



The World Bank and Japan

Towards a broader partnership for
a world *free* of poverty

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The World Bank



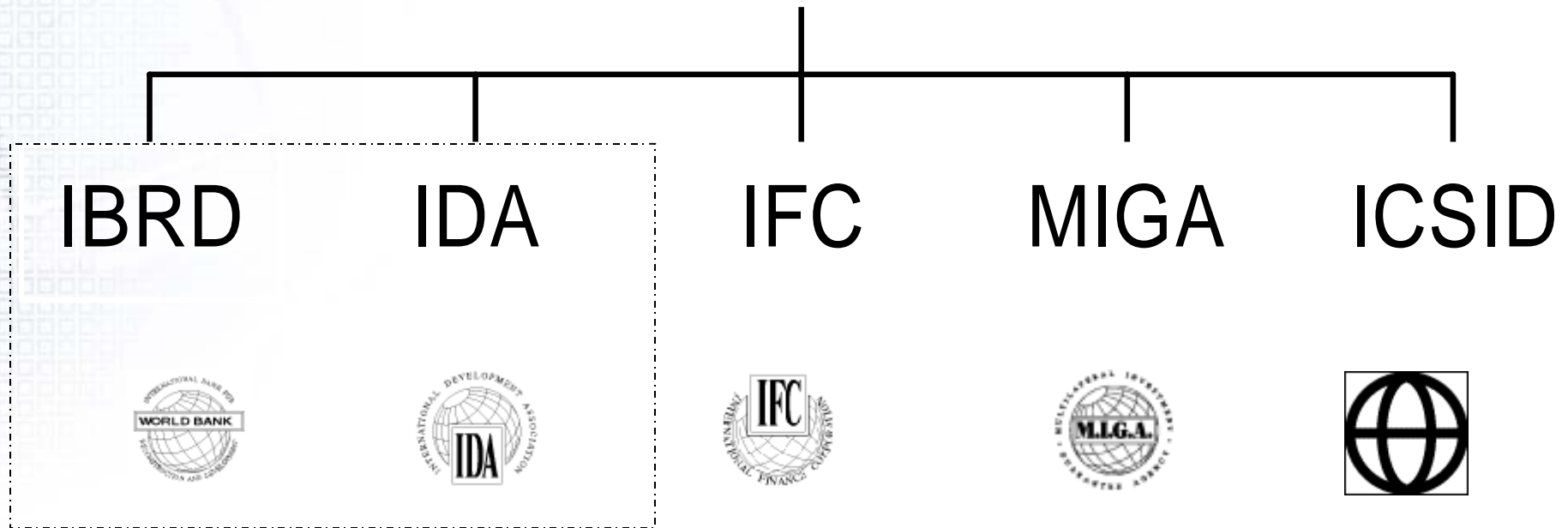
The World Bank

- ❖ **International Bank for Reconstruction and Development established in July 1944, Bretton Woods, New Hampshire.**
- ❖ **Its mission? To rebuild Europe after World War II.**
- ❖ **France was the first borrower for \$250 million to finance post-war reconstruction in 1946.**
- ❖ **Japan became a member of the World Bank in 1952.**
- ❖ **Many developed nations who are now donors, were also borrowers, such as Austria, Australia, Denmark, France, Japan, Italy, South Korea, and Greece.**



Today's World Bank Group - 1

The World Bank Group



World Bank



Today's World Bank Group - 2

Five closely associated institutions to fight poverty and improve living standards for people in the developing world.

World Bank - International Bank for Reconstruction and Development

1945 – 184 members – Fiscal 2003 lending : US\$ 11.2 bill

IDA - International Development Association

1960 – 164 members – Fiscal 2003 commitments: US\$ 7.3 bill

IFC - International Finance Corporation

1956 – 175 members – Fiscal 2003 commitments : US\$ 3.9 bill

MIGA - Multilateral Investment Guarantee Agency

1988 – 162 members – Fiscal 2003 guarantees issued : US\$ 1.4 bill

ICSID - International Center for Settlement of Investment Disputes

1966 – 139 members – Fiscal 2003 : 23 cases registered



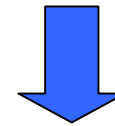
Japan's accession to the World Bank

- ❖ Became a member country to borrow money for its reconstruction from WWII (Aug. 1952).

Commitment in 1952: \$250mill.

