiving holidays, our objective is to finalize the briefing package by Wednesday, November 27. Therefore, could we have your contribution by noontime of Monday, November 25 at the latest?

Mika Iwasaki of the Tokyo Office will be in Washington as of November 20 to prepare for these meetings. She will be in contact with your office to touch base about this. In the meantime, please feel free to contact Jane Kirby-Zaki or myself with any questions.

Many thanks, and best regards,

Jane

CC: SVEN SANDSTROM	(SVEN SANDSTROM@A1@WBWASH)
CC: MARK MALLOCH BROWN	(MARK MALLOCH BROWN@A1@WBWASH)
CC: ATSUKO HORIGUCHI	(ATSUKO HORIGUCHI@A1@WBWASH)
CC: HANY ASSAAD	(HANY ASSAAD@A1@WBWASH)
CC: SATORU MIYAMURA	(SATORU MIYAMURA@A1@WBWASH)
CC: MIKA IWASAKI	(MIKA IWASAKI@A1@WBWASH)
CC: JANE KIRBY	(JANE KIRBY@A1@WBWASH)
CC: Kei Kawabata	(KEI KAWABATA@A1@WBHQB)

1 L - I N - 1 N O T E

DATE: 15-Nov-1996 06:19pm

TO: NAWAL KAMEL (NAWAL KAMEL @A1@WBHQB)

FROM: Jane Kirby, EXTVP (JANE KIRBY)

EXT.: 80576

SUBJECT: Mr. Wolfensohn's Semi-Annual Consultations with Japan:
Meeting with Vice-Minister Kato, December 2, 1996

Nawal,

EXT has been asked to prepare a briefing package for Mr. Wolfensohn's meeting with Vice Minister Kato on December 2.

As you will note from the attached EM, one of the main topics for discussion is the HIPC Debt issue and Japan's role in it. Can we request from you a short note describing where things stand and any issues that Mr. Wolfensohn should raise or that you expect the Vice Minister will raise.

Given the Thanksgiving holidays, our objective is to finalize the briefing package by Wednesday, November 27. Therefore, could we have your contribution by noontime of Monday, November 25 at the latest?

Mika Iwasaki of the Tokyo Office will be in Washington as of November 20 to prepare for these meetings. She will be in contact with your office to touch base about this. In the meantime, please feel free to contact Jane Armitage or myself with any questions.

Many thanks, and best regards,

Jane

CC: Sven Sandstrom	(SVEN SANDSTROM)
CC: Mark Malloch Brown	(MARK MALLOCH BROWN)
CC: JANE ARMITAGE	(JANE ARMITAGE @A1@WBHQB)
CC: Axel Van Trotsenburg	(AXEL VAN TROTSENBURG)
CC: SINA HUSAIN	(SINA HUSAIN @A1@WBHQB)
CC: Atsuko Horiguchi (o/r)	(ATSUKO HORIGUCHI)
CC: Hany Assaad	(HANY ASSAAD)
CC: Satoru Miyamura	(SATORU MIYAMURA)
CC: Mika Iwasaki	(MIKA IWASAKI)

i L - I N - 1 N O T E

DATE: 15-Nov-1996 06:19pm

TO: Paula Donovan (PAULA DONOVAN)

FROM: Jane Kirby, EXTVP (JANE KIRBY)

EXT.: 80576

SUBJECT: Mr. Wolfensohn's Semi-Annual Consultations with Japan:
Meeting with Vice-Minister Kato, December 2, 1996

Paula,

EXT has been asked to prepare a briefing package for Mr. Wolfensohn's meeting with Vice Minister Kato on December 2.

As you will note from the attached EM, one of the main topics for discussion is IDA. Could we request from you a short note describing where things stand and any issues that Mr. Wolfensohn should raise or that you expect the Vice Minister will raise. Could we also request updated tables showing total contributions to the ITF, IDA11, and cumulative IDA contributions, for all donors?

Given the Thanksgiving holidays, our objective is to finalize the briefing package by Wednesday, November 27. Therefore, could we have your contribution by noontime of Monday, November 25 at the latest?

Mika Iwasaki of the Tokyo Office will be in Washington as of November 20 to prepare for these meetings. She will be in contact with your office to touch base about this. In the meantime, please feel free to contact Jane Armitage or myself with any questions.

Many thanks, and best regards,

Jane

CC: Sven Sandstrom	(SVEN SANDSTROM)
CC: Mark Malloch Brown	(MARK MALLOCH BROWN)
CC: JANE ARMITAGE	(JANE ARMITAGE @A1@WBHQB)
CC: Atsuko Horiguchi (o/r)	(ATSUKO HORIGUCHI)
CC: Hany Assaad	(HANY ASSAAD)
CC: Satoru Miyamura	(SATORU MIYAMURA)
CC: Mika Iwasaki	(MIKA IWASAKI)
CC: Enrique Rueda-Sabater	(ENRIQUE RUEDA-SABATER)

Tr - World Bank/IFC/MIGA
C F I C E M E M O R A N D U M

DATE: November 14, 1996 05:00pm

TO: See Distribution Below

FROM: Atsuko Horiguchi, EXC (ATSUKO HORIGUCHI)

EXT.: 84256

SUBJECT: Vice Minister Kato's Visit

A couple of things to note on the attached:

* We thought of inviting Gautam for lunch so they could discuss East Asia Policy, but he is away that day for an OVPS retreat.

* On East Asia Policy: MOF would like to have a more direct dialogue with the Bank on major countries. They mentioned this at the last meeting in Tokyo (May 1996).

* Mark and I agreed that it would not be advisable from our end to have different participants for different topics in the afternoon meeting.

* Please do not commit to a date for the next meeting, yet. It would certainly be well in advance of the Annual Meetings in HK.

* Thank you (Jane, Mika) so much for taking care of the briefs, minutes and follow-up letter.

Bon chance!

Atsuko

DISTRIBUTION:

TO: Sven Sandstrom	(SVEN SANDSTROM)
TO: Mark Malloch Brown	(MARK MALLOCH BROWN)
TO: JANE ARMITAGE	(JANE ARMITAGE @A1@WBHQB)
TO: Jane Kirby	(JANE KIRBY)
TO: Satoru Miyamura	(SATORU MIYAMURA)
TO: Mika Iwasaki	(MIKA IWASAKI)
CC: Hany Assaad	(HANY ASSAAD)

World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: November 14, 1996 04:50pm EST

TO: ATSUGO NISHIHARA (ATSUGO NISHIHARA @A1@EDSEL)

FROM: Atsuko Horiguchi, EXC (ATSUKO HORIGUCHI)

EXT.: 84256

SUBJECT: JAPAN: Semi-Annual Consultations
Vice Minister Kato's Visit to Washington

Mr. Nishihara:

I am pleased confirm the semiannual consultations between Vice Minister Kato and Mr. Wolfensohn on Monday, 2 December.

As I will be away, I would like to summarize our understandings based on discussions between ED's office, Tokyo office, EXT and EXC:

Meeting Participants

Mr. Takatoshi Kato, Vice Minister
Mr. Motomichi Ikawa, Deputy Director General
1 additional MOF representative (ED's office to advise)

Mr. Atsuo Nishihara

Mr. James Wolfensohn
Mr. Sven Sandstrom
Mr. Mark Malloch Brown
Ms. Mika Iwasaki

Schedule

1:00-2:30 pm Lunch hosted by Mr. Wolfensohn
venue: TBA (Jane Holden to advise)

2:30-5:30 pm Meeting based on agenda (below)
venue: World Bank E Building
Conference Room E-1227

Agenda

- 1 Private Capital Flows for Infrastructure Development:
Role of the World Bank Group
- 2 East Asia Policy: Enhancing Dialogue

- 3 IDA
 - . update
 - . procurement restrictions
 - . long-term stability
- 4 HIPCs Initiative
 - . update since Development Committee
 - . Japanese participation
- 5 MIGA Capital Increase
- 6 Japanese Personnel

Contact

- * Mark Malloch Brown (x85914) or Jane Kirby Zaki (x80576) at EXT regarding the program.
- * Jane Holden (x82907) at EXC regarding the lunch.

Thank you very much and best regards

Atsuko

CC: RINTARO TAMAKI	(RINTARO TAMAKI @A1@EDSEL)
CC: Sven Sandstrom	(SVEN SANDSTROM)
CC: Jessica P. Einhorn	(JESSICA EINHORN)
CC: Richard Frank	(RICHARD FRANK)
CC: Caio Koch-Weser	(CAIO KOCH-WESER)
CC: GAUTAM KAJI	(GAUTAM KAJI @A1@WBHQB)
CC: Mark Malloch Brown	(MARK MALLOCH BROWN)
CC: JANE ARMITAGE	(JANE ARMITAGE @A1@WBHQB)
CC: Jane Kirby	(JANE KIRBY)
CC: Satoru Miyamura	(SATORU MIYAMURA)
CC: Mika Iwasaki	(MIKA IWASAKI)
CC: Hany Assaad	(HANY ASSAAD)
CC: ALLISON TSATSAKIS	(ALLISON TSATSAKIS @A1@WBHQB)
CC: Jane Holden	(JANE HOLDEN)
CC: LAI FOONG GOH	(LAI FOONG GOH @A1@WBHQB)
CC: Wendy Plumley	(WENDY PLUMLEY)
CC: Orsalia Kalantzopoulos	(ORSALIA KALANTZOPOULOS)
CC: Gerard Rice	(GERARD RICE)

L - I N - 1 N O T E

DATE: 11-Oct-1996 06:17am EST

TO: Mark Malloch Brown

(MARK MALLOCH BROWN)

FROM: Satoru Miyamura, TOKDR

(SATORU MIYAMURA)

EXT.:

SUBJECT: Re: Mr. Wolfensohn/Tokyo

Mark:

Yesterday, 10th of October is a national holiday of Japan and today I am very much occupied with my schedule as well. Therefore, I didn't have enough time to check the records of Mr. Wolfensohn's meetings. However, the followings are lists of commitments that Mr. Wolfensohn made in Tokyo on his last trip which I feel have not been adequately followed-up on:

1. Regular Consultations on Certain Asian Countries

Mr. Kato has proposed on having regular consultations between World Bank and Japanese Government (led by MOF) to discuss about certain Asian countries such as Indonesia, Philippines, Vietnam and India, and this, Mr. Wolfensohn also agreed upon.

However, from what I understand, there has no follow-up being done on this issue. This regular consultations is solely organized for Japanese Government and the World Bank, and it is differed from that of JEXIM and OECF's, which has existed long before.

2. Japanese Staffing Issue

Mr. Wolfensohn promised on follow-up of Japanese staffing strategy to Mr. Kato and remarked optimistic view of increase of Japanese staffs in press conference. While Ms. Berry is fully aware of the necessity to follow-up, we can't say this strategy has been followed up properly to date. Japanese Government is expecting the World Bank to have result-oriented stance in this issue as well.

3. Partnership on the grounds

OECF and MOFA have proposed on strengthening partnership of its branch offices in developing countries and World Bank's resident offices during Mr. Wolfensohn's visits to Japan last September and this year in May, and there was a positive reply from Mr. Wolfensohn's side. I myself do not know full details of the current status quo, however, I am a bit concerned whether this has been properly followed up.

Best regards.

Satoru

cc: Mika Iwasaki

(hard copy)

CC: Atsuko Horiguchi
CC: Jane Kirby

(ATSUKO HORIGUCHI)
(JANE KIRBY)

A L L - I N - 1 N O T E

DATE: 06-Feb-1997 03:09pm

TO: Atsuko Horiguchi

(ATSUKO HORIGUCHI)

FROM: Jane Kirby, EXTVP

(JANE KIRBY)

EXT.: 80576

SUBJECT: RE: URGENT: Minutes from Kato-JDW Meeting, 2 Dec 96

Atsuko,

Mika did a set of really detailed minutes that are not in any way sanitized - they reflect what was said quite literally.

For this reason, Mark had wanted me to rewrite them for wider circulation, but I have not had time to do this. Anyway, I am sending you a copy now. Of course, it is fine for any of the MD's to see these minutes, but I am hesitant to circulate them widely in the Bank.

Thanks,

Jane



CC: Monica Liley
CC: Wendy Plumley

(MONICA LILEY)
(WENDY PLUMLEY)

CONFIDENTIAL

JDW Meeting Aide Memoire
(Confidential, Internal Draft)

DECLASSIFIED

MAR 20 2025

WBG ARCHIVES

When: Monday, 2 December 1996, 1:00-2:30 (lunch)/2:30-5:00

Where: JDW's Residence/Conference Room E-1227

With: **Mr. Takatoshi Kato, Vice Minister of Finance**
for International Affairs

Mr. Motoichi Ikawa, Deputy Director-General,
International Finance Bureau

Mr. Tastuo Yamazaki, Director, Office of the Vice Minister
for International Affairs

Mr. Atsuo Nishihara, Japanese Executive Director

Mr. Rintaro Tamaki, Japanese Executive Director Alternate (meeting only)

Mr. Masato Kanda, Advisor to the Japanese Executive Director

Bank Staff: S. Sandström (EXC); M. Malloch Brown (EXTVP); H. Assaad (EXC); O.
Kalantzopoulos (EXC, meeting only); M. Iwasaki (TOK)

Main Topics Raised:

1. East Asia Policy (India, Pakistan, and China)
2. Medium-Term Bank Business Strategy
3. MIGA Capital Increase
4. Funding Operations
5. Private Capital Flows for Infrastructure Development
Role of the World Bank Group
6. IDA
Update
Procurement Restriction
7. HIPC Initiative
Update since Development Committee
Japanese participation
8. Support for TOK
9. Japanese Personnel
10. Russia

Follow-up Required:

- Check with TRF about funding activities in JPY.
- Look into possibilities of increasing the number of Japanese personnel at IFC.

*Asia Policy***DECLASSIFIED****MAR 20 2025****WBG ARCHIVES****India****JDW**

- I spent a full week in India, visiting four or five states, and was impressed by its immense potential.
- Regarding the power development, unless you have the central government's guarantee, investors look to the state governments for guarantees. But tariffs are typically heavily subsidized and electricity theft is widespread. Agricultural tariffs cover less than 10 percent of costs. These companies are running down. States are not fiscally sound. In Orissa, power sector reforms are taking place. Reforms cannot be done overnight. But the Prime Minister wants to do it. The Finance Minister wants to do it. They are all prepared to do it. They want social assistance from us during the transition period.
- India is a country of enormous ethnic and cultural diversity. 60 percent of all Indians still live in villages. Thus, assistance to rural development is very much in our business. For example, we provide assistance to the small- and medium-scale industries.

Mr. Kato

- India possesses a large pool of highly qualified manpower.
- During his recent visit to Tokyo, Mr. Chidambaram, India's Finance Minister affirmed that the new coalition government will maintain the policy of the previous government. I understand that there has been increasing interest in India from the private sector, especially from Europe and the US. (JDW stated the Europeans are more interested in India than the Americans.)
- Investors seem to feel India is more predictable since it has a legal framework. For this same reason, they are reluctant toward China.

SS

- Since lowering the subsidies were a long-standing issue, the Bank had to reduce lending in power at one point in the past.

China**JDW**

- India will have ups and downs, but will make it. India has got good people. A gigantic democratic experiment may work. In China, eventually it will. I can't tell if political tension is possible. I do not know if the central nature of control in China is good. India is less organized but will be successful.

Mr. Kato

- The local governments are powerful and try to be independent. It is hard to observe decision making at the center from the outside.
- I just went to Hong Kong. They looked very comfortable, but such a vast diversity of per capita incomes within the same country looks artificial.

Medium-Term Bank Business Strategy**JDW**

- We have to provide new services addressing to a new set of questions. The Bank is no longer a post-World War II reconstruction bank. By taking advantage of accessible technological advances, the Bank should become a "Knowledge Bank," a central information depository of development as a server to OECF, the regional banks, etc. Knowledge can be made available on-line. It is not an exotic novelty, but a responsibility of the Bank.
- Currently, even if we have experiences in four to five different regions, no single place gathers all that information. Canada, Japan, ADB may have better experiences. The economic rationale tells us a central depository is essential. It is great for the Bank as well, for it is in line with the recent Network initiative. We should have an editorial committee including bilateral representatives.
- Our business is not on lending. We only get a quarter of a percent spread on our lending. Our earnings essentially come from earnings on our capital.
- The regional banks are dying for the idea. Fund's Michael is keen on the financial management educational aspect.
- This will entail new costs to us. Money is needed for software. If we do it now, it will pay off in the future. The amount of money required is trivial. It will be about \$100-150 million. We should charge some. We can do it privately.
- We will save enormous money. Big savings will come from borrowing countries. Borrowers will have access to the information on-line needed for their development without traveling. It will give tremendous power to borrowers, where we try to build capacity.

Mr. Kato

- Although I cannot speak for the Board, the Bank is expected to provide new instruments. "Knowledge Bank" seems to be convincing. The Bank is at a crossing point. You can sell the idea by pointing out that it will reduce the staffing burden of the regional offices.
- You need a good system design.

Other Topics at Lunch

- New Japanese Cabinet
- New US Administration
- Agenda of the Next Summit Meeting
- Tokyo's Big Bang

- Industrialists' Day (Mr. Makihara, President of Mitsubishi Corporation, will be attending the meeting)
- Japanese economy

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Mr. Kato

- We look forward to the Board discussion.
- We support your initiatives such as shift from the approval culture, simplification of loan efforts, etc.

WBG ARCHIVES**JDW**

- We will present to the Board approaches to bring the place up to the standard, about the necessary funding, and cost cutting activities. We want to be transparent.
- (Responding to Mr. Kato's question if the country exposure limit issue will be included in the discussion). It will be included in the discussion. China will be the one which requires an immediate review. We are preparing a paper.

SS

- The paper will be ready after JDW's discussion with the management on the overall framework.

MIGA Capital Increase**Mr. Kato**

- MIGA's headroom is getting lower.

JDW

- I have asked Mr. Iida to prepare a business plan. Before getting into discussions on the capital increase, you have to have a business plan. The current proposal is to have it by February. But I asked him to come up with it by January.
- The Chinese arrangement with the Bank or IFC could be possible. Mr. Shihata will take a look at it.

Single Currency**Mr. Kato**

- I hope you will have a broader view. Currency pool could be a wiser choice.

JDW

- As I said before, we will review it in two years. Single currency could be greater risk. Borrowers should have options. All we want to give is options to reflect their currency needs and preferences. Experiences show borrowers are not hedging against the existing position. It appears they are going to look into new lending. Some are waiting to learn more.

Funding Operations

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Mr. Kato

- TOK is doing a good job on a cost basis. The volume of JPY funding activities has declined. I am in the minority, but I have some, not strong, concerns about raising funds through dual currency deals (NZD, AUD) from the long-term World Bank instruments point of view because these currencies are volatile against JPY. The Bank could be blamed for investors' losses.

JDW

- I understand we have not taken any specific measures against JPY borrowing. We have raised a total of JPY100 billion in medium- to long-term borrowings after swaps during FY97. A large part of borrowings in non-JPY currencies have been placed with Japanese investors. But we will look into the matter. (MMB was asked by JDW to remind him about this.)

Private Capital Flows for Infrastructure Development

SS

- We will form a working group. Some will come on a full-time basis.
- We are planning to review the Bank's instruments (guarantee products, MIGA's capital increase, etc.) and identify gaps where we have to do more such as the expansion of advisory services, more support for project preparation (establishing facility to provide project preparation against fee, etc.).
- By the time of the Spring Meetings, we will have a full study of the history and instruments, and may have the first outline of new initiatives, which could possibly be launched at the Annual Meetings in Hong Kong.
- We have started to make contacts with the regional banks, and the private sector. At the meeting with the regional banks in London in two weeks' time, we will take this up and get them fully aware of and engage them in the study.
- The government guarantee program, which Mr. Fukui is in charge of, has a lot of room to expand. Mr. Fukui's office has been strengthened. Mr. Shapiro has joined Mr. Fukui's office.
- Non-government guarantee is still a problem. In the past, the Bank never had to go back to projects only to recover its loans. Project risks are with governments, not with the Bank. I am afraid my successor may accuse me seven years down the road if I go ahead with the guarantee without government counter guarantee. The Bank has no experience in project risk. If the Board tells us to do it, we can do it. Since it is not agreed in the charter, we can set up a new legal entity. Then the Board has to put money, which is another headache at the Bank. EBRD is doing it since they are licensed to do it. We do not have people. IFC and MIGA may have some people. The Bank has to have people handle and find out how to charge guarantee fees if the tendency is moving away from the counter guarantee scheme. If it is such a good business, why not insurance companies cannot do it. We should look at effects on the credit standing of the Bank. I agree needs are there, but we have to think it through.

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WBG ARCHIVED**Mr. Kato**

- India is discussing with JEXIM about the possibility of untied loans without government guarantee.
- The recent APEC Economic Leaders Meeting emphasized in a declaration issued upon its completion that infrastructure financing is a primary matter. The Finance Ministers asked us to look at it.
- The theme of the next Keidanren-World Bank Annual Meeting is private infrastructure development. This will provide a good opportunity to hear views of the private sector. On our part, we will continue dialogue with the Japanese private sector.

IDA**JDW**

- Mr. Rubin must deal with the procurement restriction issue before releasing the next tranche. President Clinton told me the last thing he wants to do is to damage IDA. It depends on how strong President Clinton will emphasize international aid in his State of the Union speech. That will set the agenda.
- Please tell the people at the Treasury when you meet with them that the world is watching how President Clinton will speak at the State of the Union speech.
- Someone from G-7 countries who know Mr. Rubin should go to ask him about the current status. If you could go to ask him it is great. He has a huge influence over President Clinton.
- It is critical for the US to come up with a credible number.

SS

- Approximately \$1 billion is needed to clear the US arrears. A credible move to clear arrears on the US part will help to solve the procurement issue.
- ITF is already up and running. If the restriction is lifted in February, one-third of the ITF will be subject to the restriction. If in June, two-thirds will be affected.
- The IDA deputies meeting in February will be a good timing to solve the issue.

Mr. Ikawa

- I went to Europe a month ago. They wanted a very firm commitment from the US before they become flexible.

Mr. Kato

- We have to propose an IDA-11-related bill to the Diet. If the US fails to meet its commitment, the Diet members will raise questions. We need the US's full commitment to fulfill its obligation.

HIPC Initiative**Mr. Kato**

- I do not have much to say. I understand the first meeting was held in Paris.

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- We do not have any country specific interest in any of the countries currently under consideration. If Myanmar comes forth, then we might have country specific interest.

SS

- We are considering six countries. Uganda would be the first country to reach a decision point (by March). We expect that Bolivia, Burkina Faso, Cote d'Ivoire and Guyana and Mozambique could be presented to the Board soon. But their decision point is not before the Spring Meetings. Technical work with the Paris Club arrangement is being delayed.
- About eight countries indicated they are ready to contribute to the Trust Fund. These are very small traditional donors. They need some contributions from the G-7 countries. General expectation is Germany and France would come along with the Fund. France might go for country specific funds. Among the eight countries, Denmark indicated \$60 million as their contribution.

Mr. Ikawa

- We have contributed a lot to IDA, AfDF, etc., while some Nordic countries did not. Their contributions this time could make up for that.

Support to TOK

Mr. Kato

- We appreciate your support for the expansion of the TOK office and the recruitment of a CG coordinator.
- So far, CGs on the Philippines, Cambodia, India (Development Forum) and three Central Asian countries were held in Tokyo. The arrangements for these meetings have become more institutionalized and systematic.

Mr. Ikawa

- The countries which had CGs in Tokyo were happy to be able to have good meetings with the private sector. At the time of the India Development Forum, we had 54 prominent industrialists, half non-Japanese and half Japanese.
- We appreciate daily translation work by TOK. We hope you will continue your support on that score because it is hard for the Japanese to read English, especially for the public. It would be advantageous for the Bank to provide as many translations as possible.

JDW

- TOK has got a good deal in terms of per square m. rental cost. (MMB said it was Mr. Miyamura who has arranged this deal.)
- I sold the idea of having more CGs in Tokyo on the ground that Japan is a great source of industrialist and of aid donors.

MMB

- We would like to look to the member governments to support for formalizing the boarder translation activities.

DECLASSIFIED***Japanese Personnel***

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Mr. Kato**WBG ARCHIVES**

- I appreciate your efforts.
- Ms. Berry is visiting Tokyo next week. She is going to interview senior candidates from the Japanese financial circles. We have done our homework. I hope they will have the opportunity to come to Washington for interviews.
- We are looking forward to results. I hope the number of Japanese staff at IFC will increase.

JDW

- We will follow-up about the IFC.

Russia**JDW**

- As to the coal project, there seems to be a problem related to the disbursement of our loan through the central government.
- Since President Yeltsin's re-election, tax collection has improved. The question is how sustainable. We remain to be opportunistic.
- Our relationship with Russia is much better. We meet with the Russian Prime Minister Chernomyrdin every six months. I sat down with 23 of these project managers. We have a better portfolio with Russia.

Mr. Kato

- Tax collection is a difficult issue. We encourage the Bank to handle.

Semi-Annual Consultations**JDW**

- These consultations are helpful. They allow us to put everything on the table. I hope you also find them useful.

Mr. Kato

- This provides us with a good opportunity to think through a range of Bank business. We have to come up with new ideas, thinking. I look forward to next year's meeting.

MARK MALLOCH BROWN
Vice President
External Affairs

November 26, 1996

Mr. James D. Wolfensohn

Jim,

Your Semi-Annual Consultations with Vice Minister Kato, Ministry of Finance, Japan
Monday, December 2, 1996

The consultations will include a luncheon at your residence from 1:00 to 2:30 p.m., followed by a meeting at the Bank thereafter until 5:00 p.m.

You have met Vice Minister Takatoshi Kato five times now, most recently at the time of the Annual Meetings. He will be accompanied by Mr. Motomichi Ikawa, who succeeded Mr. Hideichiro Hamanaka as IDA Deputy for Japan. Others present will include Mr. Atsuo Nishihara, Executive Director for Japan; Mr. Masato Kanda, Advisor to the Executive Director; Sven Sandstrom; Mika Iwasaki from EXT Tokyo; and myself.

Following is the agenda agreed upon through Mr. Nishihara's office:

1. Private Capital Flows for Infrastructure Development:
 Role of the World Bank Group
2. East Asia Policy: Enhancing Dialogue
3. IDA
 - update
 - procurement restrictions
 - long-term stability
4. HIPC Initiative
 - update since Development committee
 - Japanese participation
5. MIGA Capital Increase
6. Japanese Personnel

As you know, Sven was in Tokyo in late October, and met with Vice Minister Kato and Mr. Ikawa to follow up on Japan's proposal on infrastructure development, as well as on IDA and HIPCs.

Attached in the first tab is a summary of the agenda items and the CV's of Messrs. Kato and Ikawa for your easy reference. More detailed information on the agenda items as well as general background are contained in the further tabs.

Summary of Issues

Private Capital Flows for Infrastructure Development (role of World Bank Group)

At the recent Annual Meetings, Japan's then Finance Minister Kubo (the current minister is Mr. Mitsuzuka) proposed that the Bank study how the Bank Group could become more effective in delivering its catalytic and advisory functions to ensure adequate flows of private capital and to meet the huge demand for infrastructure development in developing countries.

East Asia Policy: Enhancing Dialogue

We understand from Tokyo that MOF is internally discussing possibility of exchanging views on Indonesia, Vietnam, and India at the luncheon before your meetings.

They might ask about the possibility of having bilateral discussions between MOF and the Bank prior to CG meetings, so that Japan's view on some major issues might be reflected in discussion materials circulated to CG members. They may also express an interest in having Bank missions returning from the field stop in Tokyo for consultations.

IDA

What are the delays?
As to procurement restrictions, Japan is in a position where it must hold its ground on two points when considering the possibility of accepting the US demand that procurement restrictions be lifted. The first is that Japan maintains the frameworks for the Interim Trust Fund and IDA11 agreements; the second is that delays be avoided in the start-up of the Interim Trust Fund. They expect the Bank to look closely at the technical and legal aspects of the US proposal, taking into account the future of IDA.

HIPC Initiative

On his recent visit to Japan, Sven Sandstrom consulted with the Japanese authorities about the possibility of their participating in the HIPC Trust Fund, given the impact that leadership from Japan could have for other donors considering participation. As of this writing, we have not yet gotten a signal from the Japanese on whether they would be able to discuss such a contribution positively. Sven will update you on where things stand. One possible outcome is that we might recommend that this issue not be raised for discussion at this time.

MIGA Capital Increase

As you know, Japan strongly supports MIGA's capital increase. They wish to know Management's plans for future deliberations.

Japanese Personnel

You are familiar with this long standing issue. They wish to hear the progress made in increasing the representation of Japanese nationals in the Bank Group since the implementation of the strategy paper prepared by the Bank. They might specifically ask your cooperation to encourage IFC to increase recruitment of Japanese nationals. (Dorothy Berry is visiting Tokyo in the week of December 9 for the first time since she joined the Bank.)



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Document Date December 2, 1996	Document Type CV / Resumé			
Correspondents / Participants				
Subject / Title CV - Takatoshi Kato				
Exception(s) Personal Information				
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group. <table border="1"><tr><td>Withdrawn by Diego Hernández</td><td>Date March 27, 2025</td></tr></table>	Withdrawn by Diego Hernández	Date March 27, 2025
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Record Removal Notice



File Title President Wolfensohn - Briefing Book for President's Meetings - Meeting Material - Luncheon - Vice Minister Takatoshi Kato - Semi-Annual Consultations - December 2, 1996		Barcode No. 30485864		
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Correspondents / Participants				
Subject / Title CV - Motomichi Ikawa				
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Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group. <table border="1"><tr><td>Withdrawn by Diego Hernández</td><td>Date March 27, 2025</td></tr></table>	Withdrawn by Diego Hernández	Date March 27, 2025
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JDW Meeting Aide Memoire

When: Thursday, 16 May 1996, 12:30 -1:45 pm (lunch)/ 2:30-4:30 pm

Where: Daigo Restaurant / MOF Conference Room, Tokyo, Japan

With: Mr. Takatoshi Kato, Vice Minister of Finance for International Affairs

Mr. Hideichiro Hamanaka, Deputy Director-General, International Finance Bureau

Mr. Tadashi Iwashita, Deputy Vice Minister of Finance for International Affairs (lunch only)

Ms. Naoko Ishii, Director, International Finance Bureau

Bank staff: A. Nishihara (EDSO2); M. Malloch Brown (EXTVP); S. Miyamura, M. Iritani (lunch only) (TOK); A. Horiguchi (EXC)

Purpose of meeting: Second semi-annual consultation between JDW and MOF Vice Minister (follow-up to first meeting in Washington on December 7, 1995, per promise in Tokyo of September 13, 1995).

Main topics raised:

1	JDW's Meeting with JEXIM
2	Bank's Training Program
3	Africa
4	G7 Lyon Summit
5	Multilateral Debt
6	MDB Task Force Report
7	Bank Policy in East Asia
8	Non-lending Services
9	IDA
10	CG Meetings in Tokyo
11	MIGA Capital Increase
12	Japanese Staff

JDW's Meeting with JEXIM

JDW

- We discussed the issue of multilateral debt with JEXIM this morning. In an otherwise "great relationship," JEXIM's only concern is rescheduling. We have seen progress on collaboration on country-specific work, training and understanding on preferred creditor status. The change in atmosphere (between

JDW and Mr. Yasuda) was obvious. I invited JEXIM to send trainee to the Bank's training program (below).

