

THE WORLD BANK GROUP

ORAL HISTORY PROGRAM

Transcript of interview with

YOSHIAKI ABE

**March 16 and 17, 2005
Washington, D.C.**

Interview by: Marie T. Zenni

Session 1
March 16, 2005
Washington, D.C.

ZENNI: Good morning. I'm Marie Zenni, Senior Interviewer with the Bank's Oral History Program.

ABE: Good morning. I am Yoshiaki Abe.

ZENNI: Today is Wednesday, March 16th, 2005, and I am here at World Bank Headquarters to interview Mr. Yoshiaki Abe, who retired from the Bank as Director of the Latin America and Caribbean Region in April of '96. Welcome, Mr. Abe.

ABE: Thank you very much.

ZENNI: I would like to begin by discussing your background in general, including your educational background and your interest in economic development.

ABE: I went to undergraduate school in Japan where I studied economics, and came to Cornell University as a graduate student. My interest mainly centered upon international economics and economic development. My five years at Cornell were excellent and memorable. I met great professors and good friends. Obviously, in the beginning, due to my poor English, they thought I was not a good student, but somehow I began to develop very good relationships as my English improved. They taught me a lot about economics and Western culture.

I had a beautiful time at Cornell. One typical example was Professor Hans Bethe in Physics, who used to invite graduate students from different academic backgrounds over for dinner. He would ask me, "Why do you use mathematics in economics? What is the value of using mathematics in social science? What is the social value? Explain to us."

Another example was Professor Mario Einaudi, then Government Department Chairman, who gave me a lot of useful advice. For example he used to say, "Don't forget to read the *New Yorker* magazine, the weekend edition of the *New York Times*, and *The Economist* magazine. In order to improve your English and in order to understand the United States, you have to do all those things."

Somehow I was lucky to have all of these professors around; apart from having fine academic advisors in Economics, they mentored me and developed my intellectualism. The knowledge that I accumulated there was rich and had universal applicability.

All my three Ph.D. committee members also were extremely nice, and they trained me very well as an economist, hoping eventually I would become a professor in international economics. Besides, I was a part of the research team to build a monthly econometric model of the U.S.; this monthly model, being the first trial in the field of econometrics, was funded by the National

Science Foundation. All these academic experiences led my academic advisors to think that I was heading to the West Coast to teach economics.

ZENNI: Well, you sort of partly covered the next question, unless you have something to add. I wanted to ask you to discuss what influenced your decision to join the World Bank in September of '67 and how did it actually come about?

ABE: One summer, probably in 1965, my Cornell roommate, who had a summer internship at the Federal Reserve Bank, invited me to visit Washington, DC. When we were spending one week here together, he suggested I look around the Fed [Federal Reserve Board], Treasury, IMF [International Monetary Fund], the World Bank, et cetera. This was the beginning of my relationships with the Bank. Reading the papers on the World Bank and IMF, I thought that, given my real experiences with the economic reconstruction and, further, the rapid economic growth in Japan, I might be a good economist for developing countries. I then started considering this option. Another important factor was the [John F.] Kennedy euphoria. One of the reasons I wanted to come to the U.S. was to see with my eyes the changes in the world with the emerging Kennedy Administration, centered on liberalism and a possible lessening of the Cold War confrontation. Even after his tragic death, my warm feeling for his Administration's policy on newly independent countries still continued.

ZENNI: You applied to the Young Professionals Program?

ABE: Yes, I applied, though the three advisors at Cornell were not that happy with the fact that I did not head for West Coast but for Washington, DC. Moreover, my experience at the interviews I had with the Bank was quite memorable. I still remember Mr. Hans Fuchs and Mr. Stanley Please, as my interviewers at the Bank then, after knowing my background at Cornell, were eager to let me join the Bank. I was treated well here, as Asian candidates were rare in 1960s. Since the draft of my thesis was almost done and my research on the monthly econometric model was almost complete, I was ready to get a job. When the offer finally came, I accepted it.

ZENNI: Please describe your early experience in first joining the World Bank as its second Japanese young professional and the early training you received as part of that program.

ABE: I remember that the combination of experienced economists, engineers, other specialists and the YPs was amazing, as they had real life experiences and YPs had new theories and new social values. Some of the experienced economists and engineers had been civil servants in Africa, South Asia, in some of the occupied countries (in Germany, in Japan) with rich field experiences. And we YPs brought in a modern borderless economics and a borderless culture. I enjoyed that chemistry as a YP. Working together with them as a team was a fantastic experience.