Share: 2.77%

(No.9 share holder)



Commitment in 2003: \$15,321mill.

Share: 7.87%

**(No.2 share holder -
since 1984)**





Japan's Borrowing from the World Bank –1

❖ **Early 1950s: Focused on stable and sustainable thermal power supply.**

- Kansai Electric Power Company
- Kyushu Electric Power Company
- Chubu Electric Power Company

❖ **Mid-1950s: Focused on basic industries (e.g. steel, automobile and shipbuilding).**

- Kawasaki Steel Industry
- Yawata Steel Industry
- Mitsubishi Heavy Industries Nagasaki Shipyard
- Toyota Motor Corporation

❖ **Late 1950s: Shifted from thermal to hydroelectric power supply. (Agricultural projects were also supported by the World Bank.)**

- Kurobe Dam Project
- Aichi Irrigation Project



Japan's Borrowing from the World Bank –2

- ❖ **1960s: Focused on infrastructure development.**
 - ❖ Tomei Expressway
 - ❖ Meishin Expressway
 - ❖ Tokaido Shinkansen
- ❖ **July 1966: Last loan approved for Expressway III project.** (The highway construction from Tokyo to Shizuoka.)
- ❖ **Nov. 1966: Became 11th “graduated country”.**
 - ❖ France (1946), Luxemburg (1948), Netherlands (1957), Belgium (1958), Australia (1962) , Denmark, Malta, Norway (1964), Italy (1965).....

Borrowed total of \$862.9 mill for 31 projects in 13 years.



From borrower to financial provider -1

- ❖ **World Bank made first borrowing from Japan through the Bank of Japan. (Feb. 1970)**
- ❖ **Japan sent an appointed Executive Director to the World Bank and IMF. (July 1970)**
- ❖ **Establishment of the Tokyo Office. (Nov. 1970)**
 - ❖ Growing expectation on potentialities in Japanese capital market as a new source of funds for World Bank's development project.

The Tokyo Office began operation to mainly engage in fund raising in Japanese capital market.



From borrower to financial provider -2

- ❖ **Japanese financial system and capital market were heavily regulated. Deregulation and globalization were major challenge for Japan.**
- ❖ **Japan gradually promoted its deregulation and globalization process from the 1970s to the 1990s.**
- ❖ **The World Bank made great contribution to deregulation of Japanese capital market as one of the most creditworthy multilateral development banks.**



World Bank's borrowing and Japanese capital market development -1

- ❖ **1971: First World Bank Samurai bond issued.**

- ❖ World Bank Samurai bond listed on the Tokyo and Osaka Stock Exchange Facilitated the growth of Japanese trading market.

- ❖ Innovation of Samurai bond (Flexible, long-term, large offering, etc.) facilitated globalization of Japanese bond market.

- ❖ **1973: Japan adopted a floating exchange rate.**

- ❖ **1977: Japan lifted ban on Yen-denominated bond issue in foreign market.** First World Bank Euro-yen bond issued.

- ❖ **1978: First syndicate loan approved by Japanese trust bank.** Low risk, long-term funds.

- ❖ **1983: Japan identified internationalization of the yen and liberalization of financial markets as major policy objectives.**