Mr. Miyamura

- Mr. Yasuda fully understands the Bank's legal position on untied loans, through the exchange of letters with JDW.

Bank's Training Program

JDW

- I want to change the Bank's culture from one focused on process to results. There will be a new training program organized within the Bank, a twice yearly session beginning in October and in March, a ten-week course including six weeks of business school classes and four weeks of on-the-job training. We will have the best professors from HBS and INSEAD, who will teach finance and project appraisal. We will train staff on how to measure project effectiveness financially, socially, etc.
- The aim is to build a new ethos of excellence, listening, flexibility and client orientation. By training at an annual rate of 240 Bank staff and 60 Bank external participants, "huge changes" will occur within 12-15 months. Points will be given to staff who participate in the training program as well as to managers who send their staff to training.
- We would like Japanese representation at these courses; they will not only enrich the courses but will comprise an integral part of lasting networks. I have also invited other MDBs to send representatives. Mr. Boutros-Ghali has offered the UN's teaching facility in Tokyo, which is apparently little used. The Bank could join forces with the to-be-built ADB's research/training institute. Education is "my biggest tool" to change the institution.
- The program will improve over time. The professors' role will not be to lecture, but to stimulate discussion. This project will not be a mistake; the only question will be *how good* it will be. This training program, combined with the planned expansion of EDI, will lead to better servicing of clients, reduction of project implementation time, i.e. greater effectiveness -- precisely what the MDB Task Force Report called for.

Mr. Kato

- I fully support the concept of a life-time training program that would make Bank management and staff more attuned to developing country needs. In the past, especially in Japan, there was criticism that the Bank was geared to its own inner process. My only concern is that outside professors would be good for finance but not necessarily for project evaluation.

Africa

Mr. Hamanaka

- I just returned from an African seminar in Paris, where I spoke about the MDB Task Force. They (African participants?) were happy about the diversity of input that went into the Report. At the end of the day, there is no singular solution.

JDW

- Growth rates are improving in Africa, and there is new leadership in many of the countries. I have launched a capacity building initiative in Africa. Huge amounts of money spent on training had been wasted, so we gathered African leaders to organize themselves. Though I was at the first meeting in Washington, they have subsequently met on their own six times in Africa, and are working hard to meet a June deadline to come up with a self-designed program to strengthen capacity.

G7 Lyon Summit

JDW

- I just received Mr. Chirac's official invitation to attend this year's summit.

Mr. Kato

- Russia will be represented as well, so it will be G7 plus 1.

Mr. Hamanaka

- I am going from one sherpa meeting to another in preparation for the summit.

Other Topics at Lunch

- Viet Nam's economic growth potential;
- travel security and Gulfstream arrangement;
- upcoming elections in Israel and Russia.

* * * * *end of lunch discussions * * * * *

Multilateral Debt

JDW

- A joint Bank-Fund mission will be traveling to Tokyo before the end of this month (May). Meanwhile, I would like to give you a status report. The proposal outlined at the Spring meetings is still the one we are experimenting with.

- Paris Club:** Protecting preferred creditor status of the IFIs and preventing moral hazard are issues which still need work. The Bank/IMF position is that if we are to make a contribution, so should the Paris Club. My private sector experience with debt restructuring taught me the need to gather all the players at the table at the same time, otherwise, we will never get them -- Mr. Camdessus shares this view. The proposed 90% concessionality created strong reservation among some countries, but that is the *ceiling*. The UK and France have said that they will go along with 80%, though Japan has said that it will not. Others are willing to go up to 90%, which is the level needed to realize an *effective* 67% debt reduction (because of exclusions under the Naples Terms). We urge you to consider contributing in our efforts to help countries get back on some sort of growth track. It is ultimately your choice to proceed or not; it has now become a political decision.
- Eligible countries:** The 3+3 time frame is reasonable; this is not a quick fix. Countries will get themselves under their own supervision and control for three years; this will prevent moral hazard.
- Resources of IFIS:** How will IMF contribute to help reduce the stock of debt, via ESAF or another means? The role of RDBs, particularly of the AfDB, is unresolved: can AfDB build sufficient reserves in time to contribute to the initiative? We don't yet know how to deal with this; AfDB is clearly the most vulnerable to meeting its obligations. We might be able to get contributions e.g. from Scandinavians, Dutch, Swiss, to the trust fund -- they might be ready to give additional moneys that could contribute the portion that AfDB could not. There is great pressure, especially from the EBRD, to protect preferred creditor status.
- Cost:** In the next ten days, we will have a precise dollar estimate of the costs to each participant. HIPC's needs are estimated at \$8-10 billion in present value terms.
- Cost to the Bank:** The Bank is expected to put up around \$1 billion. If we look at our balance sheet, we would be writing off \$1 billion without actually losing cash: on the asset side, we now have loans to HIPC's which will never get paid back. By putting \$1 billion from our liability side into a trust fund (to help HIPC's get on a track of sustainable growth through debt stock reduction and appropriate macro policies), we are merely recognizing bad debt, not losing cash -- that \$1 billion will allow HIPC's to pay us back the debt that would otherwise not be repaid. We happen to have reserves that never get used. If we were a commercial bank, we would be providing for bad debts and writing them off. Deutschebank and Citibank don't lose their triple-A ratings because they have provisions for bad debt. We will demonstrate that our proposal will not jeopardize our preferred creditor status, nor violate our Articles of Agreement.

- (Regarding Mr. Hamanaka's public entity concern -- see below) It is a *governmental* matter to have a sound public entity that is not lying to itself. We now have on our balance sheet loans that will never get paid back.
- **Change:** We are trying to reform the Bank so we don't *make* bad loans. Thirty to forty percent of Bank loans don't meet development objectives. This is not always the Bank (staff)'s fault. The Board approves every single project, including to Bosnia and Chad, which would never be commercially viable. The record is uneven across regions, with IDA as the highest risk. Meanwhile, our reserves has grown, but they are never used.
- **Next steps:** During the first week of June, there will be a Board seminar on the costing and design of the HIPC's initiative. On the costing, you will get a joint Bank/Fund paper; on the design, you will get separate papers from us.
- **Trust fund:** We should start with a general trust fund, then go to country-specific trust funds. Denmark, for example, has 15 designated countries to which it can contribute; it could not contribute to a general trust fund.

Mr. Kato

- **G7 position:** Common objectives include:
 - avoidance of moral hazard, which point to the importance of the 3+3 time frame;
 - eligibility test based on objective criteria;
 - (there is strong convergence on the fact that) Paris Club has gone "way ahead" on stock reduction, from 33% to 50% to 67%; we will need to see what kind of sequential procedure will be established. What is viable. deeper stock reduction or widening the universe of eligible countries?
- **G7 and trust fund:** My hunch is that no G7 country is willing to contribute to the trust fund, but it would be wise not to mention this lest others withdraw. If there is extra money that would cover for the AfDB, we might want to take a promise from the AfDB for future (contribution?). The trust fund must be a *general* trust fund. It is best if we remain silent and say that it is a general trust fund to which all creditors will contribute. The G7 concern, however, is that if it is a general fund, it will not be rigorous enough, and that country-specific funds are needed. The G7 is divided between the former Allies (four) vs. the former Axis powers (three).
- Would like to see contribution to the extent that preferred creditor status is not endangered. The developing countries took the proposal presented at the Development Committee as a "gift from heaven," but it is a *cost*. We must prevent moral hazard so that that cost is not wasted.

- **Beyond HIPC exercise:** Some countries may not "make it." We need to differentiate those and think beyond this initiative -- of policies that will sustain sufficiency of grant money to sustain the initiative.

Mr. Hamanaka

- **Public entity concept:** In many of the MDB Task Force discussions, there emerged -- in particular among the Danes and other Europeans -- the concept that the World Bank is a *public entity*. I myself expect it to be a fine public entity to the extent that we bring tax money into the World Bank. While appreciating JDW's private sector experience, we cannot present our argument to our parliamentarians in a commercial way. We persuaded them to agree to a debt stock reduction from 33% to 50% to 67%. however, governments need *time to* persuade parliamentarians. I appreciate JDW's reform efforts and willingness to face the truth that the Bank has made bad loans, which will not get paid. But before we tell the Diet that the Bank has made bad loans, we need time -- people are infuriated with the *jusen* (specialized financial institutions for housing loans) crisis. On using the Bank's reserves, bear in mind that while it is very easy to lose money via reserves, it is very difficult to build up reserves.

MDB Task Force Report

JDW

- (To Mr. Hamanaka) Congratulations on a good job.

Mr. Hamanaka

- As Jeff Schafer said, the old textbook used to be about North vs. South; now we have a textbook on North-South cooperation.

Bank Policy in East Asia

Mr. Kato

- **Regular consultations:** Given that OECF and JEXIM are considerable sources of resources in Asia, we would like to have regular consultations on certain countries, namely, Indonesia, Philippines and Viet Nam. For example, Bank staff on their way for appraisal missions to these countries could stop by in Tokyo first to consult with JEXIM and OECF. *Ad hoc* consultations already take place, however, we would like to make it a more conscious effort. For the moment, I am most concerned about macroeconomic management in Indonesia.
- **APEC and infrastructure development:** In light of the mandate given to APEC finance minister on infrastructure development, we are "disturbed" that Indonesia and the Bank are organizing a summit on infrastructure development in September 1996. Given the tension between trade and finance ministries on this

issue, we would ask that you manage this seminar *wisely*, and would welcome informal consultations in future.

- **Cooperation with ADB:** Mr. Sato would be happy to see staff exchanges between the ADB and the World Bank (see JDW's proposal below).
- **EDI research translation:** EDI output should be translated into various (Asian) languages.

JDW

- **Consultations with OECF/JEXIM:** I have no "inhibitions" (about supporting the proposed consultations). There is already increasing levels of collaboration, e.g. on India. Bank staff are having joint CAS discussions with JEXIM and OECF later this month. After the Indian experiment, could take it to other countries. My biggest worry in Indonesia is the very high social stress and repression.
- **APEC and infrastructure development:** We don't want to get "caught in the middle of ministerial fights." We were asked by ASEAN countries to take a look at the question of infrastructure development, which we understand is a hot political debate at APEC. But if we are lending \$2.5 billion a year (for infrastructure development in Asia?), we cannot do it without a *regional view*. We understand the sensitivities and I will get a straight answer who asked us (finance or trade ministerial committees), but you need to work it amongst yourselves.
- **Cooperation with ADB:** I told Mr. Sato at the MDB Presidents' meeting that it didn't matter who took the lead, etc., but he suggested a "constructive competition." I don't know what happened in the past, but would like to work with a "strong ADB," with whom we have a mutual trust. We are not trying to put ADB out of business; on the contrary, we are prepared to give ADB any support it needs, e.g. staff exchanges and training.
- **EDI research translation:** I am looking into the matter, but the question is the budget.

Non-lending Services

JDW

- **Non-lending services to increase effectiveness in lending:** I would like to clarify any misunderstanding that might exist within MOF about my intentions. The Bank is still a bank to the extent that we provide financial resources. But I am increasingly convinced that giving resources to people without education, capacity or systems is a waste of money. We need to provide training of administrators,

parliamentarians, press, entrepreneurs, village women. Without education alongside resources, we cannot have sustainability.

- Fifty-three percent of Bank projects are deemed unsustainable. We need services to make our lending more effective, e.g. EDI needs to work alongside us, relating to our line services. EDI could do more in its depth and follow-up.
- If 40% of our projects are in doubt in terms of development effectiveness, that is \$6 billion a year out of a \$15 billion program. If we could bring the figure down even to 30%, we could make \$1.5 billion a year more effective. It is "inarguable" that non-lending services need support. If MOF is establishing an EDI-like institute (the proposed ADB Institute), let's cooperate so that neither of us are reinventing; we are prepared to give all the knowledge we can.
- (In response to Mr. Kato's question about the source of financing) Non-lending services will be part of the Bank's budget. Grant funds would be welcome. When our Board looks at the costs, it should also look at the *benefits*, some of which are non-financial. Judging effectiveness is a problem, not only for us, but for JEXIM, OECF, RDBs and foundations. Budget discussions are too often centered around costs only.

IDA/(non-lending services/China)

Mr. Hamanaka

- The Bank/IDA are not delivering on net as much as in the past. If the focus shifts to delivery of non-financial services, people in Asia -- who are "hungry for infrastructure" -- might misinterpret. There is "resentment from Beijing" about IDA's three-year reduction plan.

JDW

- The Chinese authorities support the three-year IDA reduction plan. The decision was made by the Board as a compromise. If it was not acceptable, it should have been negotiated amongst the Governors.
- (To Mr. Hamanaka) We are grateful for your efforts on IDA11. Right now, we are working hard on \$934 million (US arrears); Secretary Rubin is "doing a great job." We are working through Senator Callahan, his bishop, state supporters and President Clinton.

Mr. Kato

- **IDA/China:** My conversations with Chinese counterparts suggest that they are not happy with the three-year reduction plan, but that it is better than *no* IDA resources.

CG Meetings in Tokyo

Mr. Kato

- I hope that the Bank's Tokyo office will get a conference coordinator to support CG meetings in Tokyo.

JDW

- We are looking into the matter.

MIGA Capital Increase

Mr. Kato

- Although views were reportedly divided at the recent informal Board discussions on MIGA's capital increase, Japan will support its financial requirement.

JDW

- I fully support the capital increase for MIGA, but the required 100% of the financial resources should come from shareholder contributions, not out of IBRD net income (which the UK and US propose).

Japanese Staff

Mr. Kato

- The recently completed Japanese Staff Strategy is good. We are contacting "semi-public" institutions to see what pool of resources are available. Mr. Nishihara will get in touch with Sven Sandström about this.

Atsuko Horiguchi

May 29, 1996

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

JAMES D. WOLFENSOHN
President

May 29, 1996

Mr. Takatoshi Kato
Vice Minister of Finance
for International Affairs
Ministry of Finance
3-1-1. Kasumigaseki
Chiyoda-ku. Tokyo 100
JAPAN

Dear Mr. Kato:

It was a great pleasure to see you again in Tokyo on May 16. for our second official semi-annual consultations. I was grateful for the opportunity to monitor progress on issues of mutual concern. I thank you also for your graciously hosting a most delightful lunch.

As you know. strengthening the Bank's partnership with Japan has been one of my highest priorities since assuming the presidency a year ago. I am particularly delighted therefore that our dialogue has become progressively more candid and open over the months. My colleagues and I hope you found our recent Tokyo discussions to be as constructive as we did.

May I thank you once again for your efforts and support on IDA 11. I am presently doing everything in my power to press the US on both delivering its arrears and meeting its IDA 11 commitments. We would be most grateful for any continued support you may be able to provide. towards our efforts to preserve IDA.

In our ongoing joint Bank/IMF initiative on multilateral debt, we continue to be very mindful of Japan's concerns, namely, the avoidance of moral hazard, which points to the importance of the 3+3 time frame and of an eligibility test based on objective criteria. We share your concern that the Bank's preferred creditor status not be endangered. Your point about the need to think beyond this initiative was well taken, as was Mr. Hamanaka's on the time needed to build the necessary political will to support further concessionality. I do hope that we may move forward together in this important effort to assist highly indebted poor countries get back on a track of sustainable growth, through

debt stock reduction and demonstrated commitment to appropriate macroeconomic policies.

On the Bank's policy in Asia, I welcome your suggestion for regular consultations on a country-by-country basis. The recent joint discussions in Tokyo, between staffs of the OECF, JEXIM and the Bank on India's CAS and lending program were reportedly successful, and I look forward to seeing many more such collaborative efforts. My colleagues and I are also eager to enhance our cooperation with the Asian Development Bank at all levels. As I noted, we stand ready to provide our full support towards ADB's plans to establish a research institute.

On non-lending services, I hope I was able to address your concerns. I am increasingly convinced that we need to support non-lending activities that would render our lending more effective and sustainable, not undermine it. Without education and capacity building alongside our financial resources, we cannot expect local ownership or sustainability of the development process.

Regarding the issue of personnel, we appreciate your endorsement of our recently completed Japanese Staffing Strategy. Our challenge now is its implementation. My human resources team, under the leadership of Sven Sandström and Dorothy Hamachi Berry, is working hard to identify qualified Japanese nationals -- an effort to which I am personally committed.

In closing, I wish to thank you and the Government of Japan for your continued, generous and invaluable support to the World Bank Group. I look forward to receiving you in Washington for our next semi-annual consultations. Meanwhile, please do not hesitate to call me at any time.

With warmest personal wishes.

Sincerely yours,

James D. Wolfensohn

TALKING POINTS

Semi-Annual Consultation with Vice Minister Kato, Ministry of Finance, Japan

Monday, December 2

Vice Minister Kato's Possible Talking Points

Vice Minister Kato might raise the following points and issues at the Luncheon and the Meeting.

PREAMBLE

He might explain his views concerning the Bank's operations and policies in the medium and long term, i.e. (i) *enhancement of the country assistance strategies*; (ii) *promotion of borrower ownership*; (iii) *promotion of private capital flows*; (iv) *Bank's responses to the poorest countries' needs*; and (v) *funding operations*.

(i) Country Assistance Strategies

- While Japan has advocated development strategies tailored to country specific needs, Mr. Kato might point out the importance of taking into account a diversity of condition within a country.

(ii) SAL (Correlating program success with borrower ownership)

- He might state that the issue of delays in disbursements in Russia and others should be solved. In this connection, he might express his concern that there are cases where the Bank's conditionalities may not fit local situations.
- He might refer to the importance of consulting with the borrower from the preparation stage, and listening to the borrower's views. He might also point out it is important to ensure that the borrower fully understands what is expected of it and that it possesses the means to execute its undertakings. In this context, he might mention the significance of the PHRD Fund for the human resource development and technical assistance.

(iii) Promotion of Private Financial Flows

(This is expected to taken up under the discussion on *Private Capital Flows for Infrastructure Development*. See next page.)

(iv) Bank's Responses to the Poorest Countries' Needs

(This will be covered under the discussions on *IDA* and *HIPCs* below.)

(v) Issues Related to Funding Operations

- Mr. Kato may express his concern about the fact that the weight of the JPY in our borrowing even from Japanese investors has rapidly declined. He might state it is not desirable that the currency composition of borrowings becomes USD biased. He may state Bank should actively carry out borrowing in the JPY and dual currency deals.

1. Private Capital Flows for Infrastructure Development: Role of the World Bank Group

- Mr. Kato is aware that the Bank is developing a proposal of the study including the establishment of an internal working group with Mr. Sandstrom's leadership in response to the request by the Japanese Governor (the then Finance Minister Kubo) at the Annual Meetings. He is also aware that the Bank intends to deepen discussions by involving people from the outside.
- He is expected to express his hope that the Bank will make an interim reporting of the study at the Spring Development Committee meetings, and the final reporting at the 1997 Annual meetings in Hong Kong.
- Mr. Kato might ask you if there are any issues that have been identified by the Bank for the future study apart from the following points which MOF indicated to Mr. Sandstrom during his recent trip to Tokyo:
 1. enhancement of guarantee functions of the Bank Group
 - clarification of the demarcation between the responsibilities of the World Bank and MIGA
 - enhancement of the capital base of MIGA
 - coordination of guarantee operations within the Bank Group
(He may ask you to consider adding a coordination function regarding guarantee operations to the Resource Mobilization Department so that this initiative could become a Bank-wide agenda including the regions.)
 2. enhancement of information dissemination to investors
 3. technical assistance by the Bank Group for making enabling environment in borrowing countries
 4. widening of IFC's targeted sectors
 5. building of a model for infrastructure projects
- He may state that the study should reflect views of developed countries, the emerging economies, the private sector, academics, etc. He may ask how the Bank is planning to absorb their views. In this context, he might say the Bank-Keidanren Annual Meeting to be held at Keidanren's Guest House in Hakone next February could be a good opportunity for such a purpose. (FYI: Mr. Frank's office and Keidanren have basically agreed to make "the private infrastructure development" as a main theme of the meeting. Details are yet to be decided. Mr. Wood's office is also closely working with the Japan Chamber of Commerce on the private infrastructure development in India.)

2. East Asia Policy

He might ask the following questions:

India

- (1) What is the Bank's latest assessment of the Indian economy?
- (2) What is the Bank's assessment of the progress made in the reduction of India's fiscal deficit?
- (3) What is the Bank's assessment of the structural reforms at the state-level?
- (4) Which sectors does the Bank place emphasis on?
- (5) What is the Bank's strategy for the financial sector reforms?

Indonesia

- (1) Aren't there any issues which the Bank is concerned about as to the present status of and prospects for the private infrastructure development in Indonesia? (The Bank emphasizes the importance of the private sector's role in infrastructure development in Indonesia and is shifting its emphasis to the social sector.)
- (2) What is the Bank's latest assessment of the Indonesian economy?

Vietnam

- (1) Does the Bank see any specific problems in the implementation of ODA projects and the flows of foreign investment to Vietnam?
- (2) Which sectors will be given priority by the Bank in the future? (He seems to be concerned that development gaps between cities and remote areas are expanding while assistance for infrastructure development continues to be essential.)

3. IDA

- Mr. Kato might state that the US request for lifting the **procurement restrictions** should be reviewed considering the importance of the following two points:
 - the maintenance of the framework agreed by the IDA Deputies this March; and
 - the assurance of appropriate contributions by the US to the future IDA.
- He might ask you to consider the US request in a flexible manner if the US shows a positive stance on the fulfillment of its commitments to IDA.
- He might ask if it is necessary to start deliberation on possible incentives for donor countries to contribute to IDA in this changing global economic scene. (This question might arise in the context of the discussion on the harmonization expected at the IDA Deputy Meeting in February.)

4. HIPC Initiative

- He might state that the Bank should proceed with the transfer of \$500 million to the Trust Fund as soon as possible.
- He might say the number of eligible countries should not be loosely increased in order to maintain the credibility of the initiative as a whole.
- If you raise the question about Japan's contribution to the Trust Fund, he is most likely say Japan is not planning to make any voluntary contribution in view of the fact that Japan has been making adequate contributions in the framework of the Paris Club agreement, and ample financial contributions to the multilateral institutions.
- *FYI:* Japan is discussing with the Bank a scheme for the reduction of debts owed to JEXIM and OECF by using the PHRD Fund in parallel with the HIPC Trust Fund. (They are thinking of about JPY1.6billion.)

5. MIGA Capital Increase

- He might state that it is imperative to swiftly proceed with discussions on MIGA's capital increase considering the maintenance of the MIGA's financial soundness and the expected modest prospects of the IBRD's net income.

6. Japanese Personnel

- He might express his appreciation for your efforts to increase the number of Japanese staff based on the **Japanese Staffing Strategy**.
- He might ask about the results of the Strategy after six months since its implementation. (See Attachment A)

7. Others

- Mr. Kato might express his appreciation for the Bank's support for the **TOK office relocation project** and the recruitment of a **CG coordinator** for TOK.

PROGRESS REPORT ON THE IMPLEMENTATION OF THE JAPANESE STAFFING STRATEGY

SUMMARY OF KEY POINTS

- **Number of Japanese staff.** As of October 31, 1996, the number of Japanese staff is 101 representing 2.4% of the Bank Group staff (level 18 and above).
- **Senior level staff.** As of October 31, 1996, the number of Japanese senior level staff is 9 representing 1.5% of the Bank Group staff (level 26 and above).
- **Accountability on VPs for Diversity.** A new HR system will ensure that the accountability of placement of Japanese lie with the individual Vice-presidencies supported by the Networks. The HRS through its Japanese Recruitment Officer will facilitate the availability of strong Japanese Candidates. The HRS VP's office will monitor the contribution that each VPU makes towards reaching institutional objectives including that of recruitment of Japanese Staff.
- **Collaboration with MOF on Senior candidates.** A Strong collaborative relationship has been established between the MOF through the Japanese ED's office and the VP HRS to identify senior candidates. Ms. Dorothy Hamachi Berry, VP for Human Resources will be making an official mission to Tokyo from 9 to 13 December 1996 to personally assess and understand the Japanese labor market with the objective to strengthen Japanese recruitment efforts in the Bank. She will meet these non-MOF senior candidates identified through the Japanese ED along with other senior candidates during her visit in Japan.
- **Targeted Search for Network Needs.** Under the new HR system, more efforts will be made to strengthen the pipeline of qualified potential Japanese candidates. In view of the newly introduced Networks within the Bank, the clear skill-sets needs will be identified and the search effort will be more targeted towards the needs of the Networks. The efforts made through out FY96 will be continued to promote the Bank's recruitment to Japanese public inside and outside of Japan as well as to promote Japanese candidates to hiring managers.

Private Capital Flows for Infrastructure Development
Briefing Material for Messrs. Kato and Wolfensohn

In response to the request by the Japanese governor at the Annual Meetings, we have been developing a proposed strategy and work program for a Bank Group initiative to encourage private capital flows for infrastructure development. The overall approach was discussed by the Executive Committee on October 16, 1996, and with the Japanese Vice-Minister of Finance during Mr. Sandström's most recent trip to Japan. The attachments to this note summarize the content of this initiative and its motivation.

- **Attachment 1** is a Proposed Workplan and Reporting Arrangements for the Initiative. The major elements are a framework paper to be discussed at the Spring Development Committee meetings and an implementation paper presenting a business plan to be approved by the Bank Group Executive Directors in time for a launching of the initiative at the 1997 Annual Meetings in Hong Kong.
- **Attachment 2** is a preliminary outline of the framework paper, which presents context, diagnosis, and suggested actions. This preliminary outline is rather Bank Group centered, and it will be expanded to encompass actions supported by bilaterals, the private sector and the Regional Development Banks.
- **Attachment 3** outlines the elements of needed change in this area. It summarizes the results of a high-level conference sponsored by the Bank in the East Asia region on the public-private interactions in infrastructure. The findings of this conference have broad applicability in all regions.

Greg Ingram ext. 3-6022
Orsalia Kalantzopoulos ext. 8-2636
November 25, 1996

Initiative to Promote Private Capital Flows for Infrastructure

Proposed Workplan and Reporting Arrangements

The challenge. Across developing countries, private participation and private investment in infrastructure projects have been growing, but at a rate that is slow relative to expectations and needs. Only a small fraction of projects with memoranda of understanding are being consummated because few reach the stage where they are "bankable"--that is, have adequate risk-adjusted returns. Impediments include high transaction costs, high risks from uncertain policy frameworks, and low service prices to final consumers. At this year's Annual Meetings the Japanese governor "...encourage[d] the World Bank, the IFC, and MIGA to start developing how they might better contribute to the promotion of private capital flows for infrastructure development...and report on its achievements to the next Annual Meetings..." This note proposes a set of actions to be undertaken by the Bank Group to develop an initiative in this area.

Strategy and major products. The proposed initiative comprises: revitalized existing instruments (including policy reform), new instruments, and enhanced coordination within the Bank Group and externally. It would build upon and broaden the efforts already under way in the Bank Group, including in the Bank (applicability to IDA, IBRD "enclave" products in IDA-only countries, proposed financing at the sub-sovereign level, risk study on loan-equivalency), IFC (syndication and securitization in infrastructure), MIGA (capital increase and re-insurance), and FIAS (advisory). A *framework paper* would diagnose problems and sketch proposed solutions, new and revised instruments, and coordination approaches. Consultations would be held with Bank member countries, private sector groups, and regional development banks. The paper would be discussed at the Spring Development Committee. Based on those discussions, an *implementation paper* would also be prepared which would contain detailed specific proposals for the Bank Group infrastructure initiative (a business plan). After review and approval by the Bank Group Executive Directors, the initiative would be launched at the 1997 Annual Meetings.

Enclave
products

Task execution. The tasks associated with preparing this initiative would be carried out by an ad hoc working group with about six members drawn from the relevant units of the Bank Group. Most working group members would devote less than full time to this activity between now and October, 1997. The working group would be housed in a temporary suite of offices and supported by a small number of full time research and staff assistants. Budget resources would be needed to cover salary, consultant fees, office space, and associated travel expenses. Overall budget costs will depend on the extent to which the departments of working group members will be able to contribute members' time to this effort.

Reporting arrangements. The working group staff director will report approximately every two weeks to the Private Sector Development Committee, chaired

by Richard Frank, to brief its members on progress and to seek the advice of Committee members on its findings and recommendations. Committee members will also provide advice and comments on major papers of the working group. The working group staff director will also brief Sven Sandström regularly to keep him apprised of progress and issues.

Immediate next steps. Mr. Kato's meeting with Mr. Wolfensohn scheduled for December 2, 1996, and the EBRD meetings in London on December 8, 1996, will provide opportunities to obtain reactions to the approach being proposed to develop a Bank Group initiative in this area. Following those discussions, changes can be made in the proposed approach as necessary. For work to begin, a decision to proceed must be taken so that working group staff can be recruited, offices set up, and final arrangements made for the budgeting of this task.

Initiative to Promote Private Capital Flows for Infrastructure Development
Zero Draft Outline for a Framework Paper; target: Spring Meetings

I. Infrastructure and the Economy

1. Infrastructure's linkages to development.

- a. Summary of infrastructure's role in the economy and its impacts on growth, poverty reduction, and the environment. Size of sector, annual investment, and current mix and sources of private and public investment finance. Introduce subsector differences.
- b. Infrastructure expansion has been impressive, but many people remain unserved. In many countries infrastructure supply is falling behind demand because of rapid growth, insufficient maintenance and investment, or inefficient operation of existing facilities.

2. A growing role for the private sector.

- a. Dissatisfaction with existing performance has led to experiments with new ways of furnishing services, and new roles for the private sector in providing contractual services, operating existing facilities, financing new facilities, and purchasing and operating whole infrastructure systems.
- b. The scope for reform is widening because of new technology, growing experience with alternative forms of service provision, and new views of the role of the public and private sectors.
- c. Private financing can provide needed additional capital, lock-in commercial incentives, improve construction and operating efficiency, widen risk-sharing, introduce innovative service provision, and facilitate technology transfer. Sub-sector experience varies. Privatization/divestiture can stimulate domestic capital market development and improve access to international capital markets.

II. Investment in Infrastructure.

1. The recent record.

- a. Trends in private domestic and international infrastructure finance. Current magnitudes, patterns, and growth of private infrastructure finance. Current magnitude of privatization of infrastructure enterprises.
- b. Private finance is concentrated in a few countries and sectors, but its use is spreading. Equity finance may be more plentiful than long term debt financing. Foreign finance must be complimented with domestic finance because of foreign exchange availability. Non-creditworthy countries have some potential for foreign investment.

- c. Private investment in infrastructure has been increasing as the private sector's role in infrastructure has grown, but in many respects the promise of private investment has not yet been realized. Why not? How can private investment in infrastructure be promoted?

2. Impediments to private investment.

- a. Many deals are discussed but few are consummated because few reach the stage where they are 'bankable.' There is a gap between the risk-adjusted return required by investors and the expected return of projects. This gap stems from:
- high transaction costs--from slow non-transparent bidding and negotiating;
 - high risks--from the uncertain longer-term policy framework; and
 - low service prices to final customers.
- b. Governments have multiple and conflicting objectives including: quality service at unsubsidized but fair prices; reaching the poor; and improving the environment.