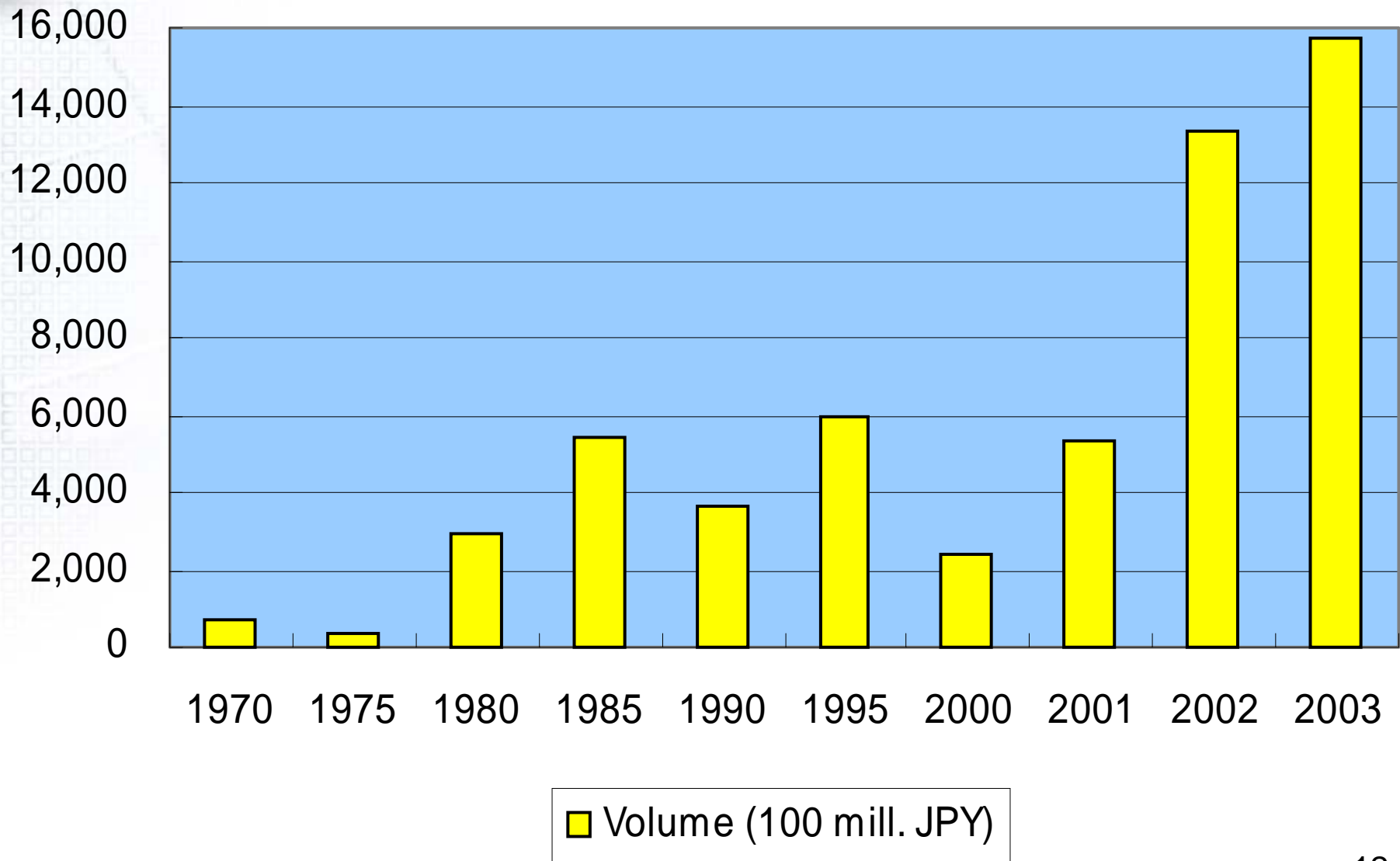
World Bank's borrowing and Japanese capital market development -2

- ❖ **1984: The Japan-US Yen-Dollar Committee**
- ❖ **1985: First World Bank Shogun bond issued**
 - ❖ First foreign currency-denominated bond issued in Japan market.
- ❖ **1987: World's first Daimyo bond issued**
 - ❖ World Bank looks to innovation of Samurai bond for higher liquidity, lower issuing cost.
- ❖ **1990: First Dual currency bond issued.**
- ❖ **1991: World's first US dollar global bond placed in Japan, Euro, and US market.**
 - ❖ Yen global bond placed in Japan, Euro, and US market in March 1992.
- ❖ **1995: Recycling restrictions on Euro-yen bonds issued by non-residents abolished.**

Today, the World Bank in average borrows about 1/3 of its total volume from Japanese capital market.



Shift in World Bank borrowing from Japan





Japan and “*East Asian Miracle*” -1

- ❖ From the 1960s to the 1990s, East Asia achieved remarkable economic growth, once described as the “East Asian miracle.”
- ❖ “*East Asian Miracle: Economic growth and Public Policy*” funded by the Japanese government, 1993.
 - ❖ Reviewed and examined the public policies of 8 high-performing Asian economies in the “miracle years”.
 - ❖ Number of Japanese researchers contributed their work on Japan’s public policy to the study.
 - ❖ The study showed that East Asia’s focus on “policy fundamentals” provided a solid foundation for equitable economic growth.
 - ❖ Impacted the World Bank’s development strategy on the role of government in development.