Plus
No Bankable
Contract
or Credit

3. Relaxing the constraints--what is needed?.

- a. A clear policy and institutional framework--including sector pricing reform, competition among providers and/or for customers, assumption of commercial risk by service providers, transparent and competitive contracting, a credible legal and regulatory structure, and clear definition and assignment of risks.
- b. Explicit addressing of societal concerns--reaching the poor, equitable pricing, environmental quality, and resettlement--as an integral part of project selection, design, and operation.
- c. A systematic approach based on learning by doing and proceeding sector by sector.
- d. Development of sufficient administrative capacity to balance public and private interests and streamline administrative and regulatory procedures.
- e. Strengthening of domestic financial markets and capacities to provide domestic debt and equity for projects.
- f. Exchanging best practice and lessons of experience between the public and private sectors and across countries and regions.

III. An Infrastructure Investment Initiative for the World Bank Group.

1. Strengthening existing instruments.

- a. Sector policy/institution reform. Increase the focus on private investment prospects in infrastructure sector analysis and formulation of sector reform strategies. Consult with private sector on formulation of sector advice.

- b. Technical assistance and advisory services. Provide advice on privatization of existing enterprises, reform of domestic financial markets, and establishment procedures for reviewing and selecting projects.
- c. Strengthening the enabling environment. Enhance work on the design and implementation of legal, financial and regulatory frameworks to facilitate private sector participation in infrastructure.
- d. Guarantees. Programs exist to cover political risk (MIGA--no counter guarantee) and to cover policy risk and credit risk (Bank--with counter guarantee).
- e. Loan syndication. Secures financing from third party lenders; allows IFC as lender of record to secure project financing for borrowers not otherwise having market access.
- f. Investment funds. Allow Bank Group members, with one investment, to finance smaller projects and support institution building activities.

2. Coordinating instruments

- a. The decentralization of the Bank Group has merit, but more coordination would strengthen its overall catalytic role.
- b. Propose setting up a central clearing house for the Bank Group that would review private infrastructure opportunities, assign primary and secondary responsibility, and track activity. It would also be a single point of contact for private sector clients. It could be an adaptation of the network concept, but over-arch the Bank Group.

3. Developing new instruments. (Very speculative)

- a. Develop standard approaches and documents. To reduce transaction costs and increase transparency, draft standard documents or 'templates' for finance, procurement, risk allocation, take or pay agreements, guarantees, and the like. Suggest that all MDBs use these standard documents.
- b. Partnerships for project development. Form project development teams of Bank Group/country staff to provide expertise to the government side of transactions. This could be fee-based or Bank-funded; be in response to a private initiative, or oversee a request-for-proposal process.
- c. Special financing facility for multi-country projects. Offer special financing for projects/initiatives that are multi-country/regional. These are becoming prominent in power, telecommunications, rail, and highway sectors.
- d. A country/sectoral warranty or pre-qualification for financing. Based on a careful review, the Bank Group would certify that a country/sector was eligible to receive certain support (a guarantee or financing package) conditional on an adequate project. A related activity would be to initiate procedures providing the basis for investment grade ratings or other

protections allowing infrastructure sponsors in developing countries to gain access to institutional investors in industrial countries.

- e. New financial instruments. These are very incomplete and probably premature.
 - i. Develop **secondary markets** in infrastructure debt based securities. Set up an institution to securitize bundles of infrastructure project debt as a means of reducing transactions costs, increasing the liquidity of debt instruments, and providing liquidity to the market. Problems: lack of debt may not be a problem, and this may have little effect on development of domestic finance.
 - ii. Set up a **guarantees market** to facilitate buying and selling of guarantees to increase liquidity of market and to provide ongoing market evaluations of country risk.
 - iii. Set up a "**re-guarantee**" fund to participate in guarantees in the same way that the reinsurance market allows insurance companies to lay off certain kinds of risk. (Unsure of the need or feasibility of this.)
 - iv. Involve the Bank Group as a **market participant in domestic finance markets** in developing countries as a means of strengthening domestic capital markets..

4. Other potential instruments to be considered. (Yet more speculative)

- a. International mechanism for resolution of commercial disputes. There are no internationally accepted procedures for the arbitration of commercial disputes, as there are for investment disputes. Contractors and governments would agree to resolve disputes using such a mechanism.
- b. Consider using IDA funds to make direct loans, but at non-concessional or less concessional terms, to private infrastructure projects. IDA's charter permits lending to private sector borrowers without a host country guarantee.
- c. Review procurement requirements for ICB in situations where there is clear evidence of competition--to permit export credit agencies to become involved at an earlier stage.

Credit

Enhancement

Overview

What did we learn?

INTRODUCTION: FINDING COMMON GROUND

Governments and the private sector agree that the progress of private infrastructure in East Asia has been unacceptably slow. The region's total infrastructure needs for the next decade are estimated by the World Bank at \$1.2 trillion to \$1.5 trillion¹—needs which can only be met with the help of private initiative and finance. Yet despite significant private activity in telecommunications and power generation and, to a lesser extent, in toll roads, the share of private capital at risk in infrastructure investment has been less than 10 percent in the past few years. The conference sought to identify common ground that would enable substantial private investment while addressing public concerns about due process in the award of contracts and the achievement of broader societal goals.

DELIBERATIONS

While governments initially looked to private involvement for primarily fiscal reasons, conference participants emphasized the importance of harnessing private sector incentives to deliver high-quality services at low cost to sustain growth and competitiveness and to improve the quality of life in the region.

Another consensus, surprising yet widely held, was that financial resources—even the availability of debt financing—are not the real cause of the slow progress to date. Rather, the problem lies in the shortage of good, bankable projects. Infrastructure investments have the potential for high economic returns, but bankable projects are scarce: transaction costs and risks (real and perceived) are high and prices are often below economic values, leading to a sizable gap between the required, risk-adjusted rate of return and the actual expected returns to private investors (the “IRR gap”). Private representatives emphasized that transaction costs and risks are high because of slow, non-transparent bidding and negotiation processes and uncertainty over the longer-term policy framework for provision of services. While recognizing the legitimate requirements of private investors, government representatives emphasized the importance of the social and political context for private infrastructure provision: delivering quality services at fair prices, reaching the poor, and improving the environment.

CONCLUSIONS

The private-sector and government representatives agreed that

moving forward depends on strong, high-level government commitment to increasing the role of the private sector in infrastructure development. They further concluded that achieving this goal requires a clear policy and institutional framework to ensure the efficient allocation of resources across sectors and projects, timely and credible contracting, and cost effective services responsive to the needs of consumers.

The participants also established that, despite slow overall progress, a wide variety of successful approaches and solutions is fast evolving within East Asia (Indonesia, the Philippines) and elsewhere (Australia, Chile). They emphasized that experience is recent, the problems are complex, the best practice will evolve over time, and each country is likely to follow its own route toward private involvement (with sectoral variations). But all agreed that the case studies presented offered valuable lessons as to what works:

- *The core elements of a framework* for private infrastructure delivery are: (a) sectoral pricing reform; (b) introduction of competition among service providers and, where appropriate and feasible, direct competition by suppliers for final consumers, allowing feedback on consumer preferences and direct assumption of commercial risks; (c) transparent and competitive contracting processes; (d) credible legal and regulatory structures; and (e) clear definition and assignment of risks.
- *Societal concerns* about reaching the poor, equitable pricing, the environment, and resettlement need to be dealt with explicitly as an integral part of project selection, design and operations.
- Successful countries have been quick to *seize opportunities* and build on initial successes while learning from failures, often focusing on private-sector involvement in *one sector at a time*.
- New and more *sophisticated administrative capabilities* are needed to deal with the complex issues involved in maintaining a balance between public and private interests in infrastructure provision. These enhanced capabilities will also ensure streamlined approval and regulatory processes and coordination of the policies and actions of various governmental ministries and agencies, including those at the sub-national level.
- The *domestic debt market* must be developed in parallel with the policy and transaction framework. Infrastructure projects need long-term domestic debt instruments and provide an opportunity to develop them.

- *Water supply, sanitation, and urban transport* are the “next frontier”. Early breakthroughs in these sectors will help reach unserved populations (generally among the poorest urban dwellers), tackle rising urban congestion problems, and improve the urban environment.
- *Information sharing* among governments and between governments and the private sector is extremely valuable. The public-private dialogue should continue, non-binding policy and investment strategies should be promoted as best-practice benchmarks for private sector participation, and lessons of experience should be shared regularly. Multilateral fora such as APEC can provide an opportunity for such exchanges.

Participants also felt that the World Bank and other multilateral institutions have an important role to play in facilitating public-private dialogue at both the country and regional levels through: (a) sharing information and lessons of experience from within and outside the region; (b) helping countries develop frameworks for private involvement; (c) assisting in the development of new financing mechanisms, including development of domestic bond markets; (d) formulating standards for bidding and contracting documents; and (e) catalyzing private finance through guarantees.

A L L - I N - 1 N O T E

DATE: 02-Dec-1996 10:51

TO: Mika Iwasaki

(MIKA IWASAKI @A1@WBWASH)

FROM: Michael Walton, EAPVP

(MICHAEL WALTON)

EXT.: 38418

SUBJECT: RE: urgent-mr. Wolfensohn's meeting with Mr. Kato

Here is additional material on the questions that may be raised by Mr. Kato.

Indonesia

1. On infrastructure.

--We expect to see rising involvement of the private sector in infrastructure. The key issue is getting a clear framework for private involvement.

- We have been helping the Indonesian government prepare cross-sectoral concession agreements to facilitate public-private partnership for infrastructure development, encourage greater transparency in the private provision of infrastructure services, and restrict the extent of "negotiated deals". A presidential decree in this regard is expected to be issued early next year. De facto requirements of joint ventures with well-connected individual firms continues to be a concern.

- We are actively involved in the areas of telecommunications (focusing on regulatory oversight, development of informatics infrastructure, radio spectrum management, award of contracts for Personal Communications Systems), gas (with projects mainly in transmission, and assistance on unbundling of the Pertamina monopoly), and power (mainly through distribution projects).

- Government has traditionally not shown any interest in World Bank guarantees, nor has it given government guarantees for projects (the major Paiton generating project went ahead with only a comfort letter).

2. The state of the economy was covered in the brief.

Vietnam

1. (a) Implementation of ODA projects. We are seeing some problems in implementation, that were reviewed in a September 1996 Country Project Portfolio Review, in which OECF participated. Key areas:
--weak project management

--resettlement
--procurement

The government has been responsive:

--Project management reflects weak and relatively inexperienced institutions--we are working with the government on a case by case basis

--Resettlement guidelines are being worked out to bring government and bank guidelines into line

--National procurement regulations were issued in July

We are upgrading the role of the resident mission, and will be happy to continue to work with OECF in this area.

(b) Foreign investment.

-- Implementation is up, and is a major source of the rising growth and the widening current account deficit (could be over 10 percent of GDP this year)

-- But 1996 approvals and applications are so far down on last year, reflecting rising uncertainty among foreign investors over the policy regime for production and investment (and some passing of the honeymoon period). Supporting the next phase of structural reforms is central to reducing uncertainty, and will be at the core of our policy dialogue and future adjustment lending.

2. We share the concern of the Japanese over the central importance of rural development, especially in relatively poor regions. Our strategy reflects a dual-track approach combining support for infrastructure with support for rural development and social services. Increasingly we expect that parts of the infrastructure program will be privately financed. We are also working with the Vietnamese on better decentralization of delivery of economic and social services.

CC: Mark Malloch Brown

CC: JANE ARMITAGE

CC: Jane Kirby

CC: Jennie Litvack

CC: HEIDI HENNRICH-HANSON

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Bank's Assistance Strategy Priorities

The Bank's assistance strategy to India emphasizes: (a) supporting the government efforts to reduce fiscal imbalances and strengthen economic management; (b) improve the states' fiscal management and sectoral policies; (c) extending the reforms to agriculture to broaden the base for growth and improve the living standards of India's poor; (d) assisting the government in establishing a framework for efficient private investment in infrastructure; and (e) supporting higher investments in social sectors, particularly in education and health care in rural areas.

Improving the States' Fiscal Management and Sectoral Policies

Indian states are responsible for providing key social services (health, primary and higher education) and key infrastructure (roads, power, irrigation). However, they have not been effective. They have not invested sufficiently in the development of the country's human resources, and infrastructure. The latter is in such disrepair that it is now already affecting growth negatively. Underlying this poor performance are two key reasons: (a) the composition of public expenditure has been unsatisfactory. Excessive resources have been allocated for subsidies (for power and water in particular), welfare programs, and wages and not enough for developmental activities. (b) Resource mobilization has been inadequate (poor cost recovery and weak taxation). Some states (e.g., Orissa) have taken steps to address this situation but the process is only at its beginning. The Bank is supporting state reforms by: (i) studies that make a diagnostic of each state situation and propose remedial actions; and (ii) lending in support of key reforms. Orissa and possibly Andhra Pradesh would be the first states to qualify for this lending.

Financial Sector Reforms

India's financial sector has a key role to play in the allocation of the country's savings and has already reached a degree of sophistication well above what would be expected in a country with a US\$330 per capita income. The financial savings rate is 11 percent (a little less than half the domestic savings rate). There is evidence, however, that intermediation costs still are relatively high—in part because of high directed credit requirements to the government, itself a consequence of chronically large fiscal deficits—and that the financial sector's ability to provide credit to some key sectors of the economy with appropriate maturities falls short of needs. This is particularly the case for: (a) agriculture where the specialized intermediaries are in urgent need of reform; (b) infrastructure, where private sector entry in telecommunications, power, and other areas of infrastructure has created a large demand for finance with maturities longer than those typically available; (c) investments in pollution control where there is a need to introduce new technologies and strengthen institutions; and possibly (d) small scale industries where the existing institutional framework constrains small enterprises' access to credit.

The Bank's assistance strategy for the financial sector has focused on: (a) increasing the efficiency of the financial sector by reducing its intermediation costs through deregulation (liberalization of interest rates, reducing directed credit requirements, removing barriers to entry for private banks, privatizing public banks and increasing managerial autonomy of those remaining under majority public ownership; and (b) reducing the large public sector borrowing requirements while strengthening the balance sheets of public banks and the regulatory and supervisory framework. To support this strategy, the Bank approved a US\$700 million Financial Sector Development Project in February 1995 to sustain India's financial liberalization, institutional development of public sector commercial banks and facilitate expansion of private equity ownership in public sector banks as well as developing term foreign currency lending. Another project aimed at supporting the reform of the rural credit system is currently scheduled for appraisal in March 1997.

Brief for Meeting between Mr. Wolfensohn and Vice-Minister Kato of Japan

Issues on East Asia

Two issues:

1. Deepening discussions on country policy in East Asia

We welcome this. Japan is a central partner. We already have regular discussions with key Japanese agencies, including MOF, MOFA, OECF, JEXIM in Tokyo, in addition to the annual discussions with OECF and JEXIM (that have just occurred) . We can institutionalize these policy discussions, for example, prior to the Consultative Group meetings. But discussions will have to fall short of sharing of drafts of the CAS, except when governments want this. (For example, there were informal discussions on country strategy in Vietnam.)

2. Strengthening partnerships on knowledge sharing

In East Asia our role is increasingly as a knowledge-based institution. We want to strengthen this via networks, substantive work and workshops with East Asian institutions. This would be led by EDI and EAP within the Bank. But external partnerships are critical to success, especially with Japanese institutions, the ADB (and its new institute, that is opening in Tokyo in 1997) and institutions in our client countries. Substantive areas for work include pensions, the financial sector, and labor upgrading. MOF may be sensitive about our role, wanting ADB to handle regional work. We see our engagement as crucial, and firmly grounded in our country and global work. We will need to raise resources and pool our efforts to support this work.

Details on both issues are provided in the remainder of the brief.

The brief also includes a background note on Japan in East Asia, with notes on Japan's economic relations and development philosophy.

Strengthening discussions on country policy in East Asia

A. General

At the last meeting the Vice Minister expressed an interest in more discussion on policy, especially in Indonesia, the Philippines and Vietnam. This is welcome: we also emphasize the importance of regular discussions on China

There has been some progress.

- Discussions on November 13-15 with OECF and JEXIM included a general discussion on human resource development in ASEAN (the Japanese advocate an external focus on secondary and tertiary; the Bank agrees this is of rising importance, but feels there should still be some involvement in primary in some countries) and policy discussions on a number of countries.
- The management teams of the major countries regularly visit Tokyo for discussions with the principal Japanese agencies. There are also discussions within countries in the context of aid coordination.

This can be taken further.

- In the course of annual Bank-Japanese programming discussions or other fora we could have a systematic discussion of views on country strategy for the major client countries, especially China, Indonesia, the Philippines and Vietnam. This could be complemented by increasing country level coordination and exchanges of views on country strategy. This would not, however, include formal participation in the CAS process, except where governments sanction a more participatory process in the CAS with other stakeholders at a country level. (This was done on Vietnam, but without discussion of the CAS document itself.)

B. Country issues

Indonesia

There are no substantive differences over policy.

- The recent discussions with the OECF included review of macroeconomic policies, human resources, cost recovery in irrigation and resettlement problems in implementation
- There was agreement that overall macrop performance is good (1996 growth of 7.5 percent; inflation of 7.5 percent, and a manageable current account deficit of 3 percent of GDP)
- There are common interests in involving remote areas, developing small and medium scale industries and human resource development.

Both sides have expressed concern over:

- Ad hoc nature of some decisionmaking e.g. tax advantages to the national car (that favored the President's son and a Korean company, and disfavored Japanese investors).
- Weakness in the banking system (we are increasing our work on the financial sector).
- Possible risks of expansionary economic policy in the context of the May 1997 elections (to be followed by presidential elections in March 1998--reelection of President Soeharto is expected by all).
- JEXIM expressed concern over Japanese involvement in public-private partnership in infrastructure, including on a potential subway project in Jakarta--probably because Japanese firms have not been very successful; however, our approach is not to work deal by deal but on the overall environment for contracting and regulation.
- The next Consultative Group Meeting will be in Tokyo in early July 1997 at Japan's request.

Vietnam

- Japan is the largest single donor to Vietnam
- General interactions are extensive and positive; but there may be points of tension on the role of government and of the banking sector in support of industrialization
- Japan participated in the Bank's recent CPPR; we are both concerned over solving implementation problems.
- Japanese aid agencies are active participants in fora for donor coordination, including the poverty reduction working group, the sectoral donor coordinating groups (education, infrastructure, water resources) and the consultative group. Coordination is most evident in highways, where the Bank and the ADB are focusing on national roadways and the Japanese on bridges
- JICA has sponsored a large team of Japanese researchers, led by the Japanese doyen of development economics, Prof. Shigeru Ishikawa, to advise on development strategy. We have interacted on their findings and agree with the core diagnosis, especially on the necessity of raising savings. But we are concerned about the advocacy of a leading role for the government in industrialization.

While China and the Philippines have not been flagged for this meeting; they have been countries of focus in the past. Here are country points.

China

- There are no outstanding issues with the Japanese now.
- The management team regularly visits Tokyo to discuss China with MOF, OECF, JEXIM and private sector in addition to meetings in Washington. We recently held a

briefing in Tokyo for a group from Japanese research community and government on Bank work.

- There has been no cofinancing with Japan so far, as the Chinese discourage this. However, with the decline in IDA, we have had informal discussions on OECF paying a larger role in financing the social sectors; we may pilot a Bank-OECF joint human resource or poverty operation.
- JEXIM is feeling mounting pressure from Japanese industries to guarantee their exports for construction for the Three Gorges project. If this is raised, the Bank is uninvolved in this project: the Government has not, and most likely will not, seek Bank involvement.

The Philippines

- There are no outstanding issues with Japan.
- Japan is by far the largest amongst the major three donors, committing \$1.5 bln. compared with \$400 mln each for the World Bank and the ADB
- There is significant coordination amongst the three: for example OECF cofinancing of the Third Elementary Education project (went to the board 11/26)
- While the recovery is going well, there are concerns over the strength of the banking system. Our work on this was not released at the request of the government; but JEXIM were briefed.
- OECF has produced a report advocating greater directed credit: the government is reticent--past development banks have been major problems.
- Tokyo will be the site of the next Consultative Group meeting in December 1995.

This section is a joint EDI/EAP brief

Strengthening Partnerships on Knowledge Sharing

A. Background

- In East Asia, more than anywhere, our future role is increasingly as a knowledge-based institution that can facilitate the sharing of experience, via workshops, research in partnership with regional and global institutions. There is still strong demand for our role in this area, linking country-based, regional and global experiences
- But we are only one amongst an increasingly rich range of regional players--in policy formulation, in research and in the private sector--so partnerships are even more important in the future than in the past

B. Possible Japanese concerns

- Insufficient use of Japanese intellectual resources and insufficient appreciation of the Japanese development paradigm
- Residual concern on the Japanese side on Bank "Anglo-Saxon" or "neoclassical" thinking
- Concern that Bank may crowd out other institutions in the intellectual arena: MOF in particular would like to strengthen ADB's role in financial sector development; and is inaugurating and funding an ADB institute in Tokyo that will focus on research and training (similar to DEC). *There is some risk that MOF will push to reduce Bank activity on a regional level, in favor of the ADB. We see our role as crucial, as firmly grounded in country and global policy issues; but we also see partnerships as central.*

C. There are significant ongoing partnership activities and interactions with the Japanese

- The EDI-managed Brain Trust, financed by MOF, studies lessons of Japanese experience: it has already covered banking, corporate governance, the role of the civil service, the role of government, and local government
- EDI's collaboration with the Foundation for Advanced Studies in International Development (FASID), that is affiliated to the Ministry of Foreign Affairs; this brings together Japanese and non-Japanese scholars, experts and government officials in training courses and conferences
- PRD/DEC co-organized a research fair to share experiences between Bank and Japanese researchers.
- PRD/EDI/EAP are co-sponsoring a 2-day conference in May on the role of government with Professor Juro Teranishi of University of Tokyo
- There are extensive Bank-Japanese interactions on the role of the state and alternative paradigms, with no less than three conferences in Tokyo in a six-month period--the first co-sponsored by OECF and the WDR involving a team led by Michael Bruno in October.

D. Potential deepening of partnerships with Japanese and regional institutions

- We would like to extend knowledge sharing via joint activities between EDI, EAP and regional institutions, that would involve joint research, workshops and training at a regional and global level. PRD will be a partner on research.
- The potentially key partnerships are with institutions within our client countries, with Japanese institutions and with the ADB, including the ADB institute. All partnerships are active; but all need to be deepened to be really effective in the exchange of knowledge and experience.
- This will require additional resources: some can be financed by EDI expansion, and some of the substantive work is already planned under the Brain Trust, but additional funding will have to come from elsewhere, including partners.
- There are a number of substantive areas where there is already demand, including:

*** *Social insurance.* EDI had a flagship pensions conference in Washington on November 21-22. The East Asia representatives--from China, Malaysia, Indonesia, the Philippines and Thailand--expressed a keen interest in intensive follow up in East Asia, working with EDI, EAP and a range of other partners. We would welcome involvement of Japanese institutions, that are now studying issues of aging.

*** *Financial sector development and liberalization of financial services.* The Bank is working now on a joint project on financial integration with the ADB. More work is ongoing at a country and regional level, together the IMF and other actors, including support for building robust banking and non-banking systems and the inter-relationship between pension fund development, capital market development and infrastructure finance. The Bank is planning some work on a global level on liberalization of financial services. This is of particular interest in East Asia; Japanese experience and involvement would be of great value here. *MOF may still be sensitive to our involvement: we see our continued engagement in financial sector issues--in partnership with the ADB, the IMF etc.--as vital to our effectiveness at a country and regional level.*

*** *Labor upgrading, and links to industrial restructuring, migration, FDI and higher education.* This is of great interest to the middle income economies, and increasingly to lower income ones, that are struggling with how to upgrade their production in a world of rapidly shifting patterns of production. Japan has both important historical experience and is engaged in the process via its relocation of industrial capital.

*** *The environment.* There are ongoing discussions with the private sector Pacific Basin Economic Council (PBEC), including the Japanese arm of this, to hold a joint conference in 1997. We are preparing a synthesis of environmental issues in East Asia that could feed into this.

Annex

Japan in East Asia

Japan has been central to East Asian economic development, in terms of economic relations and as a development model. But Japan's relative economic size in East Asia has fallen.

A. Economic relations

- Japan has been a leading source of official capital, private capital and trade to East Asia.
- These are strongly inter-connected: official capital has in the past mainly financed infrastructure that has complemented Japanese foreign direct investment. Trade is strongly linked to FDI flows, and increasingly so. Japan has a rising interest in human resource development, that is perceived to be a critical complement to investment flows.

FDI:

- Total Japanese FDI to East Asia has been more than \$75 billion
- It is now running at \$9 billion per annum, more than flows from Japan to Europe and Latin America combined
- With the rise in the Yen since the mid-1980s and the advance of industrial capabilities in the rest of East Asia, Japanese firms are shifting more higher valued added production to the rest of East Asia, both as a production base for export and a market.

ODA and Debt:

- Japan is the leading source of ODA and debt in East Asia; Yen-denominated debt accounts for 30 percent of all external debt, just below \$-denominated debt

Trade:

- East Asia's exports to Japan have more than doubled between 1985 and 1986; but Japan's share in East Asian trade is falling, from 28 percent of total exports in the early 1980s to 16 percent in the mid-1990s.
- By contrast East Asia's importance for Japanese trade is rising: East Asia's share of Japanese imports rose from 15 percent in 1985 to 40 percent in 1995.

B. Development philosophy

- Japan has been an important example for subsequent waves of East Asian growth
- There has been periodic criticism of World Bank thinking from Japanese quarters, including the view that the World Bank is too pro-market, pro-liberalization, and pro-privatization; also that it has an inadequate understanding of the leading role of the state, and of the financial sector in Japan's industrialization

- The East Asia Miracle study only went some of the way to meet these criticisms: some Japanese commentators judge that it still pays insufficient attention to the role of institutions and is too negative on proactive industrial policy and directed credit
- While most of the South-East Asian countries have not pursued an active industrial policy, these debates are still on the table in views over China and Vietnam, both of which look, in part, to Korea and Japan as potential models of industrial development
- We are actively and fruitfully engaging in these debates in Japanese fora, including in discussions over the WDR, and in Japanese sponsored conferences (by the Economic Planning Agency this November and the Institute of Developing Economies in January).

East Asia and Pacific region at a glance

11/27/96

POVERTY and SOCIAL

	China	Indo- nesia	Philip- pines	Viet- nam	Japan	E. Asia and Pacific
Population mid-1995 (<i>millions</i>)	1,201.4	193.3	67.5	73.5	125.2	1,709
GNP per capita 1995 (<i>US\$</i>)	620	980	1,070	250	38,850	830
GNP 1995 (<i>billions US\$</i>)	744.9	190.1	72.0	18.4	4,864.0	1,418

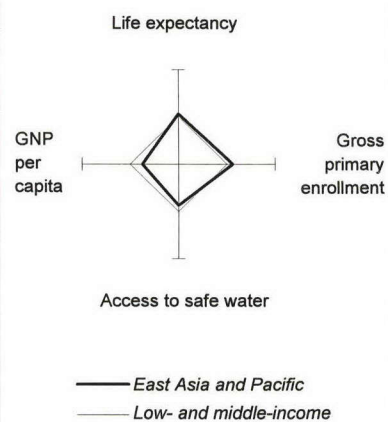
Average annual growth, 1990-95

Population (%)	1.1	1.6	1.9	2.1	0.3	1.3
Labor force (%)	1.1	2.5	2.4	1.9	0.6	1.4

Most recent estimate (latest year available since 1989)

Poverty: headcount index (% of population)	11	17	41	51	..	..
Urban population (% of total population)	30	34	54	21	78	31
Life expectancy at birth (years)	69	64	66	68	80	68
Infant mortality (<i>per 1,000 live births</i>)	29	51	39	41	4	36
Child malnutrition (% of children under 5)	17	39	30	45	3	17
Access to safe water (% of population)	46	63	84	38	95	49
Illiteracy (% of population age 15+)	19	16	5	6	..	17
Gross primary enrollment (% of school-age population)	118	114	111	103	102	117
Male	120	116	113	101	102	119
Female	116	112	111	103	102	115

Development diamond*



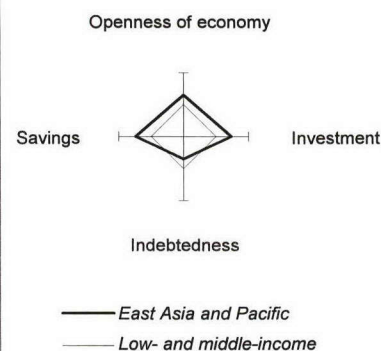
KEY ECONOMIC RATIOS and LONG-TERM TRENDS

	1995	1995	1995	1995	1995	1995
GDP (<i>billions US\$</i>)	697.6	198.1	74.2	20.4	5,003.6	1,340.1
Gross domestic investment/GDP	40.5	37.8	22.5	23.4	28.5	39.0
Exports of goods and non-factor services/GDP	21.0	25.5	36.3	30.2	9.7	29.4
Gross domestic savings/GDP	42.0	35.8	14.7	19.2	30.1	37.7
Gross national savings/GDP	40.5	31.6	19.3	22.9	33.1	36.4
Current account balance/GDP	0.2	-2.6	-4.2	-9.9	2.2	-2.6
Interest payments/GDP	0.7	2.4	2.6	0.5	..	1.1
Total debt/GDP	16.9	54.4	53.2	130.2	..	29.6
Total debt service/exports	9.9	29.9	17.4	5.8	..	13.2
Present value of debt/GDP	15.8	48.0	54.6	135.3	..	28.1
Present value of debt/exports	68.5	170.8	143.1	391.2	..	95.0

(average annual growth)

	1995	1995	1995	1995	1995	1995
GDP	10.5	8.1	4.8	9.5	0.9	9.6
GNP per capita	8.0	5.7	4.7	7.4	0.6	8.0
Exports of goods and nfs	9.6	4.3	11.9	31.7	1.0	12.1

Economic ratios*



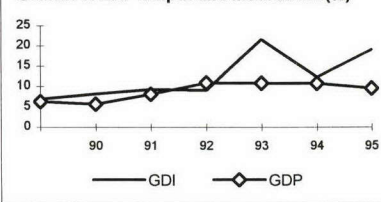
STRUCTURE of the ECONOMY

	China 1995	Indo. 1995	Phil. 1995	Viet. 1995	Japan 1995	EAP 1995
(% of GDP)						
Agriculture	20.6	17.2	21.7	28.1	2.1	18.5
Industry	48.4	41.5	32.1	27.7	40.2	44.2
Manufacturing	37.6	24.3	23.0	22.0	26.8	31.9
Services	31.1	41.3	46.2	44.2	57.6	38.0
Private consumption	45.7	56.0	74.0	77.4	59.9	51.3
General government consumption	12.2	8.2	11.2	9.1	10.0	9.4
Imports of goods and non-factor services	19.4	27.5	44.0	36.1	8.1	30.7

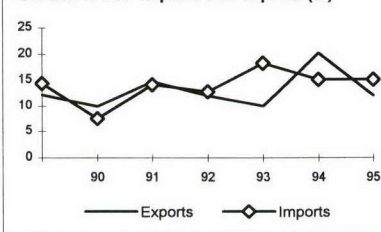
(average annual growth)

	1995	1995	1995	1995	1995	1995
Agriculture	5.0	4.0	0.9	3.5	-4.5	4.3
Industry	14.1	10.3	7.2	13.0	-1.4	13.1
Manufacturing	13.3	11.1	6.8	12.9	-2.5	12.8
Services	7.9	7.5	4.9	12.5	0.9	7.5
Private consumption	6.3	4.0	8.5	..	1.6	7.1
General government consumption	-3.4	3.4	3.6	..	1.2	-1.2
Gross domestic investment	19.1	26.4	4.4	12.8	2.0	19.0
Imports of goods and non-factor services	5.0	24.6	16.6	32.5	9.0	15.1
Gross national product	9.0	7.3	5.5	9.5	0.8	9.2

Growth of EAP output and investment (%)



Growth of EAP exports and imports (%)



Note: East Asia region does not include Japan and other high-income countries. 1995 data are preliminary estimates. Figures in italics are for 1994.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

PRICES and GOVERNMENT FINANCE

Domestic prices

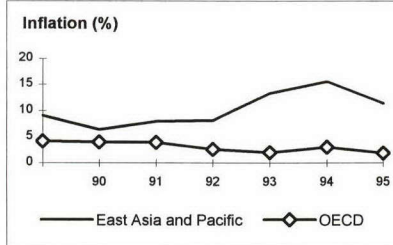
(% change)

	China 1995	Indo. 1995	Phil. 1995	Viet. 1995	Japan 1995	EAP 1995
Consumer prices	13.2	5.1	8.1	..	-0.1	..
Implicit GDP deflator	13.1	8.7	7.4	19.5	-0.6	11.4

Government finance

(% of GDP)

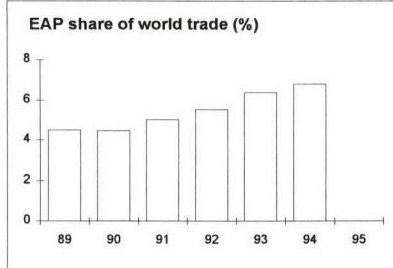
	China 1995	Indo. 1995	Phil. 1995	Viet. 1995	Japan 1995	EAP 1995
Current revenue	11.6	15.7	18.8	23.4	..	14.5
Current budget balance	0.3	6.5	3.4	4.7	..	2.5
Overall surplus/deficit	-1.6	-0.2	-0.1	-2.2	..	-0.7



TRADE

(millions US\$)

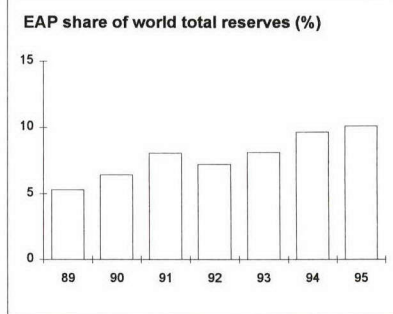
	China 1995	Indo. 1995	Phil. 1995	Viet. 1995	Japan 1995	EAP 1995
Total exports (fob)	148,750	44,792	16,720	4,499	397,000	347,715
Manufactures	127,638	23,487	13,305	..	..	269,805
Total imports (cif)	132,308	41,286	25,696	5,448	275,000	357,244
Food	6,562	868	1,035	101	..	15,285
Fuel and energy	55,758	3,841	2,278	799	..	75,837
Capital goods	55,882	16,712	8,013	1,717	..	163,470
Export price index (1987=100)	130	137	124	..	143	..
Import price index (1987=100)	128	127	124	..	112	..
Terms of trade (1987=100)	102	108	100	..	128	..



BALANCE of PAYMENTS

(millions US\$)

	China 1995	Indo. 1995	Phil. 1995	Viet. 1995	Japan 1995	EAP 1995
Exports of goods and non-factor services	142,000	51,812	25,095	6,622	494,529	388,914
Imports of goods and non-factor services	127,600	50,086	31,203	8,843	419,942	401,463
Resource balance	14,400	1,726	-6,108	-2,221	74,587	-12,549
Net factor income	-14,300	-7,457	2,023	-568	44,406	-27,264
Net current transfers	1,400	487	1,003	770	-7,747	4,813
Current account balance, before official transfers	1,500	-5,244	-3,082	-2,019	111,246	-35,000
Financing items (net)	20,700	6,621	5,169	1,843	-52,603	73,777
Changes in net reserves	-22,200	-1,377	-2,086	176	-58,643	-38,776



Memo:

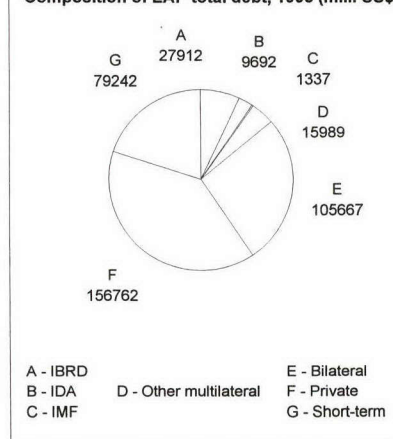
Reserves including gold (mill. US\$)	76,592	26,139	8,954	16	192,620	189,164
Conversion rate (local/US\$)	8.4	2,248.6	25.7	10,950.0	94.1	..

EXTERNAL DEBT and RESOURCE FLOWS

(millions US\$)

	China 1995	Indo. 1995	Phil. 1995	Viet. 1995	Japan 1995	EAP 1995
Total debt outstanding and disbursed	118,090	107,831	39,445	26,495	..	396,601
IBRD	7,209	12,503	5,002	0	..	27,912
IDA	7,038	756	183	231	..	9,692
Total debt service	15,066	16,419	5,328	386	..	52,304
IBRD	810	1,875	790	0	..	4,152
IDA	63	26	3	2	..	119
Composition of net resource flows						
Official grants	326	249	274	345	..	2,966
Official creditors	7,202	1,101	-647	298	..	8,559
Private creditors	5,683	2,428	1,166	-67	..	17,646
Foreign direct investment	38,000	4,500	1,200	150	..	52,192
Portfolio equity	2,807	4,873	1,961	155	..	14,714
World Bank program						
Commitments	2,850	1,312	168	265	..	4,964
Disbursements	2,269	1,045	403	47	..	4,103
Principal repayments	364	975	415	1	..	2,202
Net flows	1,905	70	-12	46	..	1,901
Interest payments	509	927	378	2	..	2,069
Net transfers	1,396	-857	-390	44	..	-168

Composition of EAP total debt, 1995 (mill. US\$)



China at a glance

11/27/96

POVERTY and SOCIAL

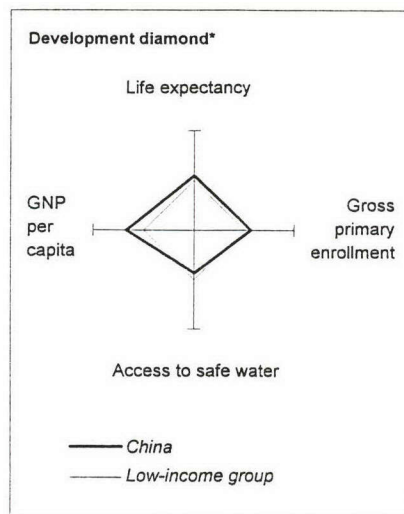
	China	East Asia	Low-income
Population mid-1995 (<i>millions</i>)	1,201.4	1,709	3,188
GNP per capita 1995 (<i>US\$</i>)	620	830	460
GNP 1995 (<i>billions US\$</i>)	744.9	1,418	1,466

Average annual growth, 1990-95

Population (%)	1.1	1.3	1.8
Labor force (%)	1.1	1.4	1.9

Most recent estimate (latest year available since 1989)

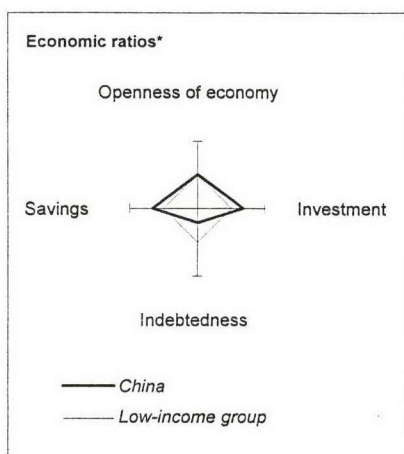
Poverty: headcount index (% of population)	11	..	..
Urban population (% of total population)	30	31	29
Life expectancy at birth (<i>years</i>)	69	68	63
Infant mortality (<i>per 1,000 live births</i>)	29	36	58
Child malnutrition (% of children under 5)	17	19	38
Access to safe water (% of population)	46	49	53
Illiteracy (% of population age 15+)	19	17	34
Gross primary enrollment (% of school-age population)	118	117	105
Male	120	119	112
Female	116	115	98



KEY ECONOMIC RATIOS and LONG-TERM TRENDS

	1975	1985	1994	1995
GDP (<i>billions US\$</i>)	160.3	304.9	540.9	697.6
Gross domestic investment/GDP	30.3	37.8	39.9	40.5
Exports of goods and non-factor services/GDP	5.2	9.9	22.0	21.0
Gross domestic savings/GDP	30.6	33.7	41.2	42.0
Gross national savings/GDP	30.6	34.0	41.2	40.5
Current account balance/GDP	-0.2	-3.9	1.3	0.2
Interest payments/GDP	..	0.2	0.7	0.7
Total debt/GDP	..	5.5	18.6	16.9
Total debt service/exports	..	8.3	8.9	9.9
Present value of debt/GDP	..	..	15.8	..
Present value of debt/exports	..	..	68.5	..

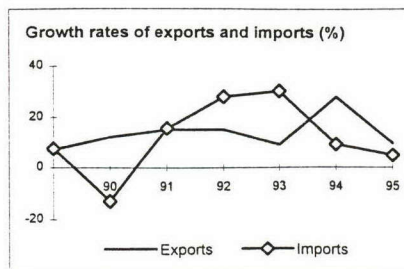
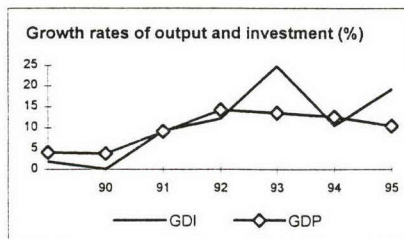
	1975-84	1985-95	1994	1995	1996-04
(<i>average annual growth</i>)					
GDP	8.0	9.8	12.6	10.5	8.5
GNP per capita	6.6	8.3	11.4	8.0	7.6
Exports of goods and nfs	17.9	13.3	28.1	9.6	8.6



STRUCTURE of the ECONOMY

	1975	1985	1994	1995
(% of GDP)				
Agriculture	32.0	28.4	20.3	20.6
Industry	42.8	43.1	48.0	48.4
Manufacturing	31.6	35.4	37.6	37.6
Services	25.2	28.5	31.7	31.1
Private consumption	61.9	53.1	45.9	45.7
General government consumption	7.6	13.2	12.8	12.2
Imports of goods and non-factor services	5.0	14.0	20.6	19.4

	1975-84	1985-95	1994	1995
(<i>average annual growth</i>)				
Agriculture	5.1	4.2	4.0	5.0
Industry	10.0	12.8	18.4	14.1
Manufacturing	13.1	12.3	18.4	13.3
Services	9.6	9.4	9.3	7.9
Private consumption	7.9	8.6	9.7	6.3
General government consumption	8.5	9.5	7.8	-3.4
Gross domestic investment	8.9	9.7	10.5	19.1
Imports of goods and non-factor services	21.1	9.0	9.3	5.0
Gross national product	8.0	9.8	12.6	9.0

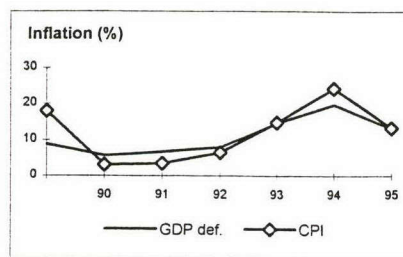


Note: 1995 data are preliminary estimates.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

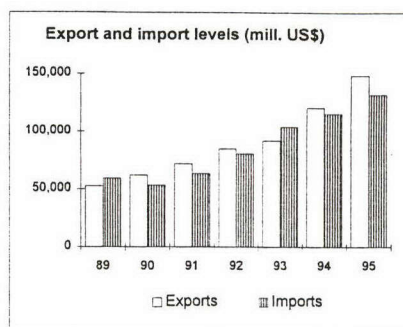
PRICES and GOVERNMENT FINANCE

	1975	1985	1994	1995
Domestic prices				
(% change)				
Consumer prices	..	9.3	24.1	13.2
Implicit GDP deflator	-0.9	10.1	19.5	13.1
Government finance				
(% of GDP)				
Current revenue	..	25.5	12.0	11.6
Current budget balance	..	6.7	0.4	0.3
Overall surplus/deficit	..	-0.5	-1.6	-1.6



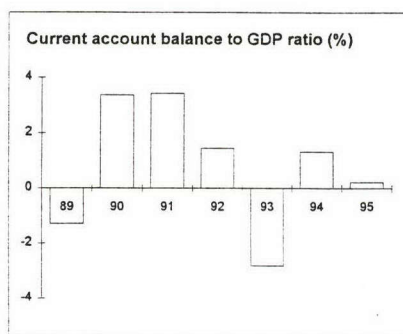
TRADE

	1975	1985	1994	1995
(millions US\$)				
Total exports (fob)	..	27,350	121,038	148,750
Food	..	3,803	10,017	12,828
Fuel	..	7,132	4,061	4,152
Manufactures	..	13,522	101,331	127,638
Total imports (cif)	..	42,252	115,693	132,308
Food	..	1,881	4,996	6,562
Fuel and energy	..	172	4,034	55,758
Capital goods	..	18,694	55,720	55,882
Export price index (1987=100)	..	92	124	130
Import price index (1987=100)	..	78	122	128
Terms of trade (1987=100)	..	117	102	102



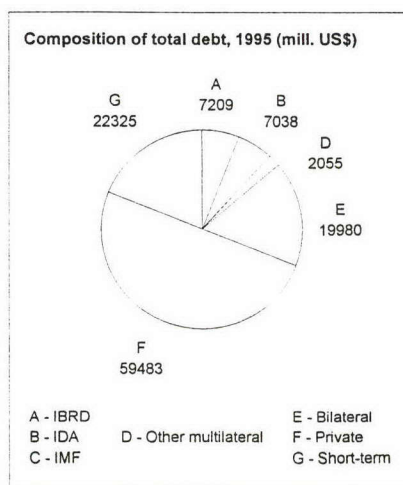
BALANCE of PAYMENTS

	1975	1985	1994	1995
(millions US\$)				
Exports of goods and non-factor services	7,828	28,163	118,811	142,000
Imports of goods and non-factor services	8,097	41,149	111,472	127,600
Resource balance	-269	-12,986	7,339	14,400
Net factor income	0	932	-1,018	-14,300
Net current transfers	0	171	836	1,400
Current account balance, before official transfers	-269	-11,883	7,157	1,500
Financing items (net)	..	9,443	23,370	20,700
Changes in net reserves	..	2,440	-30,527	-22,200
Memo:				
Reserves including gold (mill. US\$)	..	16,881	57,794	76,592
Conversion rate (local/US\$)	1.9	2.9	8.6	8.4



EXTERNAL DEBT and RESOURCE FLOWS

	1975	1985	1994	1995
(millions US\$)				
Total debt outstanding and disbursed	..	16,696	100,457	118,090
IBRD	..	498	5,933	7,209
IDA	..	431	6,097	7,038
Total debt service	..	2,478	11,135	15,066
IBRD	..	26	679	810
IDA	..	4	50	63
Composition of net resource flows				
Official grants	..	117	337	326
Official creditors	..	1,117	3,117	7,202
Private creditors	..	2,867	6,691	5,683
Foreign direct investment	..	1,659	33,787	38,000
Portfolio equity	..	0	3,915	2,807
World Bank program				
Commitments	..	1,092	4,020	2,850
Disbursements	..	565	2,060	2,269
Principal repayments	..	0	324	364
Net flows	..	565	1,736	1,905
Interest payments	..	29	405	509
Net transfers	..	536	1,331	1,396



Indonesia at a glance

11/27/96

POVERTY and SOCIAL

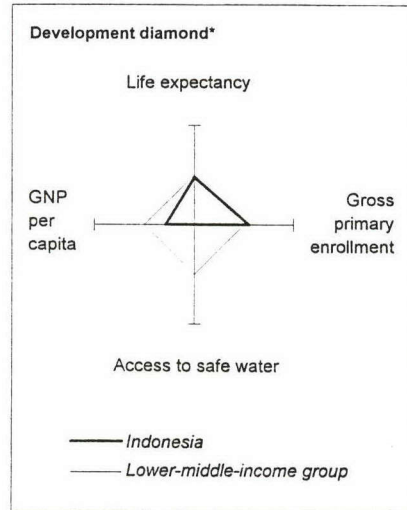
	Indonesia	East Asia	Lower-middle-income
Population mid-1995 (millions)	193.3	1,709	1,154
GNP per capita 1995 (US\$)	980	830	1,700
GNP 1995 (billions US\$)	190.1	1,418	1,962

Average annual growth, 1990-95

Population (%)	1.6	1.3	1.4
Labor force (%)	2.5	1.4	1.8

Most recent estimate (latest year available since 1989)

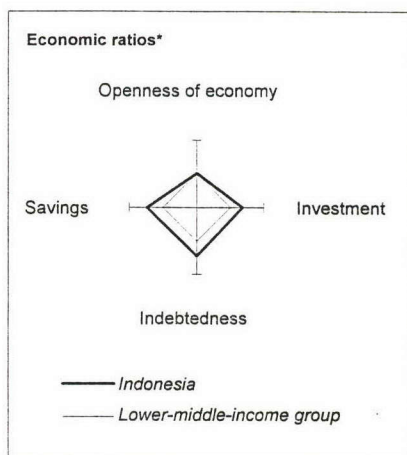
Poverty: headcount index (% of population)	17	..	..
Urban population (% of total population)	34	31	56
Life expectancy at birth (years)	64	68	67
Infant mortality (per 1,000 live births)	51	36	36
Child malnutrition (% of children under 5)	39	19	..
Access to safe water (% of population)	63	49	..
Illiteracy (% of population age 15+)	16	17	..
Gross primary enrollment (% of school-age population)	114	117	104
Male	116	119	105
Female	112	115	101



KEY ECONOMIC RATIOS and LONG-TERM TRENDS

	1975	1985	1994	1995
GDP (billions US\$)	32.1	87.2	175.5	198.1
Gross domestic investment/GDP	23.7	26.2	34.3	37.8
Exports of goods and non-factor services/GDP	23.2	22.2	25.5	25.5
Gross domestic savings/GDP	25.9	27.9	35.6	35.8
Gross national savings/GDP	..	22.9	32.1	31.6
Current account balance/GDP	-3.5	-2.2	-2.2	-2.6
Interest payments/GDP	1.0	2.3	2.5	2.4
Total debt/GDP	35.8	42.1	55.0	54.4
Total debt service/exports	15.1	28.8	29.0	29.9
Present value of debt/GDP	..	..	48.0	..
Present value of debt/exports	..	..	170.8	..

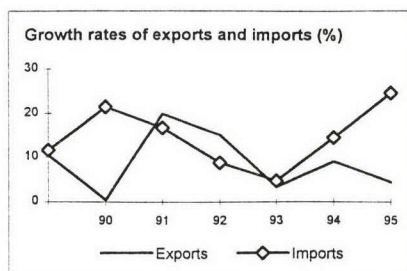
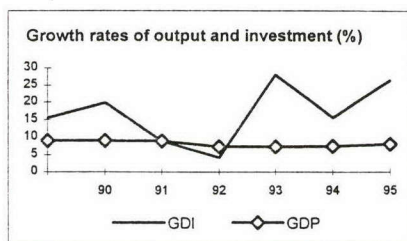
	1975-84	1985-95	1994	1995	1996-04
(average annual growth)					
GDP	7.2	7.6	7.5	8.1	6.6
GNP per capita	4.5	6.0	5.9	5.7	5.2
Exports of goods and nfs	-0.6	9.1	9.0	4.3	7.6



STRUCTURE of the ECONOMY

	1975	1985	1994	1995
(% of GDP)				
Agriculture	30.2	23.2	17.4	17.2
Industry	33.5	35.9	40.7	41.5
Manufacturing	9.8	16.0	23.5	24.3
Services	36.3	40.9	41.9	41.3
Private consumption	65.1	60.3	56.2	56.0
General government consumption	9.0	11.8	8.2	8.2
Imports of goods and non-factor services	21.0	20.5	24.2	27.5

	1975-84	1985-95	1994	1995
(average annual growth)				
Agriculture	4.3	3.5	0.5	4.0
Industry	7.1	9.6	11.2	10.3
Manufacturing	14.4	11.2	12.5	11.1
Services	9.5	8.0	6.9	7.5
Private consumption	9.1	4.9	4.9	4.0
General government consumption	11.4	4.7	2.3	3.4
Gross domestic investment	14.5	12.9	15.5	26.4
Imports of goods and non-factor services	9.9	8.2	14.5	24.6
Gross national product	6.7	7.8	7.6	7.3

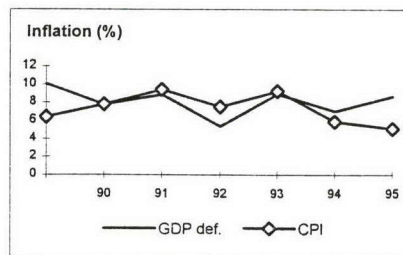


Note: 1995 data are preliminary estimates.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

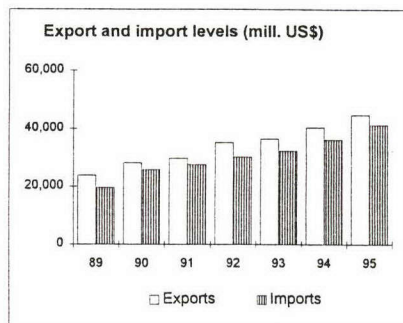
PRICES and GOVERNMENT FINANCE

	1975	1985	1994	1995
Domestic prices				
(% change)				
Consumer prices	19.1	4.7	5.9	5.1
Implicit GDP deflator	11.5	4.3	7.0	8.7
Government finance				
(% of GDP)				
Current revenue	..	19.2	16.3	15.7
Current budget balance	..	6.0	6.7	6.5
Overall surplus/deficit	..	-3.2	-0.2	-0.2



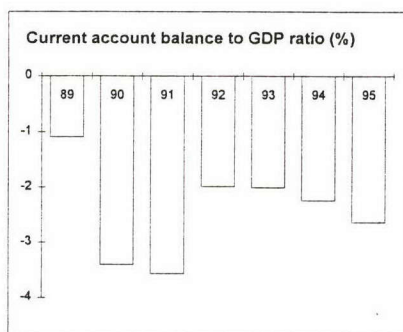
TRADE

	1975	1985	1994	1995
(millions US\$)				
Total exports (fob)	..	18,823	40,376	44,792
Fuel	..	12,804	9,287	8,638
Rubber	..	714	1,316	1,554
Manufactures	..	2,287	19,627	23,487
Total imports (cif)	..	14,056	36,144	41,286
Food	..	812	756	868
Fuel and energy	..	2,870	3,510	3,841
Capital goods	..	5,394	14,565	16,712
Export price index (1987=100)	..	121	129	137
Import price index (1987=100)	..	85	125	127
Terms of trade (1987=100)	..	143	104	108



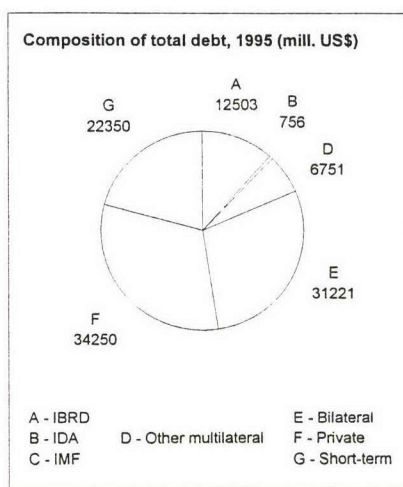
BALANCE of PAYMENTS

	1975	1985	1994	1995
(millions US\$)				
Exports of goods and non-factor services	6,981	19,371	46,876	51,812
Imports of goods and non-factor services	6,775	17,840	43,846	50,086
Resource balance	206	1,531	3,030	1,726
Net factor income	-1,342	-3,542	-7,458	-7,457
Net current transfers	0	88	480	487
Current account balance, before official transfers	-1,135	-1,923	-3,948	-5,244
Financing items (net)	284	962	5,094	6,621
Changes in net reserves	851	961	-1,146	-1,377
Memo:				
Reserves including gold (mill. US\$)	592	13,184	24,511	26,139
Conversion rate (local/US\$)	415.0	1,110.6	2,160.8	2,248.6



EXTERNAL DEBT and RESOURCE FLOWS

	1975	1985	1994	1995
(millions US\$)				
Total debt outstanding and disbursed	11,507	36,709	96,543	107,831
IBRD	57	3,590	12,008	12,503
IDA	318	844	776	756
Total debt service	1,060	5,824	14,272	16,419
IBRD	2	384	2,156	1,875
IDA	2	12	26	26
Composition of net resource flows				
Official grants	69	136	218	249
Official creditors	515	1,003	1,615	1,101
Private creditors	1,749	154	1,967	2,428
Foreign direct investment	476	310	2,109	4,500
Portfolio equity	0	0	3,672	4,873
World Bank program				
Commitments	311	1,068	1,538	1,312
Disbursements	164	777	1,184	1,045
Principal repayments	0	133	1,259	975
Net flows	164	644	-75	70
Interest payments	3	262	922	927
Net transfers	160	382	-997	-857



Japan at a glance

11/27/96

POVERTY and SOCIAL

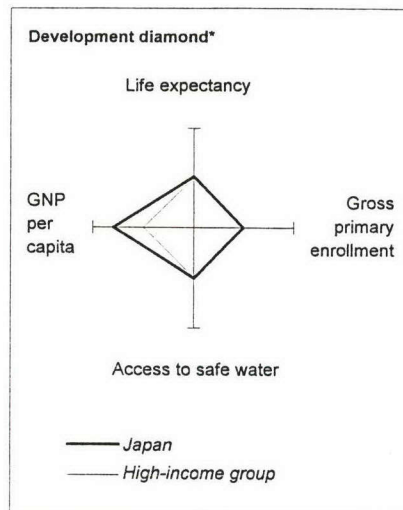
	Japan	East Asia	High-income
Population mid-1995 (millions)	125.2	1,709	902
GNP per capita 1995 (US\$)	38,850	830	24,370
GNP 1995 (billions US\$)	4,864.0	1,418	21,982

Average annual growth, 1990-95

Population (%)	0.3	1.3	0.7
Labor force (%)	0.6	1.4	0.8

Most recent estimate (latest year available since 1989)

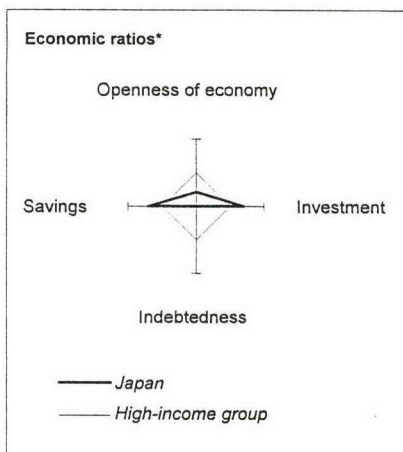
Poverty: headcount index (% of population)	..	..	..
Urban population (% of total population)	78	31	78
Life expectancy at birth (years)	80	68	77
Infant mortality (per 1,000 live births)	4	36	7
Child malnutrition (% of children under 5)	3	19	..
Access to safe water (% of population)	95	49	94
Illiteracy (% of population age 15+)	..	17	< 5
Gross primary enrollment (% of school-age population)	102	117	104
Male	102	119	104
Female	102	115	104



KEY ECONOMIC RATIOS and LONG-TERM TRENDS

	1975	1985	1994	1995
GDP (billions US\$)	499.8	1,343.3	4,591.0	5,003.6
Gross domestic investment/GDP	32.8	28.2	28.3	28.5
Exports of goods and non-factor services/GDP	12.8	14.5	9.5	9.7
Gross domestic savings/GDP	32.8	31.5	30.4	30.1
Gross national savings/GDP	32.7	31.8	..	..
Current account balance/GDP	..	3.7	2.8	2.2
Interest payments/GDP	..	..	..	..
Total debt/GDP	..	..	..	..
Total debt service/exports	..	..	..	..
Present value of debt/GDP	..	..	..	..
Present value of debt/exports	..	..	..	..

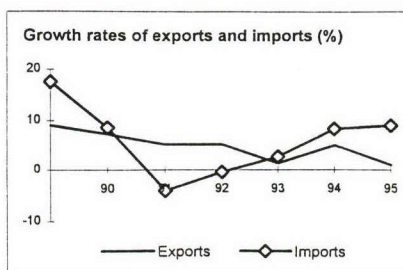
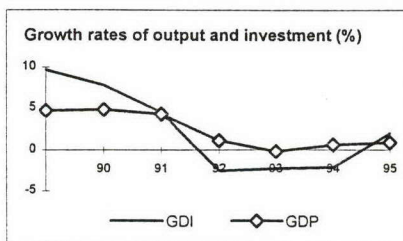
	1975-84	1985-95	1994	1995	1996-04
(average annual growth)					
GDP	4.1	3.2	0.6	0.9	..
GNP per capita	3.3	2.9	0.3	0.6	..
Exports of goods and nfs	8.2	4.6	5.0	1.0	..



STRUCTURE of the ECONOMY

	1975	1985	1994	1995
(% of GDP)				
Agriculture	5.5	3.2	..	..
Industry	42.4	41.0	..	..
Manufacturing	30.2	29.5	..	..
Services	52.1	55.8	..	..
Private consumption	57.1	58.9	59.8	59.9
General government consumption	10.0	9.6	9.8	10.0
Imports of goods and non-factor services	12.8	11.1	7.3	8.1

	1975-84	1985-95	1994	1995
(average annual growth)				
Agriculture	-0.7	-0.9	..	..
Industry	4.2	5.1	..	..
Manufacturing	5.7	5.1	..	..
Services	4.3	3.3	..	..
Private consumption	3.9	2.9	2.0	1.6
General government consumption	3.8	2.0	2.8	1.2
Gross domestic investment	2.6	4.5	-2.1	2.0
Imports of goods and non-factor services	2.1	6.7	8.3	9.0
Gross national product	4.1	3.2	0.6	0.8

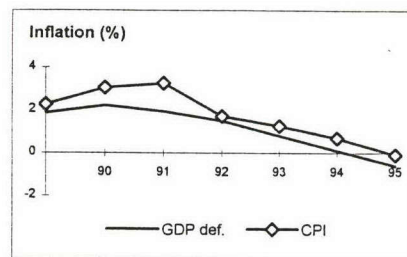


Note: 1995 data are preliminary estimates. Figures in italics are for years other than those specified.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

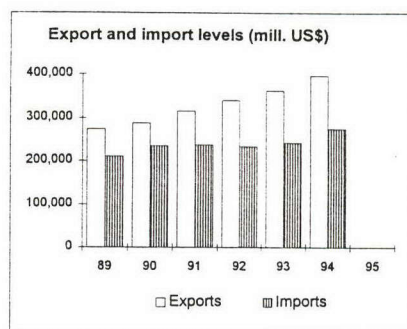
PRICES and GOVERNMENT FINANCE

	1975	1985	1994	1995
Domestic prices				
(% change)				
Consumer prices	11.8	2.0	0.7	-0.1
Implicit GDP deflator	7.5	1.5	0.1	-0.6
Government finance				
(% of GDP)				
Current revenue	..	..	..	..
Current budget balance	..	..	..	..
Overall surplus/deficit	..	..	..	..