Japan and “*East Asian Miracle*” -2

❖ **The East Asian crisis of late 1990s triggered a period of reassessment of East Asian development.**

❖ *“Rethinking East Asian Miracle”*

❖ *“World Development Report 1999/2000 – Entering the 21 Century”*

❖ *“Facets of Globalization”*

❖ **A follow-up to “East Asian Miracle” began by the Japanese government proposal in 1999.**

❖ Larger scale study (7-publications) to examine the future directions of economic change in in East Asia.

❖ Expected to be highly effective for both Japan and the Bank to bring about a positive outcome, by inviting improved policies and effective harnessing of assistance in East Asian countries and other developing nations.



Japan and “*East Asian Miracle*” -3

- ❖ The World Bank’s future lending influenced by rapid growth in urban development, knowledge economy, and infrastructure based on the ongoing researches drawing heavily from the experience of Japan and East Asia.
- ❖ e.g. -**Cluster formation in cities in Pakistan based on more traditional industries.**
- **Nepalese government interested in how East Asia achieved high growth and how Nepal can achieve a similar growth.**



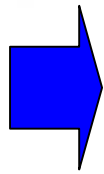
The World Bank's reform under new Presidency

- ❖ In 1995, Mr. James D. Wolfensohn became the 9th President of the World Bank Group.
- ❖ Mr. Wolfensohn focused in three areas to promote institutional reform.
 1. Poverty Focused Operation
 2. Decentralization
 3. Use of Information Technology in knowledge management



What is poverty?

- ❖ **1.2 billion people lack access to safe water**
- ❖ **3 billion lack access to basic sanitation**
- ❖ **2 billion lack access to power**
- ❖ **500 million are mired in civil war and social unrest**
- ❖ **115 million children are not in school.**



1.2 billion live under \$1.0 a day
2.8 billion live under \$ 2.0 a day



Millennium Development Goals (MDGs)

❖ **The World Bank first endorsed the Millennium Development Goals following the UN Millennium Summit in Sep. 2000.**

1. Eradicate extreme poverty and hunger
2. Achieve universal primary education
3. Promote gender equality and empower women.
4. Reduce child mortality
5. Improve maternal health
6. Combat HIV/AIDS, malaria, and other diseases
7. Ensure environmental sustainability
8. Develop a global partnership for development

❖ **Today, the goal reaching the MDGs are firmly embedded within the World Bank's corporate strategy in poverty reduction.**



Poverty Focused Operation

- ❖ **Strong focus on the role of poverty reduction in development.**
- ❖ **Balanced development is not only about economic growth. Importance of social dimension in particular for education and health emphasized.**
- ❖ **“Good governance”, “Participatory approach”, “Empowering poor people”, and “Environmental sustainability” became key words in the World Bank operations.**



Poverty and Growth

❖ **Increasing discussion on poverty reduction brought about controversy in Japan on the relationships between poverty reduction and growth.**

❖ **Some argued that poverty reduction would conflict with growth.**

However, poverty reduction cannot take place without economic growth.

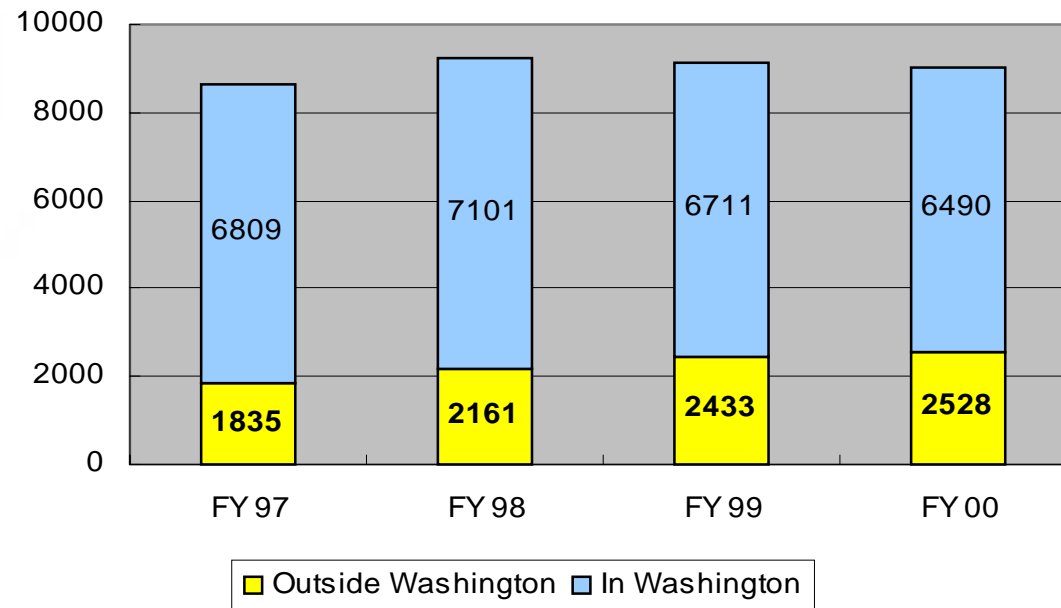
❖ **The World Bank shares the view on the need of economic growth in poverty reduction.**