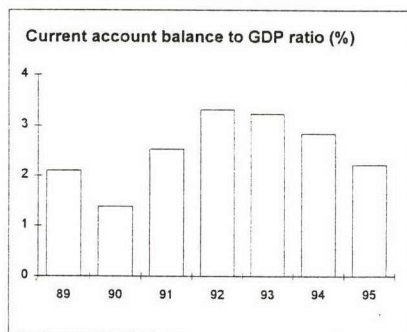
TRADE

	1975	1985	1994	1995
(millions US\$)				
Total exports (fob)	..	177,000	397,000	..
n.a.	..	..	..	..
n.a.	..	..	..	..
Manufactures	..	170,451	..	..
Total imports (cif)	..	130,000	275,000	..
Food	..	18,070	..	..
Fuel and energy	..	56,940	..	..
Capital goods	..	11,310	..	..
Export price index (1987=100)	..	76	143	..
Import price index (1987=100)	..	104	112	..
Terms of trade (1987=100)	..	73	128	..



BALANCE of PAYMENTS

	1975	1985	1994	1995
(millions US\$)				
Exports of goods and non-factor services	..	197,210	444,298	494,529
Imports of goods and non-factor services	..	153,130	347,931	419,942
Resource balance	..	44,080	96,367	74,587
Net factor income	..	6,740	40,308	44,406
Net current transfers	..	-1,650	-6,118	-7,747
Current account balance, before official transfers	..	49,170	130,557	111,246
Financing items (net)	..	-49,754	-105,193	-52,603
Changes in net reserves	..	584	-25,364	-58,643
Memo:				
Reserves including gold (mill. US\$)	14,911	34,641	135,145	192,620
Conversion rate (local/US\$)	296.8	238.5	102.2	94.1



EXTERNAL DEBT and RESOURCE FLOWS

	1975	1985	1994	1995
(millions US\$)				
Total debt outstanding and disbursed	..	..	..	..
IBRD	..	..	..	..
IDA	..	..	..	..
Total debt service	..	..	..	..
IBRD	..	..	..	..
IDA	..	..	..	..
Composition of net resource flows				
Official grants	..	..	..	..
Official creditors	..	..	..	..
Private creditors	..	..	..	..
Foreign direct investment	..	..	..	..
Portfolio equity	..	..	..	..
World Bank program				
Commitments	..	..	..	..
Disbursements	..	..	..	..
Principal repayments	..	..	..	..
Net flows	..	..	..	..
Interest payments	..	..	..	..
Net transfers	..	..	..	..

Philippines at a glance

11/27/96

POVERTY and SOCIAL

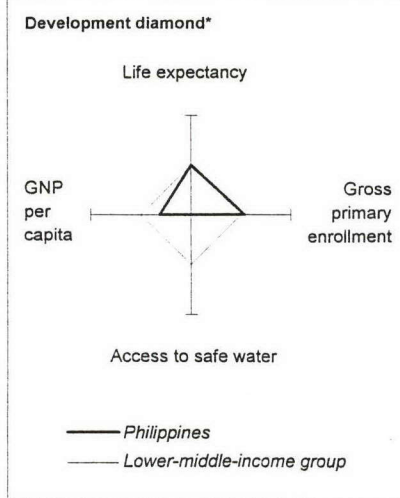
	Philippines	East Asia	Lower-middle-income
Population mid-1995 (millions)	67.5	1,709	1,154
GNP per capita 1995 (US\$)	1,070	830	1,700
GNP 1995 (billions US\$)	72.0	1,418	1,962

Average annual growth, 1990-95

Population (%)	1.9	1.3	1.4
Labor force (%)	2.4	1.4	1.8

Most recent estimate (latest year available since 1989)

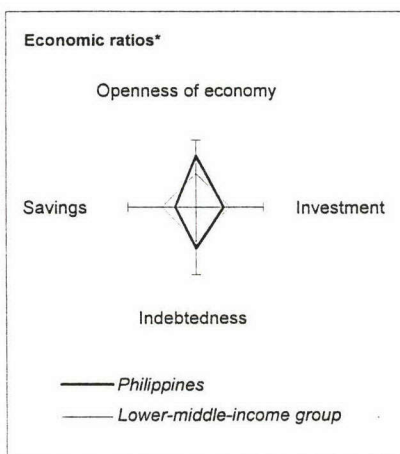
Poverty: headcount index (% of population)	41	..	..
Urban population (% of total population)	54	31	56
Life expectancy at birth (years)	66	68	67
Infant mortality (per 1,000 live births)	39	36	36
Child malnutrition (% of children under 5)	30	19	..
Access to safe water (% of population)	84	49	..
Illiteracy (% of population age 15+)	5	17	..
Gross primary enrollment (% of school-age population)	111	117	104
Male	113	119	105
Female	111	115	101



KEY ECONOMIC RATIOS and LONG-TERM TRENDS

	1975	1985	1994	1995
GDP (billions US\$)	15.0	30.7	64.1	74.2
Gross domestic investment/GDP	30.9	15.3	24.1	22.5
Exports of goods and non-factor services/GDP	21.0	24.0	33.8	36.3
Gross domestic savings/GDP	24.8	17.4	17.8	14.7
Gross national savings/GDP	26.6	15.9	21.8	19.3
Current account balance/GDP	-6.2	-0.1	-4.4	-4.2
Interest payments/GDP	0.8	3.1	2.6	2.6
Total debt/GDP	27.8	86.6	62.4	53.2
Total debt service/exports	14.4	31.6	18.9	17.4
Present value of debt/GDP	..	..	54.6	..
Present value of debt/exports	..	..	143.1	..

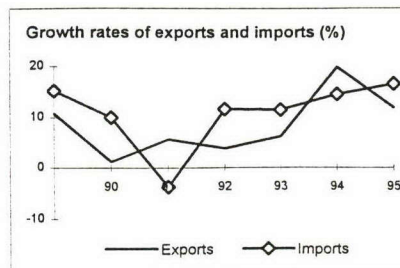
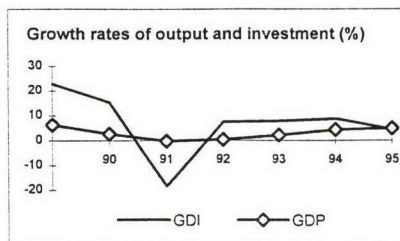
	1975-84	1985-95	1994	1995	1996-04
(average annual growth)					
GDP	3.9	3.2	4.4	4.8	5.5
GNP per capita	1.3	1.6	3.1	4.7	3.6
Exports of goods and nfs	9.5	8.4	19.8	11.9	10.6



STRUCTURE of the ECONOMY

	1975	1985	1994	1995
(% of GDP)				
Agriculture	30.3	24.6	22.0	21.7
Industry	34.6	35.1	32.5	32.1
Manufacturing	25.7	25.2	23.3	23.0
Services	35.0	40.4	45.5	46.2
Private consumption	64.5	75.0	71.5	74.0
General government consumption	10.7	7.6	10.8	11.2
Imports of goods and non-factor services	27.1	21.9	40.1	44.0

	1975-84	1985-95	1994	1995
(average annual growth)				
Agriculture	2.7	2.0	2.6	0.9
Industry	4.2	3.2	5.8	7.2
Manufacturing	2.9	3.1	5.0	6.8
Services	4.4	3.9	4.2	4.9
Private consumption	3.8	3.6	1.5	8.5
General government consumption	1.0	4.1	6.1	3.6
Gross domestic investment	2.8	7.4	8.7	4.4
Imports of goods and non-factor services	6.1	12.1	14.5	16.6
Gross national product	3.7	3.8	5.2	5.5

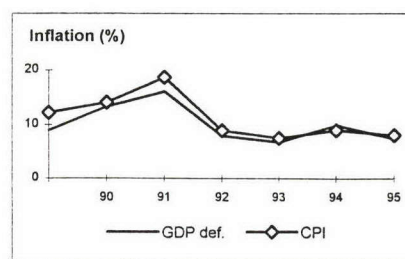


Note: 1995 data are preliminary estimates.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

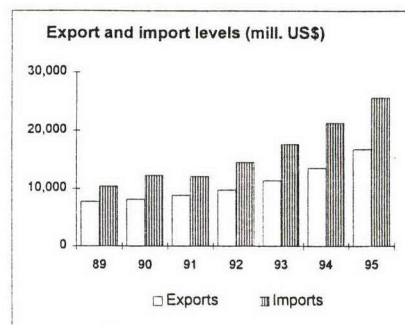
PRICES and GOVERNMENT FINANCE

	1975	1985	1994	1995
Domestic prices				
(% change)				
Consumer prices	6.8	23.1	9.1	8.1
Implicit GDP deflator	9.4	17.6	10.0	7.4
Government finance				
(% of GDP)				
Current revenue	..	12.1	20.2	18.8
Current budget balance	..	2.4	3.2	3.4
Overall surplus/deficit	..	-1.9	-0.3	-0.1



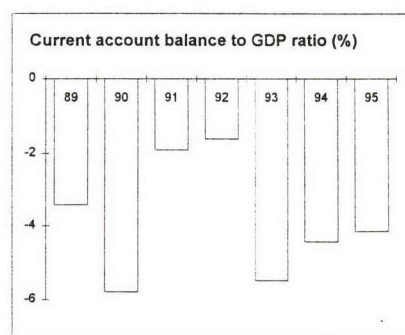
TRADE

	1975	1985	1994	1995
(millions US\$)				
Total exports (fob)	..	4,629	13,483	16,720
Coconut oil	..	347	475	467
Sugar	..	185	61	63
Manufactures	..	2,539	10,615	13,305
Total imports (cif)	..	5,111	21,333	25,696
Food	..	256	815	1,035
Fuel and energy	..	1,452	2,040	2,278
Capital goods	..	769	6,868	8,013
Export price index (1987=100)	..	81	120	124
Import price index (1987=100)	..	63	117	124
Terms of trade (1987=100)	..	127	103	100



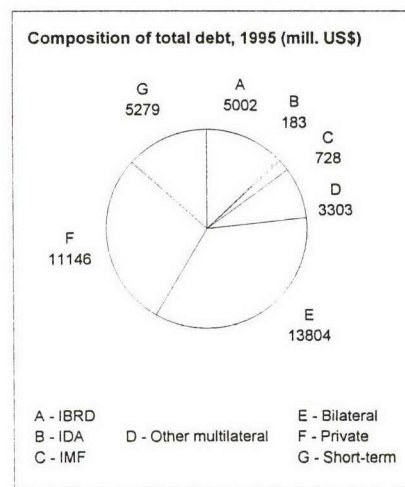
BALANCE of PAYMENTS

	1975	1985	1994	1995
(millions US\$)				
Exports of goods and non-factor services	3,000	6,864	20,044	25,095
Imports of goods and non-factor services	4,116	5,961	25,712	31,203
Resource balance	-1,116	903	-5,668	-6,108
Net factor income	-126	-1,317	1,892	2,023
Net current transfers	318	379	936	1,003
Current account balance, before official transfers	-923	-35	-2,840	-3,082
Financing items (net)	912	867	4,642	5,169
Changes in net reserves	11	-832	-1,802	-2,086
Memo:				
Reserves including gold (mill. US\$)	1,463	1,098	7,121	8,954
Conversion rate (local/US\$)	7.2	18.6	26.4	25.7



EXTERNAL DEBT and RESOURCE FLOWS

	1975	1985	1994	1995
(millions US\$)				
Total debt outstanding and disbursed	4,171	26,639	39,996	39,445
IBRD	238	2,420	4,855	5,002
IDA	17	84	174	183
Total debt service	457	2,534	4,637	5,328
IBRD	26	285	717	790
IDA	0	1	3	3
Composition of net resource flows				
Official grants	72	139	284	274
Official creditors	185	381	213	-647
Private creditors	348	776	1,748	1,166
Foreign direct investment	98	12	1,000	1,200
Portfolio equity	0	0	1,407	1,961
World Bank program				
Commitments	114	104	478	168
Disbursements	94	276	304	403
Principal repayments	12	110	360	415
Net flows	82	166	-56	-12
Interest payments	14	176	360	378
Net transfers	68	-10	-416	-390



Vietnam at a glance

11/27/96

POVERTY and SOCIAL

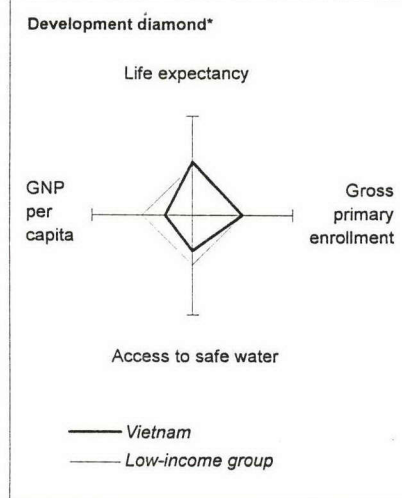
	Vietnam	East Asia	Low-income
Population mid-1995 (millions)	73.5	1,709	3,188
GNP per capita 1995 (US\$)	250	830	460
GNP 1995 (billions US\$)	18.4	1,418	1,466

Average annual growth, 1990-95

Population (%)	2.1	1.3	1.8
Labor force (%)	1.9	1.4	1.9

Most recent estimate (latest year available since 1989)

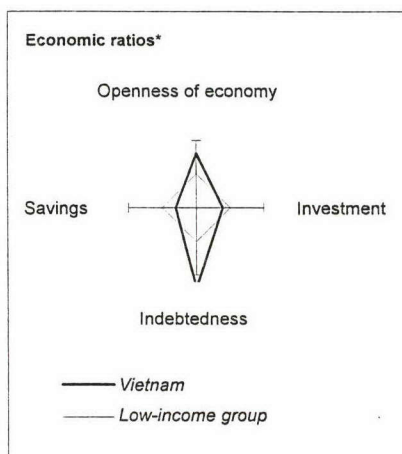
Poverty: headcount index (% of population)	51	..	..
Urban population (% of total population)	21	31	29
Life expectancy at birth (years)	68	68	63
Infant mortality (per 1,000 live births)	41	36	58
Child malnutrition (% of children under 5)	45	19	38
Access to safe water (% of population)	38	49	53
Illiteracy (% of population age 15+)	6	17	34
Gross primary enrollment (% of school-age population)	103	117	105
Male	101	119	112
Female	103	115	98



KEY ECONOMIC RATIOS and LONG-TERM TRENDS

	1975	1985	1994	1995
GDP (billions US\$)	..	17.0	15.5	20.4
Gross domestic investment/GDP	..	..	24.2	23.4
Exports of goods and non-factor services/GDP	..	..	23.3	30.2
Gross domestic savings/GDP	..	..	13.5	19.2
Gross national savings/GDP	..	..	15.1	22.9
Current account balance/GDP	..	-2.8	-8.6	-9.9
Interest payments/GDP	..	0.0	0.6	0.5
Total debt/GDP	..	0.4	164.6	130.2
Total debt service/exports	..	..	7.3	5.8
Present value of debt/GDP	..	..	135.3	..
Present value of debt/exports	..	..	391.2	..

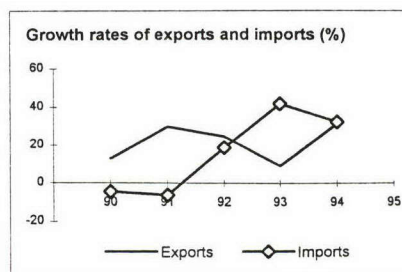
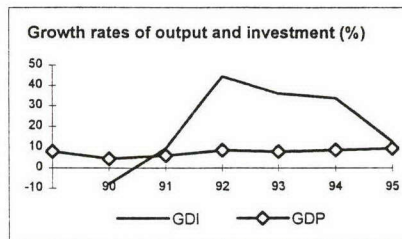
	1975-84	1985-95	1994	1995	1996-04
(average annual growth)					
GDP	..	6.5	8.8	9.5	8.0
GNP per capita	..	..	6.7	7.4	6.2
Exports of goods and nfs	..	..	31.7	..	..



STRUCTURE of the ECONOMY

	1975	1985	1994	1995
(% of GDP)				
Agriculture	..	..	27.7	28.1
Industry	..	..	29.6	27.7
Manufacturing	..	..	22.0	..
Services	..	..	42.7	44.2
Private consumption	..	..	77.4	..
General government consumption	..	..	9.1	..
Imports of goods and non-factor services	..	..	34.0	34.5

	1975-84	1985-95	1994	1995
(average annual growth)				
Agriculture	..	4.7	3.9	3.5
Industry	..	..	14.0	13.0
Manufacturing	..	..	12.9	..
Services	..	..	10.0	12.5
Private consumption	..	..	..	..
General government consumption	..	..	..	..
Gross domestic investment	..	..	33.7	12.8
Imports of goods and non-factor services	..	..	32.5	..
Gross national product	..	..	8.8	9.5

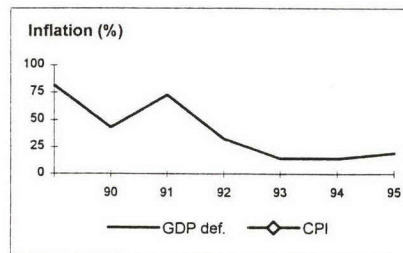


Note: 1995 data are preliminary estimates.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

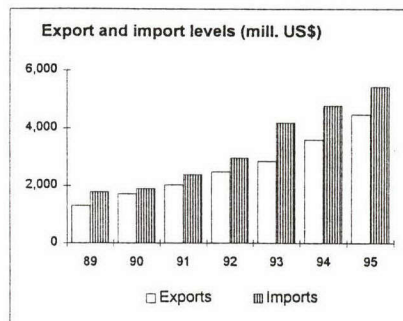
PRICES and GOVERNMENT FINANCE

	1975	1985	1994	1995
Domestic prices				
(% change)				
Consumer prices	..	..	..	..
Implicit GDP deflator	..	94.2	14.5	19.5
Government finance				
(% of GDP)				
Current revenue	..	..	24.7	23.4
Current budget balance	..	..	5.2	4.7
Overall surplus/deficit	..	..	-1.7	-2.2



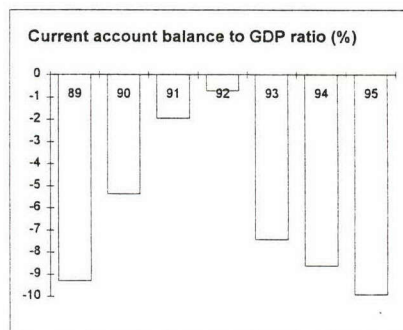
TRADE

	1975	1985	1994	1995
(millions US\$)				
Total exports (fob)	..	507	3,600	4,499
Rice	..	..	429	..
Fuel	..	..	866	..
Manufactures	..	..	..	..
Total imports (cif)	..	930	4,804	5,448
Food	..	..	101	..
Fuel and energy	..	..	799	..
Capital goods	..	..	1,717	..
Export price index (1987=100)	..	..	..	..
Import price index (1987=100)	..	..	..	..
Terms of trade (1987=100)	..	..	..	..



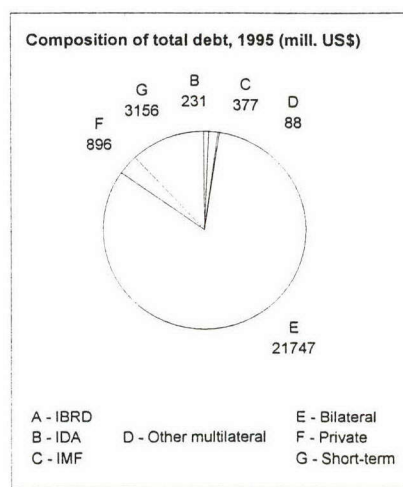
BALANCE of PAYMENTS

	1975	1985	1994	1995
(millions US\$)				
Exports of goods and non-factor services	..	..	5,337	6,622
Imports of goods and non-factor services	..	..	6,427	8,843
Resource balance	..	..	-1,090	-2,221
Net factor income	..	-90	-501	-568
Net current transfers	..	32	251	770
Current account balance, before official transfers	..	-473	-1,340	-2,019
Financing items (net)	..	204	1,457	1,843
Changes in net reserves	..	269	-117	176
Memo:				
Reserves including gold (mill. US\$)	..	225	16	..
Conversion rate (local/US\$)	..	8.3	10,962.1	10,950.0



EXTERNAL DEBT and RESOURCE FLOWS

	1975	1985	1994	1995
(millions US\$)				
Total debt outstanding and disbursed	..	61	25,570	26,495
IBRD	..	0	0	0
IDA	..	54	181	231
Total debt service	..	2	393	386
IBRD	..	0	0	0
IDA	..	0	1	2
Composition of net resource flows				
Official grants	249	38	449	345
Official creditors	..	7	264	298
Private creditors	..	0	-115	-67
Foreign direct investment	..	0	100	150
Portfolio equity	..	0	283	155
World Bank program				
Commitments	..	0	246	265
Disbursements	..	7	126	47
Principal repayments	..	0	1	1
Net flows	..	7	125	46
Interest payments	..	0	1	2
Net transfers	..	7	124	44



INDIA

Briefing Note for Mr. Wolfensohn's Meeting with Japan's Vice Finance Minister

December 2, 1996

India's Finance Minister, Mr. Chidambaram, just visited Japan on November 24-28. Issues related to this visit may come up during your meeting and the briefing below may provide you with some background.

Recent Political Developments in India

The United Front Government seems to be consolidating its power. However, this consolidation is partly the result of the extreme caution exercised by the UF Government in advancing the second wave of much needed reforms. This slow pace in reforms and mixed signals emanating from members of the coalition government regarding the overall policy direction are of concern to private investors.

Overall Macroeconomic Performance and Issues

The strong supply response to the reforms undertaken over the past five years has continued. Led by growth in manufacturing, the Indian economy grew by 6.6 percent in 1995-96. However, high real interest rates stemming from large fiscal deficit and tight monetary policy, slower growth in world trade, and infrastructure constraints—power shortages in particular—have caused industrial growth to decline in the current year.

This notwithstanding, economic prospects remain good. A good monsoon (which should lead to increased agricultural and electricity production), and recent easing of monetary policy may lead to a recovery in private investment. The fiscal deficit target of 5 percent may be exceeded by a relatively small margin (0.5 percent of GDP), inflation remains at slightly over 6 percent, and despite a slowdown in export growth, the balance of payments remains strong. Foreign exchange assets are at a high US\$19 billion.

Japan—an Important Donor to India.

Over the years, Japan has become an increasingly important provider of non-concessional assistance to India. Reflecting this importance, Tokyo was selected as the venue for the September 1996 India Development Forum. During this meeting, the donor community pledged US\$6.7 billion for 1996/97. Of the US\$2.5 billion pledged by bilateral donors, the Japanese accounted for one-half.

Bilateral Consultations. Staff from OECF and JEXIM hold formal discussions with Bank staff on an annual basis to review prospective cofinancing opportunities, issues of mutual interest in cofinanced projects under implementation and the Bank's Country Assistance Strategy. Bank staff-members frequently stop in Tokyo after major missions to advise Japanese authorities of developments in projects under preparation with cofinancing prospects. In addition, Japan's Policy and Human Resources Development Fund, bringing India about US\$7-10 million each year in untied assistance for project preparation, has become a very important source of funding for development of new projects for possible Bank financing.

In addition to encouraging official Japanese assistance to India, the Bank has fostered private sector investment, particularly in infrastructure. In May 1995 the Bank held a series of seminars in Japan on opportunities for private sector development of infrastructure which were attended by more than 700 participants from leading Japanese firms. As a follow-up, a "Special Committee for Industrial Infrastructure Development" of the Japan-India Business Cooperation Committee was established to focus on the power, ports and roads subsectors. The Special Committee and the Bank sponsored a joint workshop in May 1996

which focused on specific issues and opportunities in India's power and transport sectors. A next session is planned for February 1997 at which opportunities to develop India's trade logistics will be discussed. The September 1996 India Development Forum devoted one day to a discussion of private sector investment opportunities in infrastructure. This meeting was well attended by a cross-section of Japanese and other global investors.

Possible Talking Points. The following points may arise in the discussions with the Vice Finance Minister:

- **State Finance Reforms.** The Government of Japan might be interested in cofinancing Bank operations to strengthen states' finances and their capacity efficiently to absorb larger volumes of project financing.
- **State Power Sector Reform.** The Government of Japan is considering cofinancing a project with the Asia Development Bank to reform the power sector in the Indian state of Gujarat. The Government of Japan should be encouraged to explore similar ventures with the Bank as such reform projects are developed in a number of other Indian states but needs to be mindful of the need not to undermine the power sector reforms the Bank is supporting.
- **Post-Harvest Grain Technology.** OECF expressed interest in coordinating with the Bank on policy-related issues associated with a financing request from India's Ministry of Food for a post-harvest grain project. The Bank is not in favor of public sector involvement in storage facilities because investment restrictions prevent the private sector from investing in such facilities. Both the Bank and OECF would gain by coordinating their policies regarding this particular issue. Relatedly, the Bank had good discussions with OECF and JEXIM during their November 1996 visit on agricultural issues in India.
- **Forestry Sector Development.** The Bank has worked for a number of years to develop a reform-based approach to forestry development in India which places substantial emphasis on institutional development. In contrast, OECF is financing several large projects in a number of Indian states without any such policy or institutional reform content. The latter is undermining the Bank's efforts in this important sector—a matter which has been raised with OECF officials in New Delhi. During the November 1996 meeting in Washington, Bank staff had an opportunity to review this problem with the OECF representative, who suggested that Bank staff visit Tokyo to continue this dialogue. This invitation should be accepted.
- **Social Sectors.** The Government of Japan is funding predominantly projects in energy and industry, mainly through non-concessional loans. The Japanese should be encouraged to make concessional assistance available for social sector development—e.g., health and education. The Bank could suggest a number of cofinancing prospects in these areas.

Attachments

India at a glance

POVERTY and SOCIAL

	India	South Asia	Low-income
Population mid-1995 (millions)	929.4	1,243	3,188
GNP per capita 1995 (US\$)	350	350	460
GNP 1995 (billions US\$)	325.3	435	1,466

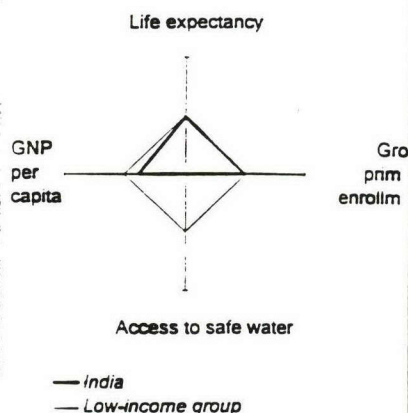
Average annual growth, 1990-95

Population (%)	1.8	1.9	1.8
Labor force (%)	2.1	2.4	1.9

Most recent estimate (latest year available since 1989)

Poverty: headcount index (% of population)	..	..	..
Urban population (% of total population)	27	26	28
Life expectancy at birth (years)	62	61	63
Infant mortality (per 1,000 live births)	68	73	68
Child malnutrition (% of children under 5)	63	62	38
Access to safe water (% of population)	..	70	66
Illiteracy (% of population age 15+)	48	51	35
Gross primary enrollment (% of school-age population)	102	98	105
Male	113	110	112
Female	91	87	98

Development diamond*



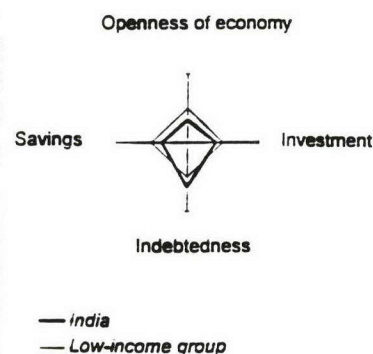
KEY ECONOMIC RATIOS and LONG-TERM TRENDS

	1975	1985	1994	1995
GDP (billions US\$)	91.0	214.3	301.2	328.2
Gross domestic investment/GDP	20.8	23.9	23.2	24.2
Exports of goods and non-factor services/GDP	6.2	6.0	11.3	12.4
Gross domestic savings/GDP	20.4	20.8	21.5	22.1
Gross national savings/GDP	20.8	21.1	22.3	22.6

Current account balance/GDP	-0.1	-2.8	-1.0	-1.7
Interest payments/GDP	0.3	0.6	1.5	1.4
Total debt/GDP	15.1	19.1	32.9	30.2
Total debt service/exports	13.1	22.7	26.9	25.1
Present value of debt/GDP	..	..	23.4	..
Present value of debt/exports	..	..	176.7	..

(average annual growth)	1975-84	1985-95	1994	1995	1996-04
GDP (factor cost)	4.0	5.1	6.3	7.0	6.2
GNP per capita	1.7	3.1	6.1	5.7	4.7
Exports of goods and nfts**	11.5	11.1	18.0	19.7	11.9

Economic ratios*

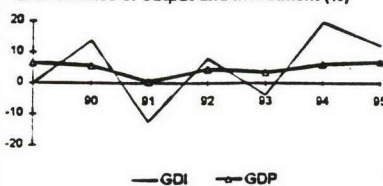


STRUCTURE of the ECONOMY

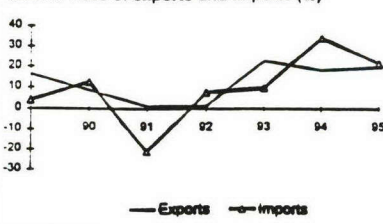
(% of GDP)	1975	1985	1994	1995
Agriculture	40.5	33.0	31.1	29.8
Industry	23.7	28.1	28.0	29.1
Manufacturing	16.7	17.9	17.4	18.2
Services	35.8	38.8	40.9	41.1
Private consumption	70.2	68.1	68.2	67.6
General government consumption	9.4	11.1	10.3	10.3
Imports of goods and non-factor services	6.6	9.1	13.0	14.6

(average annual growth)	1975-84	1985-95	1994	1995
Agriculture	2.4	3.6	4.9	2.4
Industry	5.2	5.9	8.3	11.7
Manufacturing	5.4	5.8	9.0	12.2
Services	4.7	5.7	6.0	7.0
Private consumption	4.4	4.7	5.0	6.0
General government consumption	6.2	4.2	3.0	7.6
Gross domestic investment	3.7	5.1	19.8	12.3
Imports of goods and non-factor services**	13.3	10.3	34.0	21.5
Gross national product	4.0	5.2	6.5	7.5

Growth rates of output and investment (%)



Growth rates of exports and imports (%)



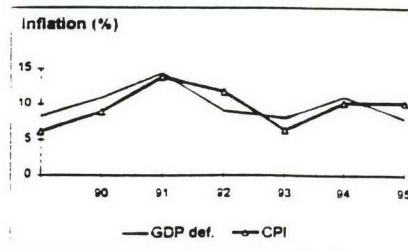
Note: 1995 data are preliminary estimates.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

** Dollar Growth Rates.

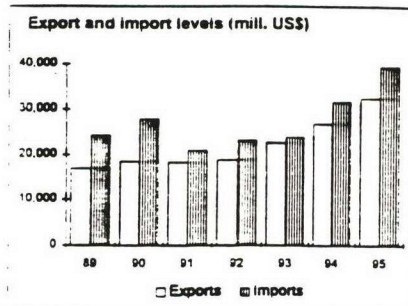
PRICES and GOVERNMENT FINANCE

	1975	1985	1994	1995
Domestic prices (% change)				
Consumer prices	5.7	5.5	10.2	10.2
Implicit GDP deflator	-1.5	7.6	11.1	8.0
Government finance (% of GDP)				
Current revenue	..	23.5	21.2	21.4
Current budget balance	..	2.2	0.2	-1.0
Overall surplus/deficit	..	-10.4	-9.0	-10.3



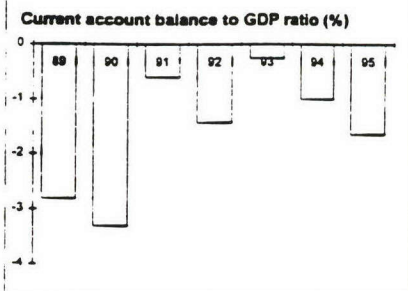
TRADE

	1975	1985	1994	1995
(millions US\$)				
Total exports (fob)	..	9,463	26,857	32,430
Tea	..	511	311	296
Iron	..	473	413	464
Manufactures	..	5,639	21,088	25,779
Total imports (cif)	..	17,298	31,672	39,445
Food	..	1,321	1,464	2,110
Fuel and energy	..	4,054	5,928	7,537
Capital goods	..	3,503	6,366	7,203
Export price index (1987=100)	..	80	118	121
Import price index (1987=100)	..	96	121	128
Terms of trade (1987=100)	..	83	98	95



BALANCE of PAYMENTS

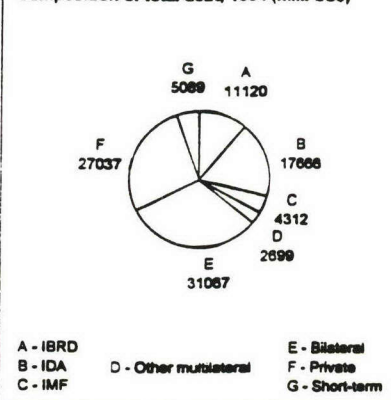
	1975	1985	1994	1995
(millions US\$)				
Exports of goods and non-factor services	5,650	12,773	34,141	40,862
Imports of goods and non-factor services	5,990	19,422	39,450	47,944
Resource balance	-340	-6,649	-5,309	-7,083
Net factor income	-191	-1,553	-3,905	-4,487
Net current transfers	470	2,207	6,200	6,150
Current account balance, before official transfers	-61	-5,995	-3,014	-5,419
Financing items (net)	636	6,807	9,872	3,471
Changes in net reserves	-575	-812	-6,858	1,948
Memo:				
Reserves including gold (mill. US\$)	2,064	9,730	24,079	21,930
Conversion rate (local/US\$)	8.7	12.2	31.4	32.4



EXTERNAL DEBT and RESOURCE FLOWS

	1975	1985	1994	1995
(millions US\$)				
Total debt outstanding and disbursed	13,708	40,971	98,990	..
IBRD	436	2,396	11,120	..
IDA	2,809	9,750	17,666	..
Total debt service	822	3,534	10,516	..
IBRD	89	313	1,597	..
IDA	24	124	315	..
Composition of net resource flows				
Official grants	511	450	612	..
Official creditors	1,260	1,424	976	..
Private creditors	83	2,276	149	..
Foreign direct investment	85	106	620	..
Portfolio equity	0	0	4,729	..
World Bank program				
Commitments	917	2,882	2,066	..
Disbursements	531	1,375	1,708	..
Principal repayments	63	157	1,021	..
Net flows	467	1,218	687	..
Interest payments	50	280	892	..
Net transfers	417	938	-205	..

Composition of total debt, 1994 (mill. US\$)



INDIA: FY 97-99 OPERATIONAL LENDING PROGRAM

as of October 31, 1996

FY	SA2	MIS Code	Name of Project	POC	Prob	Appraisal	Pipe line	Board Approval	Bd Qtr	BANK -----US\$m-----	IDA SDRs	IDA SDRs	TOTAL US\$m	GEF/MP US\$m
99														
	CI	1	10548 Delhi / Surat Environment Mgmt	EA	D	04/15/98	**	10/15/98	2	50.0	50.0	34.6	100.0	
S	AW	2	37296 Diversified Agr Support II	PV	D	08/15/97	**	04/16/98	1	150.0	150.0	103.8	300.0	
	AW	3	40610 Maharashtra/Punjab WRCP	EN	D	05/15/98	**	11/17/98	2	150.0	150.0	103.8	300.0	
	AW	4	42755 Hyderabad Water Supply II	EN	D	08/15/98		03/16/99	3	300.0	0.0	0.0	300.0	
	EI	5	9942 Bombay Urb. Trans. Infrastructure	EN	D	01/12/98	**	07/14/98	1	350.0	0.0	0.0	350.0	
	EI	6	10536 NTPC Power Gen. II	EN	D	09/15/97	**	02/16/99	3	400.0	0.0	0.0	400.0	
	EI	7	10566 State Highways III	PV	D	08/15/98		03/23/99	3	300.0	0.0	0.0	300.0	
	EI	8	36016 Bihar State Power Sector Restr.	EA	D	06/01/98	**	03/16/99	3	300.0	0.0	0.0	300.0	
	PH	9	10496 State Health Systems III	PA	D	02/01/98	**	08/13/98	1	150.0	150.0	103.8	300.0	
S	PH	10	35827 Women & Child Development b/	WD	D	08/20/97	**	03/24/98	1	0.0	200.0	138.5	200.0	
	PH	11	45050 DPEP IV	PV	D	06/15/98	**	02/16/99	3	0.0	300.0	207.7	300.0	
TOTAL FY99 CURRENT PROGRAM:										2150.0	1000.0	692.3	3150.0	
NUMBER OF PROJECTS:										9	2		11	
TOTAL FY99 APPR. LAR PROG.:										1500.0	901.4	624.0	2401.4	
99R														
	AW	1	LL44318 Rajasthan WRCP	EN	D	08/15/98		02/16/99	3	0.0	300.0	207.7	300.0	
	PH	2	45051 Disease Control	PV	D	11/01/98		04/15/99	4	0.0	175.0	121.1	175.0	

a/ CAS project - FULL

b/ CAS project - Update only

SDR/\$ Rate on 10/29/96: 1 SDR =

\$ 1.44450

** FY99 Pipeline

A = Actual

S = Standby project

INDIA: FY 97-99 OPERATIONAL LENDING PROGRAM

as of October 31, 1996

<u>Operations Program</u>	<u>No. Projects</u>	<u>BANK</u> -----US\$m-----	<u>IDA</u> SDRs	<u>IDA</u> SDRs	<u>TOTAL</u> US\$m	<u>GEF/MP</u> US\$m
Active Operations: FY97-99	35	5016.5	2758.1	1909.5	7774.6	119.0
(Plus FY2000 Standbys):	0	0.0	0.0	0.0	0.0	0.0
Approved FY97-99 LAR Program		4500.0	2701.2	1870.0	7201.2	n.a.

** FY97-99 Approved LAR Program:

For IBRD: US\$5050 million

For IDA: SDRs 1870 million.

CURRENT MONTH TIMETABLES

PIPELINE RATIOS:

FY97 \	6 13	46%
FY98	8 11	73%
FY99	9 11	82%

BOARD PRESENTATIONS:

	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Total</u>	<u>June</u>
FY97	1	3	2	7	13	1
FY98	1	5	4	1	11	1
FY99	4	2	5	0	11	0

LAST MONTH'S TIMETABLES

PIPELINE RATIOS:

FY97	6 14	43%
FY98	9 10	90%
FY99	10 12	83%

BOARD PRESENTATIONS:

	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Total</u>	<u>June</u>
FY97	1	3	4	6	14	0
FY98	2	6	2	0	10	0
FY99	4	3	5	0	12	0

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INDIA: FY 97-99 OPERATIONAL LENDING PROGRAM

as of October 31, 1996

FY	SA2	MIS Code	Name of Project	POC	Prob	Appraisal	Pipe line	Board Approval	Bd Qtr	BANK -----US\$m-----	IDA SDRs	IDA SDRs	TOTAL US\$m	GEF/MP US\$m
97														
	CI	1	41178 Hazardous Waste Management	EN	C	12/08/96		04/22/97	4	100.0	80.0	55.4	180.0	
	CI	2	43728 Env. Capacity Building TA	EA	B	04/23/96	A #	12/12/96	2	0.0	50.0	34.6	50.0	
	AW	3	35158 AP Irrigation III	EN	C	05/13/96	A #	01/14/97	3	150.0	150.0	103.8	300.0	
	AW	4	35824 U. P. Diversified Agric Support	EN	C	12/09/96		06/17/97	4	0.0	150.0	103.8	150.0	
b/	AW	5	36062 Ecodevelopment	EN	C	05/07/95	A #	09/05/96	A 1	0.0	28.0	19.5	28.0	
	AW	6	44206 Punjab Water Resources Mgmt	EN	C	01/06/97		05/01/97	4	0.0	80.0	55.4	80.0	
	EI	7	9979 Coal Sector Rehabilitation	EA	D	11/30/96		05/27/97	4	500.0	0.0	0.0	500.0	
	EI	8	9995 State Highways I (A.P.)	EN	D	11/20/96		04/22/97	4	330.0	0.0	0.0	330.0	
	EI	9	45600 TA State Highways Infrs Devmt	EN	B	06/24/96	A #	11/21/96	2	51.5	0.0	0.0	51.5	
	PH	10	10473 Tuberculosis Control	PA	B	06/03/96	A #	02/13/97	3	0.0	142.4	98.6	142.4	
	PH	11	10511 Malaria Control	PA	B	02/01/97		05/20/97	4	0.0	170.0	117.7	170.0	
	PH	12	10531 Reproductive Health I	WD	D	01/15/97		05/05/97	4	0.0	200.0	138.5	200.0	
	PH	13	44449 Rural Women's Development	WD	C	06/18/96	A #	12/17/96	2	0.0	20.0	13.8	20.0	
TOTAL FY97 CURRENT PROGRAM:										1131.5	1070.4	741.1	2201.9	
NUMBER OF PROJECTS:										4	9		13	
TOTAL FY97 APPR. LAR PROG.:										1500.0	899.9	623.0	2399.9	
	AW	1	9584GE Ecodevelopment	EN	C	05/07/95	A	09/05/96	A 1					20.0
97R														
	CI	1	35822 Orissa Fiscal Adjustment	EA	D	12/31/96		05/13/97	4	200.0	100.0	69.2	300.0	
	EI	2	47006 IFI Infra. Asset Securitization	EA	D	01/15/97		05/20/97	4	200.0	0.0	0.0	200.0	
98														
	AW	1	10561 National Agric Technology	EN	C	10/07/97		06/16/98	4	0.0	100.0	69.2	100.0	
	AW	2	35169 State Forestry I	EN	D	02/01/97	*	09/09/97	1	0.0	200.0	138.5	200.0	
	AW	3	42744 Third Madras WS & EN	EN	C	06/15/97	*	12/30/97	2	300.0	0.0	0.0	300.0	
	EI	4	38334 Rajasthan State Power	EN	D	03/05/97	*	03/17/98	3	300.0	0.0	0.0	300.0	
	EI	5	35173 POWERGRID II	EN	D	06/02/97	*	03/24/98	3	400.0	0.0	0.0	400.0	
	EI	6	35159 State Highways II (Haryana)	EN	D	05/15/97	*	10/14/97	2	135.0	0.0	0.0	135.0	
	EI	7	35172 U.P. Power Sector Restructuring	EA	D	01/15/97	*	11/18/97	2	300.0	0.0	0.0	300.0	
	EI	8	35826 Urban Infrs. Financing	EA	D	07/01/97		01/13/98	3	300.0	0.0	0.0	300.0	
	EI	9	39665 Mumbai Urban Resettle. & Rehab.	EN	D	06/20/97	*	10/10/97	2	0.0	75.0	51.9	75.0	
	PH	10	10560 Public Health Capacity Building	PA	C	04/01/97	*	12/16/97	2	0.0	168.0	116.3	168.0	
	PH	11	38021 DPEP III (Bihar)	PV	D	09/01/97		03/24/98	3	0.0	144.7	100.2	144.7	
TOTAL FY98 CURRENT PROGRAM:										1735.0	687.7	476.1	2422.7	
NUMBER OF PROJECTS:										6	5		11	
TOTAL FY98 APPR. LAR PROG.:										1500.0	899.9	623.0	2399.9	
	EI	1	38335GE Private Util. IGCC	EN	D	10/01/97		04/09/98	4					50.0
	EI	2	43021GE Solar Thermal	EN	D	05/15/97		11/18/97	2					49.0
98R														
	CI	1	9969 Rural Finance Reform	EA	D	11/18/97		03/17/98	3	400.0	0.0	0.0	400.0	
	CI	2	10505 District Poverty Initiatives	PA	D	07/15/97		12/16/97	2	0.0	500.0	346.1	500.0	
	EI	3	45047 PFC II	EN	D	04/01/97		11/11/97	2	200.0	0.0	0.0	200.0	
	EI	4	35160 Haryana Power Sector Restruct.	EA	D	03/01/97	*	09/16/97	1	300.0	0.0	0.0	300.0	

a/ CAS project - FULL

\$ project - Update only

SDR/\$ Rate on 10/29/96: 1 SDR =

\$ 1.4445

* 97 Pipeline

* FY98 Pipeline

A = Actual

S = Standby project

Japanese Cofinancing in India (Excluding Export Credits)

		<u>US\$ m</u>	<u>US\$ m</u>
Original Commitments (FY88-97)			\$740
FY			
1	89 Electronics Industry project	2.7	
2	89 Export Development	2.7	
3	90 Technology Development	2.5	
4	90 Northern Region Transmission	1.1	
5	91 Gas Flaring Reduction	210.7	
6	93 Private Power Development	2.0	
7	93 External Sector Adjustment	250.0	
8	93 National Thermal Power Corp.	221.4	
9	95 Industrial Pollution Prevention	46.9	
Less:			
1) Closures			
	Export Development Project	2.7	
	External Sector Adjustment Project	<u>250.0</u>	-252.7
2) Cancellations			
	Gas Flaring Reduction Project	144.3	
	Electronics Project	<u>1.0</u>	-145.3
Japanese Cofinancing for Current (FY97)Portfolio			\$342
(Involving seven projects)			

SA2CI

November 27, 1996

MEMO: J. LINN ON
ECA/JAPAN RELATIONS

A L L - I N - 1 N O T E

DATE: 01-Dec-1996 03:53pm

TO: Hany Assaad (HANY ASSAAD)

FROM: Johannes Linn, ECAVP (JOHANNES LINN)

EXT.: 80602

SUBJECT: Briefing for Mr. Wolfensohn's meeting with Japanese Deputy
Minister of Finance

Hany,

I understand that Mr. Wolfensohn will be meeting the Deputy Minister of Finance of Japan tomorrow, Monday, or on Tuesday. I have just returned from a visit to Japan to discuss ECA operational issues with OECF, Ministry of Finance, Ministry of Foreign Affairs, and J-EXIM Bank, as well as to present the Bank's program in the ECA region to private sector representatives in two seminars. This note provides some additional briefing points for Mr. Wolfensohn.

Bosnia

We need to convey to the Deputy Minister that it is important that OECF loans be available for Bosnia in 1997, in view of the likely constraints on Japanese grant resources. The key issue appears to be OECF's credit worthiness assessment of Bosnia, which in turn hinges on the formation of a sound BH government and on an IMF program being in place. The President of OECF is expected to visit Washington in January and to meet with Mr. Wolfensohn on or about January 20. This would be a good time to assess progress and to confirm the potential for OECF lending to Bosnia before the February Bosnia donor conference.

The Japanese are satisfied with the Bank's leadership in aid coordination, but will not block a decision to give greater responsibility in this area to Mr. Bildt, as long as his mandate clearly does not include actual control over multilateral or bilateral aid agencies. We share this view. There seems to be some concern (esp. in the Ministry of Foreign Affairs) that the EU is trying to keep the Japanese out of important discussions/meetings on Bosnia aid policy. Mr. Wolfensohn may wish to assure the Deputy Minister that we will do everything we can to ensure the Japanese counterparts are adequately informed and invited to participate in relevant fora.

Central Asia

We recently held the first Consultative Group meetings for Central Asia in Tokyo (Kazakhstan, Kyrgyz Republic and

Tajikistan). All Japanese agencies expressed their satisfaction with the way the CGs were managed. We were also satisfied with the way they went. Mr. Wolfensohn may wish to express his gratitude to the Deputy Minister for his Ministry's support.

The one area where we were not satisfied was the bilateral donor support for Tajikistan, including Japan's. On the Japanese side the key concern appears to be the security situation in the country. The Japanese Ministry of Foreign Affairs is currently reviewing options for additional Japanese support. Mr. Wolfensohn may wish to express our continuing interest in additional Japanese support for the Tajik reconstruction effort and note that we have recently increased our own support and have opened an office in the country with headquarters staff. Mr. Wolfensohn may also wish to request Japanese support for membership of Tajikistan in the Asian Development Bank (which is currently on ice).

Finally, Mr. Wolfensohn may wish to ask for Japan's continued support of the Aral Sea Program, including the Immediate Impact Program (which is designed to provide early relief to the affected population). Since there seems to be a significant interest in the Aral Sea problem, but also a lack of knowledge among key agencies in Tokyo about the status of the Aral Sea Program, I have offered the Japanese authorities to organize an inter-agency briefing soon in Tokyo on the Program.

Ukraine

On December 17 there will be a pledging session in Washington for donors in support of the Ukraine 1997 program. The Japanese were ready to pledge during the October Ukraine CG meeting in Paris, but held off because the EU was not ready to pledge at that time. They are now concerned about the EU's readiness to pledge and also about the recent increase in the financing gap which the Ukrainians and the IMF have identified. Mr. Wolfensohn may wish to convey to the Deputy Prime Minister the fact that during his recent visit to Brussels he has personally intervened with the EU on this matter and that we hope that the EU will be ready to pledge in December. Also, he may wish to ask the Japanese to show maximum flexibility in their own pledge in view of the critical juncture at which Ukraine's reform effort is at this time. We are ready to provide any additional information which the Japanese may require to help them formulate their position.

Russia

I was struck by the fact that Russia does not seem to figure prominently in Japanese aid policy discussions. This is likely to be due to their reticence in connection with the unsettled Sakhalin Island issue, and because Japanese investors remain uneasy about the economic outlook for Russia.

General

I have the impression that the relationship between Japan and the World Bank has much improved and matured compared to earlier years. This is confirmed by Mr. Shiratori, Vice President of OECF and former Bank ED, who has been following Japanese-World Bank relations for many years.

Johannes

CC: Caio Koch-Weser	(CAIO KOCH-WESER)
CC: Penny Chokechaitanasin	(PENNY CHOKECHAITANASIN)
CC: Mark Malloch Brown	(MARK MALLOCH BROWN)

IDA

Procurement Restrictions on the ITF

US Position and Japan's Reaction

- **Eligibility for procurement under credits financed by the ITF is limited to nationals of donor countries and member countries eligible to borrow from IBRD and IDA.**
- **The US is trying to have this provision reversed.** The Administration is required to report to Congress on the efforts it has made to have this restriction lifted before the fiscal 97 payment to IDA can be made. The US is now approaching donors individually (**Japan has been approached**), asking that each country require that its own contribution to the ITF be 'freed' from the procurement restrictions.
- **Other donors, notably the Europeans, are adamantly opposed to the US request.**
- **Japan is acutely uncomfortable with the US strategy to try to reverse the restriction by negotiating bilaterally with donors. The Japanese are not against a lifting of the procurement restriction on the ITF if this could be achieved in a non-divisive way.** However, they prefer that the process be carried out through a decision of all the donors. Any amendment to the ITF agreement would need to be made by the Executive Directors. They fear that the current approach is going to be very divisive in the donor community.
- We fully agree with Japan that further divisive measures must be avoided as they would further weaken IDA's future.



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

September 25, 1996

Dear Colleague:

I am writing to update you on the status of United States contributions to the International Development Association (IDA) and to request your assistance in removing the procurement restrictions contained in IDA's Interim Trust Fund.

We all agree on the critical role IDA plays in the poorest countries and on the need to ensure adequate funding in the years ahead. At last April's meeting of the Development Committee, I advised members that the procurement restrictions of the Interim Trust Fund were making the already difficult task of securing Congressional approval of U.S. funding vastly more difficult.

My view and the strong view in Congress is that the procurement restrictions are unfair given the long history of consistent U.S. support for IDA and the multilateral system as a whole. As you know, cumulative U.S. contributions to IDA now total \$22 billion. Moreover, the U.S. share of IDA procurement has been extremely modest relative to our share of contributions.

Congress now appears set to approve a contribution of \$700 million to IDA for FY 1997 which we would use to reduce unfunded U.S. commitments substantially. However, as a direct consequence of the Interim Trust Fund's procurement restrictions, this funding cannot be used until March 1997. Congress has also directed the Administration to seek the removal of the restrictions and we are mandated to provide a report on these efforts prior to the release of any IDA funds.

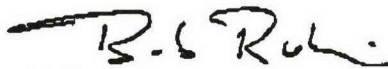
It is very clear that the existence of procurement restrictions will continue to place at risk the United States ability both to complete clearance of our IDA-10 arrears and to gain Congressional authorization and appropriation of resources with which to meet our new commitments to IDA. I therefore request your assistance in working with other Trust Fund donors to consider removing these restrictions as a matter of urgency.

- 2 -

In making this request, I understand the importance you attach to "equitable burden sharing." But, frankly, the restrictions are counterproductive and a disservice to IDA borrowers. They are a disincentive for U.S. funding and participation in IDA. They have poisoned the atmosphere in Congress and around the country as we work to broaden support for continued U.S. participation and leadership in IDA. They also confer minimal commercial advantage on Trust Fund donors.

I hope we can advance progress on this important issue during the upcoming Annual Meetings.

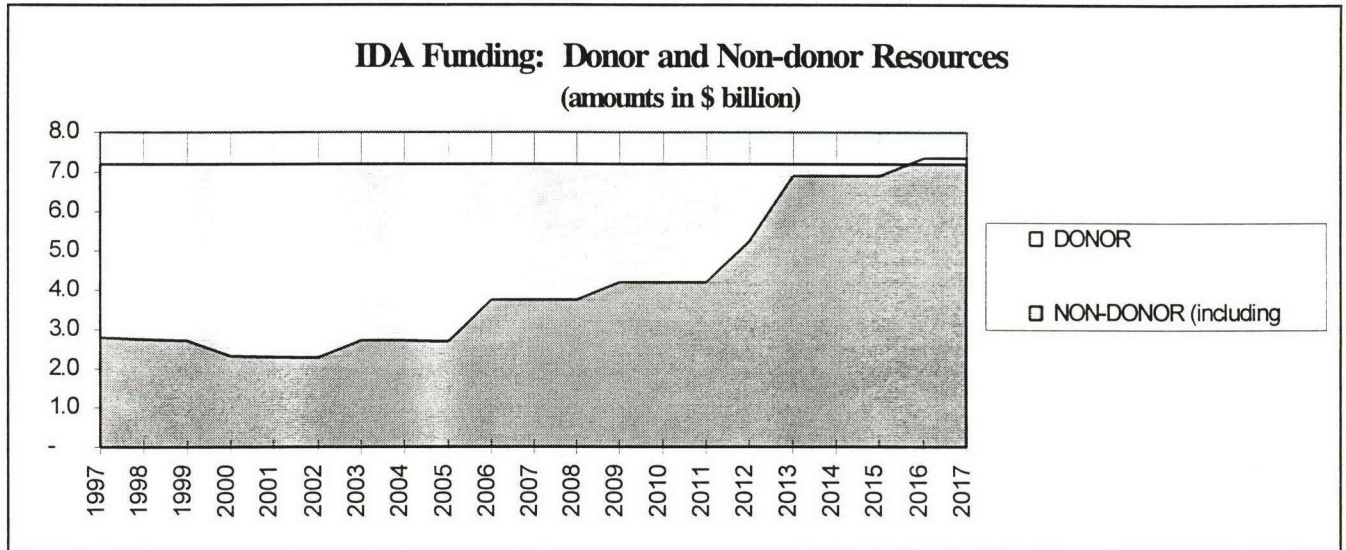
Sincerely,



Robert E. Rubin

Long-Term Self-Sustainability of IDA

Although IDA was not designed with financial self-sufficiency as one of its original goals, self-sustainability could become a possibility. This possibility is predicated on the cumulative effect of repayments of past credits, together with assumptions on the graduation prospects for relatively better-off borrowers.



Some points:

- **For the next six years, replenishments of the size of IDA11 will be needed to maintain IDA's present lending levels.** This means donor contributions of about \$5 billion per year will be needed (compared to donor contributions of only about \$3.7 billion per year in IDA11). Repayments to IDA from credits already made are small right now (\$0.6 billion in FY97) but will increase to \$2 billion in FY05.
- **After FY05 donor resource needs can start to decline rapidly, and they can be phased out by FY15.** In FY06, the increasing repayments will become dominant -- the amount of non-donor resources available will be larger than the needed donor resources. By around FY15, lending can be funded by non-donor resources alone.
- **IDA's arrival at the point of self-sustainability cannot be advanced very much by a hardening of IDA lending terms.** Reducing maturities and increasing service charges, even to very high levels, do not have much of an effect on the time frame in which IDA would become self sufficient, because these changes affect only new credits.

The Interim Trust Fund: Current Status

The Interim Trust Fund is now effective

The Interim Trust Fund (ITF) became effective on November 14, 1996 when the Association, as Administrator, received payments totaling almost SDR 551 million from the following seven contributors to the ITF: Botswana, Brazil, Denmark, Finland, Germany, The Netherlands, and South Africa.

Status of Contributions

Since effectiveness was announced to the Board, the Association has received additional contributions of about SDR 80 million from Sweden and Poland, bringing total contributions received to date to about SDR 630 million from nine donors. The following countries are ITF participants as of November 21, 1996:

<u>Donors</u>	<u>SDR million</u>
Botswana	0.33
Brazil	4.80
Denmark	39.00
Finland	15.00
Germany	330.00
The Netherlands	159.00
Poland	0.90
South Africa	2.40
Sweden	78.60
Total	630.03

The Association expects to receive further contributions to the ITF within the next month, including that of Norway which has informed the Association of its intention to pay its contribution very soon. Norway's contribution would add about SDR 53 million to the resources of the ITF.

The attached table summarizes ITF pledges and actual contributions received as of November 21, 1996.

COMMITMENTS AND PLEDGES TO THE INTERIM TRUST FUND

Contributing	Basic	Basic and	Contributions
Members	Contributions	Supplementary	Received
	(%)	Contributions <i>a/</i>	as of 11/21/96
		SDR Millions	SDR Millions <i>b/</i>
Argentina	0.10%	3.00	
Australia	1.46%	54.14	
Austria	0.90%	30.00	
Belgium	1.55%	46.50	
Botswana	0.01%	0.33	0.33
Brazil	0.16%	4.80	4.80
Canada	3.50%	105.00	
Czech Rep.	0.05%	1.50	
Denmark	1.30%	39.00	39.00
Finland	0.50%	15.00	15.00
France	7.02%	219.00	
Germany	11.00%	330.00	330.00
Greece	0.05%	1.50	
Hungary	0.07%	2.00	
Iceland	0.03%	0.90	
Ireland	0.13%	4.57	
Italy	4.02%	120.60	
Japan	18.70%	600.00	
Korea	0.23%	9.00	
Kuwait	0.14%	4.20	
Luxembourg	0.10%	3.00	
Mexico	0.10%	3.00	
Netherlands	3.30%	159.00	159.00
New Zealand	0.12%	4.57	
Norway	1.42%	52.60	
Poland	0.03%	0.90	0.90
Portugal	0.20%	6.00	
Russia	0.20%	8.00	
Saudi Arabia	0.55%	16.46	
Slovak Republic	0.03%	1.00	
South Africa	0.08%	2.40	2.40
Spain	1.00%	30.00	
Sweden	2.62%	78.60	78.60
Switzerland	1.74%	52.20	
Turkey	0.07%	2.23	
United Kingdom	6.15%	184.50	
Sub-total	68.63%	2,195.51	630.03
Supplementary contributions	4.56%	<i>b/</i>	
Change in Encashment	1.09%	32.64	
Unallocated	25.73%	771.85	
Total	100.00%	3,000.00	

a/ Contributions are expressed as agreed in the Interim Trust Fund Resolution. The current value of those contributions paid in local currency would be calculated by the revaluation of those contributions using current market rates.

b/ Supplementary contributions as set out in the Resolution amount to SDR 136.72 million.

IDA11: Current Status

The Eleventh Replenishment will become effective and the resources to be contributed to it will become payable to the Association when contributing members whose subscriptions and contributions total at least SDR 3,746 million shall have deposited with the Association Instruments of Commitment or Qualified Instruments of Commitment. To date, the Association has received Instruments of Commitment totaling about SDR 620 million from nine contributors to IDA11: Botswana, Brazil, the Czech Republic, Finland, Germany, Poland, Russia, South Africa, and Turkey.

<u>Donors</u>	<u>SDR million</u>
Botswana	0.67
Brazil	8.08
Czech Republic	2.53
Finland	25.25
Germany	555.58
Poland	1.52
Russia	17.00
South Africa	4.04
Turkey	<u>5.00</u>
Total	619.67

The attached table summarizes IDA11 pledges and actual commitments as of November 21, 1996.