The World Bank values the climate for investment, jobs, and sustainable growth.



Decentralization

- ❖ **Decentralization of staff and functions.**
 - ❖ FY 97 – Only 3 country directors located outside headquarters. Now, 30+ country directors.
 - ❖ Country offices' functions expanded in project supervision, procurement, financial management, and disbursement, etc.



- ❖ **Delegation of authority to the field offices.**

- ❖ 70% of new lending in FY00 accounted for by field based country directors.



Use of Information Technology in knowledge management

- ❖ **Three pillars of World Bank's ICT initiatives:**
 1. **Making effective use of knowledge to support the quality of our operations**
 2. **Sharing knowledge with our clients and partners**
 3. **Helping clients enhance their capacity to generate, access and use knowledge from all sources**

The World Bank works with a variety of partners to help countries develop appropriate legal and regulatory environments using the latest information technologies.

- ❖ **Selected World Bank programs:**

Global Development Learning Network (GDLN),
Development Gateway, InfoDev, Africa Virtual University,
World Links for Development,
Global Knowledge Partnership, Global Development
Network(GDN), Development Forum, etc.



Japan in the World Bank's Development Efforts -1

❖ **Japan today is one of the most active participants in the World Bank's development efforts in poverty reduction providing both financial and intellectual contributions.**

❖ **Financial contributions**

- IBRD commitment
- IDA contribution
- Trust Funds (PHRD, JSDF, JCTF, JJ/WBGSP, etc.)
- Co-financing
- Other funding mechanisms (CGIAR, GEF, PCF, etc)

❖ **Technical services**

- Provision of technical assistance to the Bank-supported projects and programs.
- Supplies of equipment, facilities, and technology in Bank-supported projects
- Consultancy services in the Bank-supported projects.



Japan in the World Bank's Development Efforts -2

❖ **Policy and strategy**

- Annual regional consultation amongst Japanese government, aid agencies, and the World Bank
 - e.g.> East Asian Regional consultation, Nov. '03 in Tokyo.
 - > 3-country Workshop (Cambodia, Lao, Mongolia), Jan. '04 in Tokyo.

❖ **Knowledge sharing**

- Japanese intellectual contribution on various World Bank studies and research works.
 - e.g. > East Asian Prospects Study conducted in collaboration with Japanese government.
 - > Study on " *Infrastructure in Asia: The way forward.*" sponsored by Japan Bank for International Cooperation (JBIC), Asian Development Bank (ADB), and the World Bank.



What does the Tokyo Office do now? –1

- ❖ **More emphasis on the importance of external affairs activities after Mr. Wolfensohn's arrival in 1995.**

The Tokyo Office now operates under the World Bank's External Affairs Department

- ❖ **Funding activities continue to be an important mission of the Tokyo Office.**
- ❖ **To enhance partnership in and with Japan for poverty reduction,**

The Tokyo Office aims to achieve three goals:

- ❖ Increase support to the World Bank in Japan
- ❖ Let "Voices of Japan" be heard in the World Bank management decisions
- ❖ Enhance knowledge sharing between developed and developing countries (via GDLN)



What does the Tokyo Office do now? –2

The Tokyo Office's main lines of business

1. Constituency building

- ❖ Parliamentarians**
- ❖ Academics/Universities**
- ❖ Students/Youth**
- ❖ NGO/Civil Society Organizations**
- ❖ Private Sector**

2. Support to World Bank's operations

3. Visits/events management