IDA11 INSTRUMENTS OF COMMITMENT

as of November 18, 1996

Contributing Members	Instrument of Commitment Received	Basic Contribution		Supplementary Contributions	Total Contributions	National Currency Millions a/
		(%)	SDR Million			
Argentina b/		0.10%	5.05		5.05	C/
Australia		1.46%	73.74	6.26	80.00	164.00
Austria		0.90%	45.46		45.46	690.10
Belgium		1.55%	78.29		78.29	3,473.43
Botswana b/	YES	0.01%	0.67		0.67	c/
Brazil d/	YES	0.16%	8.08		8.08	c/
Canada		3.75%	189.40		189.40	390.31
Czech Rep.	YES	0.05%	2.53		2.53	c/
Denmark		1.30%	65.66		65.66	550.45
Finland	YES	0.50%	25.25		25.25	164.47
France		7.02%	354.56	14.14	368.71	2,762.24 e/
Germany	YES	11.00%	555.58		555.58	1,199.04
Greece		0.05%	2.53		2.53	885.50
Hungary		0.06%	3.00		3.00	c/
Iceland		0.03%	1.52		1.52	148.11
Ireland d/		0.13%	6.57	2.68	9.25	8.70
Italy		4.35%	219.71		219.71	537,850.85
Japan		18.70%	944.49	65.66	1,010.15	144,548.17
Korea		0.23%	11.62	3.54	15.15	17,617.01
Kuwait f/		0.14%	7.07		7.07	3.22
Luxembourg d/		0.10%	5.05	0.95	6.00	266.24
Mexico		0.10%	5.05		5.05	c/
Netherlands		3.30%	166.68		166.68	402.83
New Zealand		0.12%	6.06	3.19	9.25	21.23
Norway		1.42%	71.72		71.72	683.05
Poland		0.03%	1.52		1.52	c/
Portugal d/		0.20%	10.10		10.10	2,283.65
Russia b/		0.20%	10.10	6.90	17.00	c/
Saudi Arabia		0.65%	32.92		32.92	50.00 US
Slovak Republic		0.04%	2.00		2.00	c/
South Africa	YES	0.08%	4.04		4.04	22.40
Spain d/		1.00%	50.51		50.51	9,390.82
Sweden		2.62%	132.33		132.33	1,414.62
Switzerland d/		2.43%	122.73		122.73	217.07
Turkey	YES	0.10%	5.00		5.00	c/
United Kingdom		6.15%	310.62		310.62	299.15
United States		20.86%	1,053.59		1,053.59	1,600.00
Sub-total		90.89%	4,590.79	103.32	4,694.11	
Supplementary contributions		2.05%	103.32			
Change in Encashment g/		0.14%	7.04		7.04	
Unallocated		6.92%	349.62		349.62	
Total		100.00%	5,050.77		5,050.77	

a/ Based on June 1 - November 30, 1995 average exchange rates.

b/ Argentina, Botswana and Russia are donors to IDA11 that did not participate in IDA10.

c/ Contributions of countries with inflation rates greater than 10% per annum during 1993-1995 are denominated in SDRs.

d/ Brazil, Ireland, Luxembourg, Portugal, Spain and Switzerland increased their basic shares from that in IDA10.

e/ France's contribution amounts to 7.3%. France's objective is to maintain a global national currency contribution to IDA of at least 7.3%.

f/ Kuwait is not in a position to commit to a final contribution to IDA11. The level shown is therefore indicative.

g/ Botswana, Brazil, Denmark, Hungary, Ireland, Korea, Norway, and Poland made additional efforts by agreeing to accelerate the encashment of their contributions.

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

Paula Donovan
Director, Resource Mobilization Department
Tel.: 202-473-2390
Fax: 202-477-0861

November 27, 1996

Mr. Motomichi Ikawa
Deputy Director General
International Finance Bureau
Ministry of Finance
3-1-1 Kasumigaseki, Chiyoda-ku
Tokyo 100
Japan

Dear Mr. Ikawa:

I would like to inform you that we have identified February 6 and 7, 1997 for our next IDA Deputies' meeting. The meeting will take place in Paris at the World Bank Office.

As envisaged in the IDA11 Report, the meeting will follow up on key aspects of the implementation of the Tokyo Agreement:

- Implementation of the Interim Trust Fund for FY97 -- as you know, the Interim Trust Fund is now effective and the first projects will be approved in the coming weeks; and
- The prospects for the fulfillment of commitments to IDA11.

In addition, management will provide an update on the medium-term work program which is underway in such areas as:

- Scenarios for IDA's financial sustainability, including work relating to the graduation of borrowers and possible changes in lending terms;
- Harmonization of IBRD shares with economic status;
- Incentives and modalities to bring new contributing members into IDA in a systematic way; and
- The feasibility of unofficial private contributions to IDA.

November 27, 1996

In addition, the Development Committee agreed that it would address prospects for IDA funding as the key issue at its next meeting. We would like to allocate some time during our February meeting for Deputies to exchange views on preparations for this meeting -- which will take place on April 29th.

An agenda and logistical information about the meeting will be sent to you in early January, together with the retrospective review of IDA's activities during the IDA10 period (FY94-96). This report will be discussed with the Executive Directors in late January and we will report on this discussion at our Paris meeting.

Please let us know if you have any suggestions on the agenda or other preparations for the meeting.

Sincerely,



Paula Donovan

Director

Resource Mobilization Department

cc: Mr. Atsuo Nishihara, Executive Director

Ensuring Donor Support For IDA

A Paper for the Spring'97 Development Committee Meeting

The objective is to prepare the ground for a discussion of how to ensure IDA's medium-term donor funding. Two options are open to donors: first, a "last, big donor-funding push" to make IDA sustainable quickly; or second, a "lowest common denominator" downward ratchet -- in which donors let their support be dictated by the largest contributor. The paper will explore the implications of these broad options.

SECTION 1. Broad and Deep Consensus on the Needs of IDA's Borrowers -- and IDA's Ability to Address these Needs

There is now a strong consensus on IDA's priorities, as reflected in the IDA10 and IDA11 agreements, which in turn built on IDA9. These represent a clear mandate for IDA to pursue its objectives of poverty reduction and sustainable growth through country-specific strategies and a strong performance anchor.

Through continuous learning and change, we are now translating these objectives into better interventions to meet the enormous needs of low-income countries. Beyond IDA11, after China graduates, IDA will have 78 eligible borrowers, countries which are home to more than 2 billion people, with more than one-third living on less than a dollar a day. Many of these countries are now implementing improved policies, with strong, analytical and financial support from IDA. This, in turn, creates a better climate for effective IDA and bilateral programs.

- Some facts on:
- * IDA recipients (mentioning India);
 - * Performance differentiation (message: not an entitlement);
 - * Leverage bilateral efforts; and
 - * Growing populations, environment, social sector and capacity building needs, growing import elasticities -- private flows minimal.

While it is premature to provide a precise projection, it is clear that lending requirements for IDA's clientele will remain at \$7-8 billion per year, in coming years.

Issue 1: *We need political confirmation that India's place in IDA12 is not in question.*

Issue 2: *There are signs of weak lending programs in a wide range of countries for FY97. By April 29th any weaknesses in resource use will be clearly visible. We had projected SDR 4.8 billion. The likely actual could be SDR 4 billion or below by then. A temporary drop in lending levels at this point could result in an irreversible reduction of donor-funding levels and push IDA's financial self-sustainability further into the future. A strong, convincing case to the Development Committee will be hard to build around weak actual lending. Could a well prepared case be based on either a "temporary slow-down" argument (likely to be implausible) or a "structural shift", i.e., lower commitments but faster implementation/disbursements (no evidence so far)? This issue needs early top management attention.*

SECTION 2. The Evolution of IDA's Funding Sources

To meet these lending requirements, IDA will need to rely on donor support at the level of \$4-5 billion per year for the next five years or so. Reflows are increasing but will only be able to begin to fund a substantial percentage of the program after five more years. Thereafter they will increase rapidly enough to have a real impact in reducing our need for donor funds. Changes in lending terms will have little impact on the volume of reflows during this time, because new lending is small compared to the stock of outstanding IDA loans, and because of the need for substantial grace periods.

We are working to explore non-conventional sources of financing, but it is not expected that these will be of such magnitudes as to resolve IDA's donor-funding needs.

Issue 1: *While IDA will become increasingly self-sustaining financially, a high level of donor funding for the next five or so years is crucial. This will enable IDA to maintain medium-term resource transfer levels and to consolidate its financial foundation on the basis of which it will gradually become self-sustaining.*

Issue 2: *The paper could stop here -- on the high road(!)*

SECTION 3. Reduced U.S. Contributions: Implications/Options

Given traditional burden-sharing arrangements, donor funding needs of \$4-5 billion per year imply US contributions of nearly \$1 billion per year for the next 5-6 years. A strong case would be made for this rather modest level of US support (compared to past history). Efficiency, effectiveness and leverage will be noted and that this is the clear path to a new century of rapidly reducing IDA-donor contributions.

However, if this passage to sustainability is not supported by all donors, IDA will be confronted with three possibilities:

- *First*, lending could be reduced. For example, IDA could accelerate graduation for countries like India which have some access to international capital markets. But India also has the largest concentration of poverty in the world, with a poverty rate of more than 35 percent (although this is a decline from the 60 percent rate over the last 15 years). As another example, the graduation income threshold could be reduced, so that relatively higher-income countries such as Ghana and the Cote d' Ivoire could become eligible for earlier graduation. However, these countries are not yet creditworthy, and could not be assisted by IBRD. We would then have a problem of "gap" countries.

Cutbacks in lending would make it impossible to reactivate now dormant programs, e.g., Nigeria, Zaire, Afghanistan. IDA could only increase assistance to countries with improved performance by further reducing funding to other very poor countries.

Issue: *How much detail would be useful in tracing out the implications of cutbacks?*

- *Second*, IDA donors could modify its burden-sharing expectations. In return, the other donors might well seek changes in the distribution of votes and shares of IBRD or IDA. For example, donors might seek to allocate votes on the basis of support during the current replenishment rather than on the basis of cumulative support. Changes such as these might well break past links between IBRD and IDA. Other donors might also seek greater representation in the senior management and other patterns of staffing/consultants and greater responsiveness of IBRD and IDA to their issues of special Regional interest.

Issue: *How politically explicit should this be ... ?*

- *Third*, there could simply be a major decline in multilateralism, with other donors also reducing their assistance to IDA, and either redirecting the newly freed resources to regional or bilateral programs, or simply reducing their aid programs. (In the "best" case, IDA would become more of a coordinator of other pools of resources, probably with cumbersome cofinancing arrangements. Worse, IDA could simply be bypassed, or the resources completely lost to development.)

Issue: *In what detail should the paper explore these issues?*

Conclusion

The Development Committee meeting discussion should aim at the following conclusions:

- ◆ In view of the improved prospects for effectiveness, maintaining IDA's ability to provide continued financial support for growth/poverty reduction programs in countries with sound policy performance should be a matter of utmost priority.
- ◆ Maintaining IDA's lending capacity will require about \$5 billion a year in donor contributions for the next five years -- after which IDA's reliance on donor funding is expected to decline steadily. (If this objective is not achievable on the basis of traditional burden sharing, donor countries must exercise flexibility to seek another basis for a replenishment agreement.)

Japan and the HIPC Trust Fund

A number of countries are considering contributions to the HIPC Trust Fund. Denmark, Finland, Netherlands, Norway, Sweden and Switzerland. Most of them could even contribute in 1996 -- provided there is some progress on the G-7 front. The latest exchanges indicate that their judgement will be made during the first week of December. The decisive factor will probably be a positive indication from at least one more G-7 donor.

The six donors that are most ready to contribute were somewhat reassured in Paris by Italy's positive statement and by Germany's statement not ruling out contributions (a shift from an earlier more negative stance). They presume that France and the UK will contribute when their client countries come forth. Given the constraints in the US and Canada, Japan is the one country that could make a difference.

The starting position in MOF-Tokyo has been of reluctance to contribute. We have passed the message about the key role of Japan at various levels, stressing also the urgency of an indication that they will contribute to the Trust Fund (given that there are only five weeks left in 1996). Mr. Kato's staff clearly understood that we are asking for a reply on December 2--which made them uncomfortable.

At this point we have no indication of what reply, if any, Mr. Kato is likely to provide. They seem to be considering three possible approaches:

- (1) Make a contribution from the current (FY97) budget. Since the gesture is more important at this point than the size of the contribution, it should be possible to reallocate \$10-\$20 million from other purposes. They may ask the Bank if we would be prepared to see such a contribution coming out of other funds they would normally provide to the Bank. Since the HIPC Trust Fund will benefit mainly AfDB, this is not desirable but--given the important "trigger" effect of a Japanese contribution--we may want to consider responding positively.
 - (2) Express the intention to contribute in the next budget. The budget process is only started and will only be concluded in March. We said in Paris that we aimed to have at least \$200 million in contributions by mid-1997, so this timing is OK. It may be difficult, however, for Mr. Kato to be definitive on this--particularly because they are grappling with the significant budgetary implications of their participation in the HIPC Initiative through the Paris Club.
- ***1996 contributions by other donors would likely be triggered by either: (1); or a version of (2) which is not too tentative and which we can "quote" to other donors***
- (3) Remain non-committal to HIPC Trust Fund contributions. It is quite possible that the discussions underway in Tokyo reaches the conclusion that they should not indicate any willingness to contribute at this point. In that case we will need to continue emphasizing the need to supplement AfDB resources (the main purpose, in practice of Trust Fund contributions), as well as the importance other donors attach to broad participation in the HIPC Trust Fund and to the significance they attach to a Japanese contribution.

HIPC Initiative

I. Process: Simplification and More Cooperation with MDBs

- ***Participatory approach with MDBs:*** We would seek greater involvement of large multilateral creditors, perhaps with participation by the IADB and AfDB, in particular, in DSA missions.
- ***"Softer" preliminary HIPC Board document:*** Out of concern for the sensitivities of the other MDBs, this document would include staffs' judgment regarding sustainability, eligibility, and possible target ranges rather than a specific target for the PV debt/exports ratio. It would not, however, include specific recommendations for action by multilaterals.
- ***Simultaneous circulation of HIPC documents to WB/IMF Boards, MDBs, and Paris Club:*** We would seek the reactions of their staff prior to the Bank/Fund Board discussions. Assuming favorable responses, these could be incorporated in a staff supplement or statement to the Boards which might then contain clear recommendations for action by the multilaterals.
- ***Bank/Fund Board meetings and follow-up by major creditors:*** The Boards could be asked to signal their broad endorsement of these proposals. On the basis of this, other multilateral institutions could seek approval in principle of their Boards for the action envisaged; indications would also be sought of the willingness of the Paris Club to go beyond Naples terms. Favorable responses would enable the Boards to agree actions by the Bank and Fund at their second discussion (at the Decision Point) subject only to final confirmation of comparable action by involved creditors.

II. Coordination with Paris Club and other MDBs. While both institutions would need to be engaged with all creditors, the Bank would be primarily responsible for relations with other multilaterals (most of whom will likely contribute to the HIPC Trust Fund), while the IMF would be in the lead in dealing with the Paris Club.

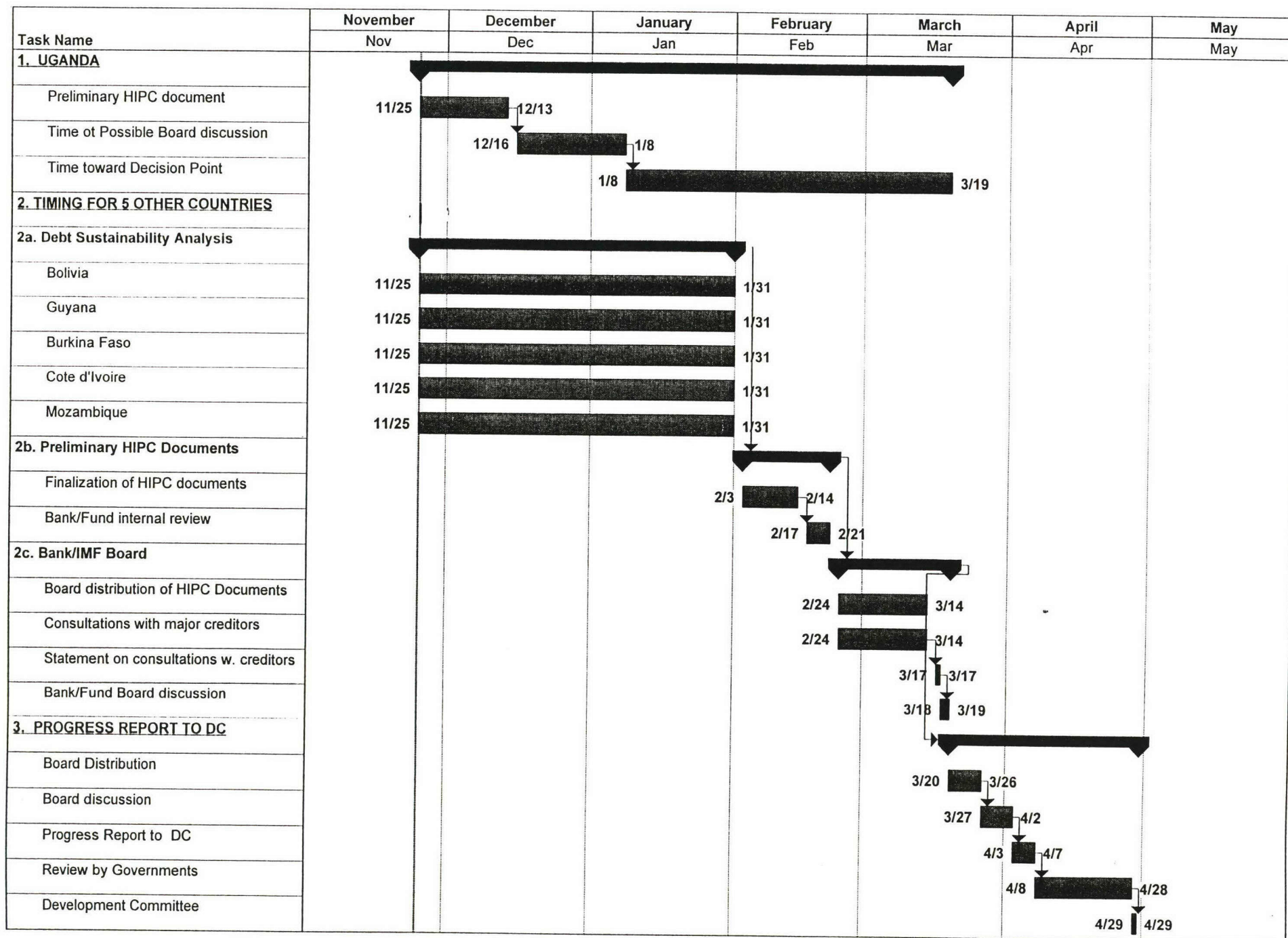
III. Early country cases

- ***Multi-country approach:*** EDs (e.g. UK) requested that the Boards discuss a group of cases at an early stage so that they can be considered in some context. Besides *Uganda* which is the only country that could reach the decision point by the spring meetings), we expect that *Bolivia, Burkina Faso, Côte d'Ivoire*, and *Guyana*; and possibly--depending on negotiations between the Paris Club and Russia and Russia's claims--*Mozambique* could be presented to the Boards for preliminary discussion in March. A cap paper discussing the general issues that are raised by these cases such as the role to be played by fiscal indicators of the debt burden and the inclusion of private sector debt of these countries could be appropriate. It is for consideration whether the individual country cases would best be discussed by the Boards in single sessions. This group of countries will only be ready for a preliminary discussion by the Boards early next year if work on their DSAs can be accelerated: in some cases, such as Guyana, DSAs may need to be presented in absence of full agreement on the medium-term policy framework.
- ***Single-country case: Uganda:*** It would be desirable if the Boards could endorse the Uganda preliminary HIPC document in January prior to the availability of the other country cases so as to encourage the early consideration of more action by the Paris Club, but it is not clear this is politically realistic.

IV. Next round of countries. Countries that could be brought to the decision point under the Initiative later in 1997 (in addition to those listed above) include Benin, Ethiopia (depending on progress on Russian claims), Mali and Senegal.

11/25/96

Tentative Time Table for Preliminary As and Development Committee Paper



Implementation of the HIPC Debt Initiative
Briefing on Meetings in Paris November 13 - 14, 1996

Statement to the Board by Mr. Sven Sandström

As you know, two sessions were held in Paris last week on the implementation of the HIPC Debt Initiative:

- ⇒ The November 13 working session was attended by representatives from 12 multilateral institutions, including the World Bank and the IMF. The main objective was to take stock of the status of participation of each institution in the HIPC Debt Initiative, including the use of the HIPC Trust Fund.
- ⇒ The November 14 session was attended by the 12 multilateral institutions and representatives from 23 donor countries. The objective on that day was to share information on the early stages of implementation of the Initiative, including the role of the HIPC Trust Fund in facilitating the participation of multilateral institutions and potential donors.
- ⇒ In this regard, the establishment of the HIPC Trust Fund by the World Bank Board on November 7 was welcomed by all participants, as an indication of the resolve to move swiftly on the implementation of the Initiative.

I would like to summarize the conclusions from each of these meetings, and highlight some of the agreed next steps.

First -- the meeting of multilateral institutions on November 13 confirmed their unanimous support for the Initiative. Most are currently actively seeking the appropriate institutional approvals through their governing bodies, as required to enable them to participate in the Initiative. More specifically:

- ⇒ The **African Development Bank** is preparing a Board paper for consideration by the end of this month, and indicated that they are considering to propose significant contributions from their own resources, totaling, maybe as much as \$200-250 million.
- ⇒ The **Inter-American Development Bank** Board will be considering shortly a resolution of commitment in principle to the HIPC Debt Initiative and to contributing to the HIPC Trust Fund. We expect them to do this by the end of the month.
- ⇒ The **European Commission** reiterated its commitment to provide its share of debt relief, but they also indicated that the process of deciding on modalities had not been completed as yet.

- ⇒ Regarding **participation in the HIPC Trust Fund** -- the IDB, AfDB and IFAD have already announced that they would participate. The EU/EIB, the Central American Bank for Economic Integration, the Nordic Investment Bank and the Nordic Development Fund -- all indicated that they might participate, depending on further discussions with their shareholders, including on modalities to channel contributions through the Trust Fund or any other instrument.
- ⇒ A **joint statement** by multilateral creditors was read at the November 14 meeting, which noted the need for bilateral contributions to the Trust Fund. The statement is available for your information -- along with other documents distributed at these meetings in Paris.

Second -- the meeting with multilateral creditors and bilateral donors on November 14 reviewed progress to date in the **implementation of the Initiative**. More specifically:

- ⇒ First, the perspective of the debtor countries was introduced by Mr. Damoni Kitabire, an official from the Ugandan Ministry of Finance. This statement was much appreciated.
- ⇒ Second, a report was provided on countries that could reach their decision points in 1997 (the same group of countries which was mentioned to the Board on November 7). It was made clear that decisions regarding their qualification for the Initiative and timing would need to be made on the basis of the debt sustainability analyses to be undertaken in the coming months. No firm timetable was provided, as we are still working on this with our colleagues from the IMF.
- ⇒ Finally, the IMF representative explained how the IMF would deliver its share of debt relief through special ESAF operations. In addition, he informed the meeting about the link of this Initiative with the efforts underway to establish a self-financed ESAF.

The meeting also discussed the design of the **HIPC Trust Fund**, as well as its role as a vehicle for allowing participation of multilateral development institutions. It was made clear that the Trust Fund was conceived as a mechanism for implementing decisions taken by the Boards of the World Bank and the IMF, and agreed to by all creditors. A briefing by the AfDB confirmed its management's intention to participate with own resources, but also stressed the need for substantial supplementary contributions.

Concerning **funding for the HIPC Trust Fund**, we agreed that we must move ahead with resource mobilization. The immediate objective is to ensure that the AfDB can participate fully in the first countries that are likely to be considered for decisions under the Initiative within 1997.

A number of potential donors shared information on their current thinking regarding potential contributions to the Trust Fund. Some eight to ten potential donors indicated that they would contribute, provided that there is broad participation by donors. We are now following up with all potential donors on a bilateral basis.

Finally -- regarding the next steps envisaged in the collaboration on the implementation of the Initiative, we have agreed on three points:

- ⇒ **First** -- that it was necessary to proceed with **pragmatism** to address country-specific issues as they come up in the first cases. The first few cases will provide a good opportunity to refine the framework, test its flexibility, and further build the consultation mechanisms necessary for the collaboration between all creditors involved. We will want to avoid the trap of rigid procedures.
- ⇒ **Second** -- that it was important to develop even closer **collaboration** among all creditors -- the other multilaterals, the Paris Club, and other bilaterals -- on the first cases to be considered for assistance under the Initiative. A number of discussions took place on how this could be organized in practice.
- ⇒ **And third** -- given the importance of the next steps and the need for all participants to move ahead in a concerted manner, that we would keep the group **fully informed** between now and the Spring meetings, at which time a formal progress report will be provided to the Development Committee.

November 21, 1996

MIGA CAPITAL INCREASE



Record Removal Notice



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Subject / Title MIGA Capital Increases				
Exception(s) Information Provided by Member Countries or Third Parties in Confidence				
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group. <table border="1"><tr><td>Withdrawn by Diego Hernández</td><td>Date March 27, 2025</td></tr></table>	Withdrawn by Diego Hernández	Date March 27, 2025
Withdrawn by Diego Hernández	Date March 27, 2025			

JAPANESE PERSONNEL

JAPANESE STAFFING BRIEF

STATUS

Senior staff. As of October 31, 1996, the number of Japanese senior level staff at levels 26 and above is nine, representing 1.5% of the Bank Group staff at these levels. They are: Mr. Iida, EVP, Mr. Fukui, VP, Mr. Miyamura, Ms. Nishimizu, and Mr. Katsu, Directors. The EVP for MIGA, VP for RMC and Director for the Tokyo Office are always nominated by the MOF.

Bank-wide, 9.5% of staff are at levels 26 and above. However, only 8.3% of Japanese staff are at these levels. This percentage has remained static over the last 10 years.

Staff at Levels 18 and Above. The number of Japanese staff is 101 (including senior staff) representing 2.4% of the Bank Group's level 18+ regular and fixed-term staff.

Long Term Consultants. The number of Japanese LTCs continues to grow from 20 in February 1996 to 29 in October 1996. Many are funded by the Japanese Trust Fund.

Recruitment.

Mid-Career Professionals The drop in the number of Japanese recruited (8 in FY96 from 15 in FY95) is largely a reflection of the lowest level of overall external recruitment in the last decade (309 for FY94, 233 for FY95, and 189 for FY96). Furthermore, with budget cuts and further reorganizations expected, managers have a strong preference for known candidates (e.g., converting long term consultants to regular or fixed term appointments).

Young Professionals One Japanese YP came on board in FY96. In September 1996, three more YPs joined, representing 9.1% of the YPs joining in FY97. An intensive effort was made in the FY96 selection to increase Japanese YPs using diversity-sensitive interviewers.

Terminations. Overall, the Bank termination rate increased from 7.0% in FY95 to 11.0% in FY96. Japanese termination rate rose from 6.8% in FY 95 to 12.4% in FY96. In FY96, 12 Japanese left and 8 joined. In the first four months of FY97, 5 Japanese left and 8 joined. This higher turnover rate is mainly explained by the fact that roughly 1/3 of Japanese staff are seconded from organizations in Japan and return after 2 or 3 years.

Staff Exchange Program. In addition to the normal ad hoc secondment arrangements with Japanese companies and ministries, the Staff Exchange Program which started in FY96 has proven to be a very useful vehicle for more secondments of Japanese to the Bank. As of November 9, 1996 four Japanese staff are on board under the Exchange Program.

SUBJECTS AND ISSUES THAT MAY BE RAISED DURING YOUR MEETING

Number of Japanese Staff. Japanese are severely underrepresented in the Bank. The main reasons are the lack of competitiveness of Bank's salaries and benefits and lack of job security. Another major reason is the high turnover of staff caused by seconded staff from companies and ministries. In order to tackle this problem, we will continue the various efforts made throughout FY96 to strengthen the pipeline of qualified Japanese candidates as well as to increase secondments through the Staff Exchange Program.

Ms. Dorothy Hamachi Berry, VP for Human Resources will be making an official mission to Tokyo from 9 to 13 December 1996 to personally assess and understand the Japanese labor market with the objective to strengthen Japanese recruitment efforts.

Japanese Staff at Senior Level.

Collaboration with MOF In May, Mr. Nishihara, the Japanese ED presented the Bank with eight senior candidates from a number of Japanese banks. He is coordinating with these banks to update the status and availability of these candidates. Ms. Berry will meet non-MOF senior level candidates identified through the Japanese ED along with other senior candidates during her visit in Japan.

Headhunter for Country Director positions Egon Zehnder has been retained to identify suitable candidates. Ms. Berry will meet Egon Zehnder and other search firms for better understanding of the headhunting market particular to the Japanese labor market.

Promotion of Internal Staff The strategy to promote high potential Japanese Staff internally to senior level is being successfully implemented. Mr. Shigeo Katsu was promoted as Country Director, Cote d'Ivoire. Likewise, Mr. Ohashi was transferred laterally from Resources Mobilization & Cofinancing to Eastern Africa Department, increasing Japanese presence in Operations.



Record Removal Notice

File Title President Wolfensohn - Briefing Book for President's Meetings - Meeting Material - Luncheon - Vice Minister Takatoshi Kato - Semi-Annual Consultations - December 2, 1996		Barcode No. 30485864		
Document Date May 8, 1996	Document Type Brief			
Correspondents / Participants				
Subject / Title Japanese Staffing Strategy - The World Bank				
Exception(s) Corporate Administrative Matters				
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group. <table border="1"><tr><td>Withdrawn by Diego Hernández</td><td>Date March 27, 2025</td></tr></table>	Withdrawn by Diego Hernández	Date March 27, 2025
Withdrawn by Diego Hernández	Date March 27, 2025			

As of : November 27, 1996

Ms. Dorothy H. Berry - Itinerary in Tokyo

	(To be fixed)	Mon, Dec. 9	Tue, Dec. 10	Wed. Dec. 11	Thu. Dec. 12	Fri. Dec. 13
B F				-- x-B staff (Asanuma, Sakurai, Okaido)		
A M	* Media interview * OECF * EXIM * Head hunters	10:00 Meeting w/Miyamura, Abe at Tokyo Office	-- MOF 10:00 LTCB	 (11:00-12:00 Abe not available)	9:30-10:50 Keidanren (Countesy call + Signing) Fujiwara 11:00 Matsubara	10:00 Meeting w/MOF Dep. Dr. Gen. Ikawa
L C H	* Lunch w/HR executives (BOTM and others)	-- Lunch w/Miyamura + Abe, Watanabe + Momma (MOF)	-- Lunch w/Exchange Staff - Keidanren, EXIM	(12:00-14:00 Abe not available)	12:15-2:00 Lunch w/female professionals	12:15-2:00 Lunch w/Personnel Executives
P M		15:30 Meeting w/BOTM 16:30 Personnel Director, BOTM 17:30 Interview Mr. Mori	-- MOF 16:00 (fixed w/???) 17:00 (media interview - Nikkei)	14:00 Sato, Egon Z. 15:45 (Rassel Raynols?) 17:00 Watanabe (MOF)	 17:00 (Media interview - Yomiuri)	14:00 Wrap-up meeting w/Miyamura, Abe 16:45 Vice-Minister Kato
D N N R			-- Dinner w/Shiratori, OECF (DB, ??, YA)	-- MOF Dinner	18:00 Opening Reception at Conference Room	

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The Main Elements of the Bank's Cofinancing Program With Japan

- Japan is the largest single source of cofinancing for the Bank, having provided \$18.8 billion for 260 Bank operations over the past 10 years, or 19% of the total (and 49% of bilateral cofinancing).
- Japanese cofinancing with the Bank is split almost evenly between OECF and JEXIM.
- Japanese cofinancing has traditionally been concentrated in East Asia and Latin America. However, it has been growing in Europe, Africa and South Asia.
- The Bank and OECF/JEXIM have developed an extensive cofinancing process which includes a main Annual Cofinancing Consultation (see below), frequent meetings on project issues, and a growing dialogue on country policies.

The Main Results of the Annual Cofinancing Consultations November 13-15, 1996

- Overall Results: This year's annual cofinancing consultations with OECF and JEXIM continued a trend of deepening and broadening our discussions. It not only covered a very large number of project discussions (160), but extensive discussions on a number of thematic issues of importance to both sides - including the Role of the State (WDR97), private sector development, adjustment lending policies, and education policy. These discussions at an institutional level are a sign that our partnership has matured and provide a strong foundation for greater collaboration in the field.
- Project Results: Bank/OECF/and JEXIM staff reviewed cofinancing prospects for 160 projects in the Bank's lending pipeline. This included 69 new projects which had not yet been discussed. Of the 69 new projects, 20 projects in FY97-98 were identified as having high cofinancing prospects - 16 for OECF, 2 for JEXIM, and 2 which both were looking at (JEXIM has not completed its assessment and will likely add to this).
- Private Sector Development: The Bank, OECF, and JEXIM had an extensive exchange of views on private sector development. The Bank took note of each institution's approach and welcomed the opportunity to deepen collaboration in this area. While recognizing the need to increase private flows, OECF also emphasized the continued need for donor support for public sector infrastructure investment.
- OECF Cofinancing Procedures: OECF informed the Bank that it would obtain government authorization very soon to establish streamlined cofinancing procedures for selected projects. This would take the form of a letter from OECF indicating the procedures and conditions to be used, rather than a formal agreement with the Bank. This is a very welcome development and you may wish to express your appreciation for the Ministry of Finance's support.

JAPAN OFFICIAL COFINANCING BY REGION BY SECTOR, FY88 - 97
(AMOUNTS IN US\$ MILLION)

	---FY88---		---FY89---		---FY90---		---FY91---		---FY92---		---FY93---		---FY94---		---FY95---		---FY96---		---FY97---		TOT-NO.	TOT-AMT.
	NO.	AMT.	NO.	AMT.	NO.	AMT.	NO.	AMT.	NO.	AMT.	NO.	AMT.	NO.	AMT.	NO.	AMT.	NO.	AMT.	NO.	AMT.		
AFRICA	11	234.7	5	516.8	11	280.0	7	205.8	9	184.6	5	14.7	1	92.6	5	168.9	1	104.0			55	1802.1
E. ASIA & PACIFIC	9	751.0	12	1150.6	12	811.3	10	552.0	11	222.3	6	284.7	3	496.6	4	548.8	2	299.0			69	5116.3
M. EAST & N. AFRICA	4	213.8	4	363.0	1	157.1			2	196.8	1	50.0	4	309.9	3	160.8	1	80.0			20	1531.4
LAC	6	679.0	10	1196.3	6	518.3	3	45.5	6	275.0	8	756.1	3	165.3	3	141.7	2	41.0	1	60.0	48	3878.2
EUROPE & CNTRL ASIA	1	400.0	1	246.2	1	200.0	3	450.0	2	200.0	5	182.5	5	214.6	4	232.5	4	133.4			26	2259.2
SOUTH ASIA	2	181.0	5	318.6	4	287.9	3	220.5	2	23.5	4	573.4	2	362.4	2	156.9	1	350.0			25	2474.2
TOTAL	33	2459.5	37	3791.5	35	2254.6	26	1473.8	32	1102.2	29	1861.4	18	1641.4	21	1409.6	11	1007.4	1	60.0	243	17061.4

	---FY88---		---FY89---		---FY90---		---FY91---		---FY92---		---FY93---		---FY94---		---FY95---		---FY96---		---FY97---		TOT-NO.	TOT-AMT.
	NO.	AMT.	NO.	AMT.	NO.	AMT.	NO.	AMT.	NO.	AMT.	NO.	AMT.	NO.	AMT.	NO.	AMT.	NO.	AMT.	NO.	AMT.		
AGRICULTURE	6	34.5	6	463.2	4	76.9	3	111.4	5	79.7	1	21.1	2	167.6					1	60.0	28	1014.4
PUB SECTOR MGMT	2	59.2	1	300.0	3	347.7			2	1.6	4	211.5	2	156.3	1	27.7					15	1104.0
TELECOMM, INFO	1	8.9	2	154.1	1	11.7			2	37.0	2	52.2			1	264.0					9	527.9
EDUCATION			2	69.3	1	93.5	3	157.2	2	45.4	1	.8			2	61.3					11	427.5
FINANCIAL	5	651.7	8	1378.1	3	58.6	3	106.1	1	120.0			1	18.6	3	25.0	1	80.0			25	2438.1
OIL & GAS			1	150.0			1	210.7	1	76.8	2	55.0			1	100.0					6	592.5
POP. HEAL. & NUTR.			2	8.3	1	1.0	2	10.4	1	.7											6	20.4
INDUSTRIAL/IDF	1	2.5	2	116.8					1	78.5											4	197.8
MULTI SECTOR *	7	820.2	6	803.1	6	600.1	5	764.1	7	439.0	8	911.4	4	306.6	4	326.5	2	59.0			49	5030.0
MINING & EXTRAC.																	1	55.0			1	55.0
ELEC. PWR, OTH. ENGY	4	568.0	2	54.5	5	383.0			5	112.4	5	255.7	2	254.1	4	326.7	5	688.4			32	2642.8
SOCIAL			1	3.7			1	.4			3	31.7									5	35.8
TRANSPORTATION	6	301.0	3	239.0	6	514.4	2	59.2	2	8.1	2	320.0	3	378.7	2	97.3	2	125.0			28	2042.7
URBAN	1	13.5			2	4.8	3	5.0					3	301.3							9	324.6
ENVIRONMENT									3	103.0					2	101.9					5	204.9
WATER SUP. & SANI.			1	51.4	3	162.9	3	49.3			1	2.0	1	58.2	1	79.2					10	403.0
TOTAL	33	2459.5	37	3791.5	35	2254.6	26	1473.8	32	1102.2	29	1861.4	18	1641.4	21	1409.6	11	1007.4	1	60.0	243	17061.4

Note: These figures are based on the financing plans contained in the PRs or SARs and adjusted by subsequent changes to project financing plans when available. Cofinancing data are reported by the fiscal year in which the project is presented to the Bank's Board. The number count in this table represent the number of projects.

Supplementary projects are not counted as separate projects, but the amounts are included.

* Multi-Sector category includes Trade Policy Reform, Pre-Investment/Portfolio Development, Other Non-sector Specific, Macro-economic Analysis and Cross-sectoral Economic Analysis. Other category represents 'Technical Assistance' in the old sector structure prior to FY94.

Current FY figures represent four-month statistics.

Policy and Human Resources Development (PHRD) Fund

Briefing Note for Mr. Wolfensohn's Meeting with Vice-Minister Kato

1. The PHRD Fund continues to play a vital role in support of the Bank's projects and programs, mainly through funding untied grants for technical assistance to help the recipient countries prepare projects expected to be financed by the Bank and IDA. PHRD is also providing funding for reconstruction efforts in post-conflict regions, EDI training activities, CG meetings in Tokyo, support for IPAnet and other important initiatives.
2. The Government of Japan currently contributes approximately \$200 million equivalent in Yen each year to the PHRD Fund. However, because of overall budget constraints and various competing demands on a constrained ODA budget, the Government of Japan might reduce its contribution to PHRD in future years.
3. Given the above, it is important that Mr. Wolfensohn convey two messages to Vice-Minister Kato regarding PHRD:
 - **Thank the Vice-Minister again for Japan's generous contribution to PHRD.** Emphasize the key role PHRD plays in generating high quality projects suitable for Bank financing. (Sixty per cent of the projects approved by the Bank's Board in FY96 benefited from PHRD grants that provided technical assistance for their preparation).
 - **Stress to Vice-Minister Kato the importance of continued PHRD funding at the current level if at all possible.**
4. Mr. Wolfensohn should also be aware that the Government of Japan has recently proposed a review of PHRD, to review the effectiveness and efficiency of current operations, and to make any suggestions for improvement in the future. We plan to carry out that review during the third quarter of FY97.

November 21, 1996

World Bank Funding Operations in Japan

Funding Activities in Japan

<u>IBRD Funding Volume*</u> (in USDeq millions)		
	<u>FY96</u>	<u>FY97 to date</u>
Total:	11,326	6,353
of which:		
Targeted to institutional investors in Japan	332	226
Targeted to retail investors in Japan	2,500	2,767
* Excludes short-term funding		

While the Bank took on no new JPY funding (after swaps) in FY96, we nevertheless had a significant presence in Japanese capital markets.

- We issued a number of bonds in foreign currencies (USD, DEM, and AUD) that were underwritten by Japanese firms and targeted to Japanese retail investors.
- We borrowed JPY 76 billion (USDeq 713 million) in three structured transactions, two dual currency deals and one conventional loan, and swapped the proceeds into USD and DEM.
- In total, these transactions targeted to Japanese investors brought in USDeq 2.8 billion of attractively priced funding, or roughly a quarter of overall funding in FY96.

During FY97, the importance of the Japanese capital market in the Bank's funding has increased substantially:

- About half of total medium- to long-term borrowings in all currencies to date have been placed with Japanese investors.
- We have raised a total of JPY 100 billion in medium- to long-term borrowings after swaps.

The increased role of Japanese capital markets in the Bank's borrowing activities reflects strong demand by Japanese retail accounts, which also has been tapped by other major international borrowers. The Bank in the past has relied strongly on borrowings from Japanese institutional investors. More recently we have found fewer opportunities for placement with this investor group, reflecting a reduction in the growth of their offshore investments. This notwithstanding, during FY97 we managed to place 18% of the latest USD global bond issue and all of two smaller transactions with Japanese institutional investors.

Role of Japan in the Bank's Funding Efforts in Coming Years

The Japanese investor base is expected to play an important role in the Bank's future funding program. As in the past, the relative balance will shift between retail and institutional demand and, within institutional demand, between different investor categories. The currently strong retail demand for foreign fixed income product is being driven to a large extent by the sluggish performance of the equity market, the current yield differentials between yen interest rates and those in other currencies, and by developments in foreign exchange markets. As regards institutional investors, the process of deregulation also appears to be playing a role in the shifting demand for our securities by, for example, damping demand from life insurance companies.

Going forward, the Bank's need for after-swap JPY funding is very difficult to predict, pending borrowers' decisions on the new currency choice offered to them. In the past, the ED's office has stated some concerns that the Bank may not need much JPY funding in the future; their position has been that the ideal loan product for an international cooperative institution such as the Bank to offer is a pooled multicurrency product comprising all major currencies, including the JPY. These concerns have not been reiterated since the Board made the decision on expanded choice.

As the Bank offers its borrowers more choice, several considerations may help the Japanese authorities gain more comfort with the status of the JPY in our borrowing and lending programs.

- The Bank continues to offer the currency pool loan product, in which the JPY plays a major role (at a fixed ratio of 1 USD to 125 JPY to 2 DEM).
- JPY is one of the currencies offered for single currency loan products. In certain cases, a JPY loan may be the most appropriate choice for the Bank's borrowers.
- Expanded choice of currencies is already available at other MDBs where Japan is a shareholder.

Intellectual Partnership with Japan

Intellectual cooperation between Bank staff and the development community in Japan is more extensive than ever before. While collaboration previously focused on a single study or event -- notably the 1993 East Asian Miracle study and the Bank-Japan Research Fair in Tokyo in December 1995 -- cooperation is now proceeding through several avenues simultaneously.

Current cooperation includes:

Joint Work on Improving Aid Effectiveness: The Policy Research Department is working jointly with the OECF on a major research project on this important issue. Preliminary results of papers by Bank staff, Japanese researchers, and researchers from developing countries will be presented at a Symposium on Making Aid More Effective in Tokyo in September 1997, immediately before the Annual Meetings in Hong Kong.

World Development Report: There have been extensive and early consultations with Japanese scholars and officials in preparation for WDR 1997 on the Changing Role of the State. These have included a workshop in Tokyo organized by Mr. Shiratori, Vice-president OECF, and Prof. Ishikawa, the dean of Japanese development economists. World Bank participants included Senior VP and Chief Economist Michael Bruno and Ajay Chhibber, Staff Director of the WDR. Prof. Masahiko Aoki, - President of Japan Economic Association and professor at Stanford University is a principal advisor to the WDR. Kenichi Ohno, Hitotsubashi University, is assisting with its preparation. FASID, Japan's foundation for advanced studies on international development, has invited the WDR team to present findings at an international symposium in July 1997.

Japanese Research on Development Strategy: The Bank will host a workshop in May 1997 at which Professor Juro Teranishi of Hitotsubashi University and colleagues will present preliminary results from their research on the political economy of development strategy. The workshop will be held before the Annual Bank Conference on Development Economics (ABCDE), so that workshop participants from Japan may also attend the conference. The research is supported by the Japan Center for Economic Research, the OECF and JEXIM.

Regional Trade: The International Economics Department is developing a research and dissemination program on regional trading arrangements under the heading "Regionalism and Development." Several Japanese scholars and research institutes have been asked if they are interested in collaborating, and Mr. Winters (Chief, International Trade Division) will be in Tokyo in mid-December to present the project outline and meet possible partners.

Reducing Industrial Pollution: Benoit Laplante, a researcher in the PRD Environment, Infrastructure and Agriculture Division, presented work on new regulatory approaches to reducing industrial pollution at two conferences in Tokyo organized by the Institute of Developing Economies in November. The work was well-received by Japanese researchers and by researchers from Asian developing countries attending the conference. The IDE executive director, Mr. Nohara, has expressed interest in joint follow-up research on issues raised in the paper.

Other Exchanges: Juichi Inada from Japan Institute of International Affairs is currently a research fellow in the Policy Research Department. Bankwide four Japanese graduate students who had worked as volunteers at the Research Fair worked at Bank headquarters this summer as interns. Several other Japanese students also worked at the Bank through the summer intern program.

JAPAN/EDI COLLABORATION

Background

The Japan/EDI collaboration started in 1988 with the financing of three seminars. It has since expanded considerably to a \$3.5 million program annually. Qualitatively, the collaboration has also expanded to cover three distinct types of programs:

- The “*Brain Trust*” Program, studies lessons of Japanese experience. It has already covered banking, corporate governance, the role of the civil service, the role of government and local government.
- The Program with FASID, the Foundation for Advanced Studies in International Development that is affiliated with Japan’s Ministry of Foreign Affairs, brings together Japanese and non-Japanese scholars, experts and government officials in training courses on a variety of development - related themes focusing on East Asia.
- The *Seminars Program* funds about thirty training programs per year, primarily in East Asia and Africa. The seminars program focuses on gender related training, support to NGOs, and human resource development.

In addition, the Japanese government and EDI collaborate through an important graduate scholarship program, which includes about 180 students per year in universities in Japan, the United States, Canada, France and Africa. Japanese contributions to the program are in the order of \$ 10 million per year.

Possible Japanese Concerns

- *Insufficient use of Japanese intellectual resources*

EDI has been proactive to address this concern and has recently established links with a number of Japanese universities and institutes and identified potential resource persons to be used in EDI learning activities. Consultations are also underway to appoint an EDI consultant in Japan whose main responsibility will be to help identify and mobilize Japanese intellectual resources for EDI-sponsored activities.

- *Need for translation of documents in Japanese*

The publications produced under the Brain Trust program are systematically translated into Japanese. Two special efforts are being made to address the Japanese concerns: i) accelerate the translation so that the Japanese documents are available soon after the English versions and; ii) produce abstracts of the publications in Japanese for larger access to the Japanese public. In addition, EDI publications will be covered by the “Translation Facility” being developed by the Tokyo Resident Mission.

- *Division of Labor with the ADB Institute*

EDI has already met and is providing intellectual support in helping the start up of the ADB Institute in Tokyo. On the training side, collaboration could be in the form of joint delivery of initial programs in Tokyo as of the spring of 1997 when the Institute becomes operational.

Consultative Group (CG) Meetings in Tokyo

An Update

Progress since your last meeting with Vice Minister Kato

- A full-time conference coordinator has been funded by the Bank as of this October 1 at Tokyo Office to serve as a focal point in preparing CG meetings in Tokyo.

Calendar of CG meetings in Tokyo

CG Meetings held so far

1995	December 7-8	The Philippines
1996	February 21-22	Mongolia (Donors Meeting)
	July 11-12	Cambodia
	September 18-20	India Development Forum
	October 28-November 1	Central Asia (Tajikistan/Kazakstan/ Kyrgyz Republic)

Upcoming meetings

1996	December 10-11	The Philippines
1997	March-April (to be confirmed)	Central Asia (Uzbekistan/Azerbaijan)
	June-July (to be confirmed)	Indonesia

Potential Issues

- **Equipment:** All office equipment used at the CG meetings in Tokyo (computers, printers, fax machines, etc.) is currently rented through a local conference service company for the period of each meeting. It is suggested that in the future, the Office be equipped with all the machines necessary to implement the meetings by itself, rather than renting them for a few days each time at high costs.
- **Funding:** Any incremental costs, compared to the case of having a meeting in Paris, are basically funded by PHRD. (The regions currently cover the CG meeting facilitation costs in Paris including interpretation, equipment rental, etc., other than coordination out of their own budgets.)

Consultative Group (CG) Meetings in Tokyo

Japanese position: MOF authorities would like CG's to be held regularly in Tokyo for Asian (Central Asian, East Asian and *some* South Asian) countries. As the largest bilateral donor in most Asian countries, CG's in Tokyo are **important to ensure continued political support** for such large aid programs.

- Japan would like to see an average of **one CG a month** in Tokyo;
- Japan is **willing to help with incremental costs over** (holding CG's in) **Paris**;
- **MOFA is launching a major diplomatic effort** to persuade recipient countries to agree on Tokyo as the venue for future CG's.

History: There has been an **episodic history** of CG's in Tokyo over the years, e.g. Korea, Burma, Philippines, Nepal and PNG on various occasions in the 1970s and 80s.

Progress since your last visit to Tokyo: As of September, there had been no CG's in Tokyo in 1995. Since then, Philippines CG met there in December. This year, 7 or 8 (PNG unconfirmed) aid coordination meetings will take place in Tokyo:

1)	1996	February 21-22	Mongolia Donors Meeting
2)		July 11-12	Cambodia CG Meeting
3)		September 16-18	India Development Forum 1996
4)		Autumn	?PNG CG Meeting (not confirmed)
5)		November 5	Kyrgyz Republic CG Meeting
6)		November 6	Tajikistan CG Meeting
7)		November 8	Kazakstan CG Meeting
8)		December 12-13	Philippines CG Meeting
9)	1997	Late Spring	?Azerbaijan CG Meeting (to be decided)
10)		Late Spring	?Uzbekistan CG Meeting (TBD)
11)		Summer	?Indonesia CG Meeting (TBD)

Pros on Tokyo CG's

- **proximity to Asian borrowers**
- Japanese eagerness to host meetings (and the more generous aid flows that may thereby ensue);
- **Japanese willingness to finance incremental costs over Paris**;
- upgrading in **Bank's relationship with Japan** by accommodating their interests.

Cons on Tokyo CG's

- **cost:** higher overall -- Bank staff travel; additional Bank administration (e.g. secretariat support, importing translation and interpretation staff -- all of which are available on-site in Paris);
- **administrative capability:** some unavailability in compatible technology equipment (at Bank Tokyo office and at ministries); burden on existing Bank staff in Tokyo to handle logistical arrangements (which are routinely handled in Paris);
- European donor reaction.

- ☞ Cons can be overcome by **additional budget allocations** (to cover higher costs to the Bank) and **strengthening of Tokyo office** with a full-time staff dedicated to CG's (to handle the logistics).

Bank's current position:

- **ECA Management** is *favorably inclined* at this point to **hosting all future Central Asia CG meetings in Tokyo**, however, will revisit this "in light of our experience."
- **EAP Management** supports the idea of more CG's in Tokyo but "would be guided by the wishes of recipient countries and major donors -- including Japan"
- Indonesia:* prefers to keep the annual CG's in Paris; willing to consider occasional CG in Tokyo (perhaps in summer of 1997) but does not want to project image of "bilateral donor dependence."
- Philippines:* agreed to CG in Tokyo last year; reluctant to displease Europeans even though official aid level is low (want European private investment).
- Viet Nam:* not keen to move CG's from Paris (neither are Europeans) -- European aid flows proportionately large.
- Cambodia:* prospects for regular Tokyo CG's are good.
- PNG:* Bank prepared to push for a Tokyo CG, as long as Japan picks up incremental costs over Paris.
- Mongolia:* annual donors' forum has been held in Tokyo for last 5 years; Japan wants to convert to formal CG, which the Bank will support, however, Mongolia wants to hold alternate year meetings in Ulaanbataar.
- Laos:* UNDP has leadership role; alternative roundtable meetings in Geneva and Vientiane.
- Myanmar:* Tokyo would be natural venue for CG's when it becomes active borrower.
- China/Thailand:* have no formal aid groups.
- **SAS Management** will **encourage** CG's to be held in Tokyo on a **periodic basis**, perhaps through a rotating arrangement (one South Asian CG in Tokyo per year).
- India:* Development Forum will take place in Tokyo in September this year.
- Other CG's in Tokyo:* not yet planned.

CONTINUED

- Aid coordination meetings planned in 1996 by venue:

	CG's	Non-CG	Total
Paris	17	4	21
Tokyo	5	2	7
Geneva	-	5	5
Washington	1	2	3
Brussels	-	2	2
Maseru	-	2	2
Luanda	-	1	1
Monrovia	-	1	1
Bamako	-	2	2
Total	23	21	44

TOKYO OFFICE



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Tokyo Office (TOK) at a Glance

As of October 31, 1996

1. **Establishment Date:** November 2, 1970
2. **Staffing:** 18, of whom: 5 Officers, 5 Consultants, 1 Administrative Assistant, 6 Staff Assistant and 1 Driver.
3. **Mandates:** Represents the Bank in Japan, and liaises with government officials, politicians, financial representatives, businessmen, media, regional and international organizations, academics and NGOs. More specifically, TOK major mandates are:
 - (a) **Fund-raising:**
 - Advises TREVP/TRF on strategy relating to JPY and Japanese market related borrowings.
 - Executes JPY borrowings including JPY Global Bonds, and promotes the marketing of USD and DEM Global bonds.
 - JPY borrowings have consisted of 1/3 of the Bank annual borrowings to date which have evolved from BOJ Loan, and syndicated Loan to Samurai bond, Daimyo bond and recently to Global bond.
 - FY96 is characterized by a series of Japanese retail targeted bond issues in non-JPY currencies and dual currencies totaling USD2,398 million equivalent of 15 transactions. This trend is expected to continue during FY97.
 - (b) **External Affairs**
 - Disseminates information on Bank's policies and activities to the Japanese public at large via: press release, press / TV interviews, articles contributions to journals / magazines, publications in Japanese, seminars/symposium/briefings, and since October 1996 Internet homepage in Japanese.
 - Gathers and analyzes information for Bank management and keeps them informed of political / economic development, and ODA related issues in Japan.
 - Monitors the perception on the Bank by Japanese public at large as well as by Bank's key constituencies, and keeps the Bank management up-to-date about the situation in Japan.
 - Operates the Public Information Center (PIC) within the Tokyo Office premises.
 - Further enhances support for the Bank by Bank's key constituency groups in Japan, i.e. Japanese government, research institutes, private sector, and NGOs in line with the Communications Strategy for Japan, and promotes intellectual partnership and working relationship with these groups.
 - (c) **Recruitment**
 - Assists in identification of qualified Japanese candidates by screening applications, making interviews and making recommendations.
 - Promotes recruitment activities by holding seminars, visiting universities and companies, organizing recruitment missions and contributing articles to magazines.
 - Facilitates the exchange of staff program with Keidanren member companies. Three Bank staff are now placed in Japanese companies in Tokyo, and three Japanese staff from Keidanren members are now working at the Bank.
 - The No. of Japanese staff in the Bank group has increased from 83 in FY93 to 105 in FY96, and 109 by end of Oct. 1996. However, its share to the total Bank staff has remained low at about 2%.
 - (d) **Support to CG Meetings in Tokyo**
 - Facilitates and supports preparation and organization of CG meetings in Tokyo: Philippines (Dec.95); Mongolia (Feb.96); Cambodia (July 96); India (Sept. 96); Tajikistan/Kazakhstan/Kyrgyz Republic (Oct.96).
 - NB: The preparation and organization of CGs are now an integrated part of TOK's functions, namely for Asian Countries ("Tokyo Club Idea").
 - (e) **Support to Visiting Missions**
 - Assists Bank staff in carrying out official missions in Japan by arranging hotel reservations, appointments with government officials and private sector representatives, and by preparing seminars/mission programs and related activities.
 - HQ staff visiting Japan has increased immensely for the past couple of years. The number of visitors for FY96 totaled 610 for 1,980 mission days, compared with 384 visitors for 1,066 mission days in FY95. These figures represent only those HQ staff making hotel reservation arrangements through TOK, and therefore exclude those making their own lodging arrangements for their missions.



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File Title President Wolfensohn - Briefing Book for President's Meetings - Meeting Material - Luncheon - Vice Minister Takatoshi Kato - Semi-Annual Consultations - December 2, 1996		Barcode No. 30485864		
Document Date October 1996	Document Type Chart / Table / Diagram			
Correspondents / Participants				
Subject / Title Tokyo Office (TOK) at a Glance - Key Statistics				
Exception(s) Corporate Administrative Matters				
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group. <table border="1"><tr><td>Withdrawn by Diego Hernández</td><td>Date March 27, 2025</td></tr></table>	Withdrawn by Diego Hernández	Date March 27, 2025
Withdrawn by Diego Hernández	Date March 27, 2025			

New Cabinet

(Nov. 7, 1996)

Prime Minister	Ryutaro Hashimoto	(59)
Justice Minister	Isao Matsuura *	(73)
Foreign Minister	Yukihiko Ikeda **	(59)
Finance Minister	Hiroshi Mitsuzuka	(69)
Education Minister	Takashi Kosugi *	(61)
Health and Welfare Minister	Junichiro Koizumi	(54)
Agriculture, Forestry and Fisheries Minister	Takao Fujimoto	(65)
International Trade and Industry Minister	Shinji Sato	(64)
Transport Minister	Makoto Koga *	(56)
Posts and Telecommunications Minister	Hisao Horinouchi	(71)
Labor Minister	Yutaka Okano *	(69)
Construction Minister	Shizuka Kamei	(60)
Home Affairs Minister and National Public Safety Commission Chairman	Katsuhiko Shirakawa *	(51)
Chief Cabinet Secretary	Seiroku Kajiyama **	(70)
Management and Coordination Agency Director General	Kabun Muto	(69)
Hokkaido and Okinawa Development Agencies Director General	Jitsuo Inagaki *	(68)
Defence Agency Director General	Fumio Kyuma *	(55)
Economic Planning Agency Director General	Taro Aso *	(56)
Science and Technology Agency Director General	Riichiro Chikaoka *	(70)
Environment Agency Director General	Michiko Ishii *	(63)
National Land Agency Director General	Kosuke Ito *	(55)

* first-time appointees

** retained

**FINANCE MINISTER
Hiroshi Mitsuzuka**

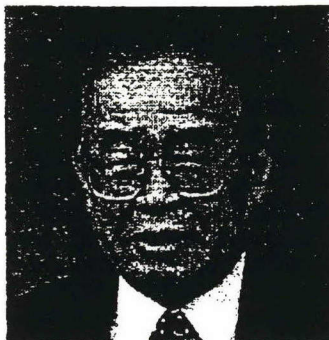
Age: 69

Electoral district: Lower House;
Miyagi No. 3 (in ninth term)

Mitsuzuka became secretary general of the LDP last year but was replaced after only two months in office when Ryutaro Hashimoto was elected party president.

He has since devoted most of his energy to maintaining unity within his factional group, which he took over from the late Shintaro Abe in 1991.

In assigning Mitsuzuka to the key finance portfolio, Hashimoto is believed to be counting on his vast experience in administrative affairs as well as his political might as leader of a major faction.



In previous administrations, he held the posts of foreign, transport and MITI ministers. As transport minister under Yasuhiro Nakasone, he took charge of carrying out reform of the debt-ridden Japanese National Railways.

He also served as vice education minister and vice transport minister.

Finance chief seeks change

Reforming ministry seen as test case for government

Reorganization of the Finance Ministry will be a test of Prime Minister Ryutaro Hashimoto's determination to achieve administrative reform, according to the newly appointed finance minister.

Hiroshi Mitsuzuka, the 69-year-old veteran lawmaker chosen to head the most pow-



Hiroshi Mitsuzuka

CABINET INTERVIEW

erful of the government's ministries, expressed strong resolve to advance reform of the Finance Ministry past the drawing-board stage and into reality.

The three parties that comprised Hashimoto's previous coalition government said in their blueprint for Finance Ministry reform that divisions of the ministry that currently oversee financial institutions should be reorganized into an autonomous organ similar to the Fair Trade Commission.

Mitsuzuka said he hopes to see the new body established by April 1, 1998, at the latest.

Bills to revise the relevant laws are to be submitted and enacted during the next ordinary Diet session, which begins in late January, but many observers remain skeptical that the plan will go as scheduled, because bureaucrats are expected to put up a fight.

"If the core of the Finance Ministry can be reformed, it will have a profound effect on (similar efforts at) other ministries and agencies," Mitsuzuka said in an interview, adding that the coalition's call for the body to be independent will be followed to the greatest extent possible.

Administrative streamlining is the priority for Hashimoto's new Cabinet, and reorganization of the Finance

Ministry is the most symbolic test of his mettle.

According to the new finance chief, administrative reform, especially at the Finance Ministry, is doubly important to help win public acceptance of the planned 2 percentage-point hike in the consumption tax beginning in April.

A special Diet committee to discuss the consumption tax and measures to alleviate the burden on lower income households is to be set up in the extraordinary Diet session expected at the end of the month.

But Mitsuzuka was skeptical about calls to introduce a multiple rate system for the consumption tax by setting a lower levy on food and other daily necessities, saying it could infringe upon the basic principle of fair and simplified taxation.

The tax increase is unpopular partly because the public feels the government should first do more to tighten its belt.

"(The public) will sense the seriousness for the need (to raise the consumption tax) if the ministry takes the lead in administrative reform" and

cuts back on spending, Mitsuzuka said, adding that the nation's fiscal situation will fall apart if the government continues to make up for revenue shortages through huge public bond issues.

The outstanding balance of government bonds is expected to reach ¥240 trillion at the end of March, making Japan one of the most heavily indebted nations in the industrialized world.

Fiscal 1997 has been earmarked as the initial year of fiscal reconsolidation, and Mitsuzuka expressed determination to cut back on state expenditures and reduce issues of deficit-financing bonds when drafting the fiscal 1997 budget at year's end.

Mitsuzuka was also cautious about extending the temporary income and resident tax cuts, worth ¥2 trillion annually, beyond the current fiscal year, since such a move would also strain government coffers.

"This (tax reduction) must be put back to its former state to regain fiscal healthiness," he said.

On the bilateral insurance dispute with the United States, the finance chief pointed out that both sides need to seek common ground and compromise if a resolution is to be reached by the Dec. 15 deadline.

The two nations, which are divided over the pace and scope of liberalization of Japan's insurance market, are to hold working-level talks in San Francisco later this week.

"There is no problem that cannot be solved by negotiations, and it is through such efforts that genuine alliances and friendships are nurtured," he said.

(Mari Koseki)

TOK, November 25, 1996

Japan's ODA Budget

- **Japan's Foreign Ministry revealed on September 25 that the government aid related agencies have requested ODA budgets totaling JPY1.177 trillion from the general account for FY1997, up 2.8% from the current year's initial budget.**
- **This growth rate exceeds the 2.6% ceiling set for ODA budget for the fiscal year till March 1998.**
- **The Cabinet will adopt a draft budget by end December. This will be followed by government budget deliberation for final approval.**