Mr. Warren Baum gave me an opportunity to have this experience. When I was a YP, he asked me, intentionally or unintentionally, "Would you like to get trained in microeconomics?"

I said, "What do you mean by that? I don't understand."

He said, “You are essentially a macro-economist, so why don't you come to Projects rather than an Area department in which you look at a country's economy? In Projects, you look at the project and learn how the economic mechanism works.”

So, they asked me, “Which sector would you like to go to?”

I said, “I don't care. If you can let me do a little project work for a few years, then that's fine.” So they put me in Transport.

ZENNI: How did this early YP experience influence your later career in the Bank? Was it a good foundation to launch you?

ABE: Yes. YP experience gave me a good foundation. I can use my economics, but economics is not a panacea, of course. They taught me that. They like careful management of small things.

Let me give you a typical question they would ask. They once asked me, “When you clean your teeth, do you stop the water? Do you close your water faucet, or do you keep the water running?” I thought the question was a very good one, and in fact I remember I became more conscious of what I did even in my daily life after then. So he [Baum] said, “Being an economist you don't know the difference between stock, that means the total availability of water, and the other one is running water, whether it is used effectively or not. And if that running water is ineffectively used, the water stock eventually will be lost.” I then understood that.

Now, I used that principle throughout my career, whatever the case may be: project analysis, divisional management, and departmental management, or even now as a university professor. The essence of my teaching economics is the relationships between the assets that you have and managing your day-to-day operations so as to balance both and ensure growth. It was a beautiful set of ideas. This, the experienced taught me. I just could not have had better training than that. I still remember their faces. But anyway, this is what it was.

ZENNI: Going back to the YP program, albeit the program underwent some changes in the late '90s, what, in your opinion, continues to be the value add of such a program for the Bank?

ABE: As long as the relationship between the experienced and their ideas, as well as the energy of younger professionals is synergetic and the balance meaningful, then it is a good combination. But once the experienced retire taking away their expertise then I think it becomes a very dangerous situation because the YPs do not know too much outside the textbooks.

ZENNI: Well, should there be more emphases on having life experiences as a criteria before joining the Bank as a YP?

ABE: Yes. My approach to that was--and I already mentioned this to Mr. [Lewis T.] Preston and also to Mr. [James D.] Wolfensohn--that there must be simple mathematics: one-third of managers should be from the outside, one-third can be from graduates of the YP program, and one-third must be non-YPs from within the Bank. And if you have that formula, you can mitigate

some of the dangers. It is not only about the training of YPs, but also using the YP's and non-YP's synergistically.

ZENNI: Following your YP training assignments, please discuss your first assignment as transportation economist in the Transportation Projects Department beginning in June of '69 and how aligned were your responsibilities with your expectations.

ABE: I thought Warren Baum's suggestion was correct. I continued to learn the mechanism of running the economic policy of the government in detail through transport projects. And I found from the macroeconomics point of view that in the transport sector, public investment together with the private investment involves a large pool of resources. I learned a lot of microeconomics through these transportation projects, but I was also using my macroeconomics. So I used the combination to my benefit.

ZENNI: How would you describe the status of the Bank's transport lending portfolio during that time and the Bank's approach in helping governments develop sustainable and well-functioning transport systems?

ABE: My basic operational issue with the transport sector was the relationship between investment and operational efficiency or maintenance of existing assets. In the case of transport, we had specialists (e.g., road, rail, port engineers), but we did not have many operational specialists having the general management background, as this was necessary with a view to realizing improved operational efficiency thereby reducing investment requirements. So I started pushing the Department to have a type of general manager for port engineer's position, for example, from the Singapore Port Authority. I tried to formalize my approach as a Department policy. It took several years to let it happen, as it was a tradition that within the Bank operations, especially within the port sub-sector, civil engineers had been managing the show. Eventually the Department, after being convinced by my idea, let me interview the Director of Operations of the Singapore Authority. He fortunately joined the Bank a few years later. Of course, the real teachers to me were the staff of our client governments. They gave me information on the real issues and possible solutions. The Bank, because of its unique position, was able to collect plenty of essential data that became the basis for preparing new policy decisions on behalf of the client government. The question was whether the Bank staff had the ability to use all this information in meaningful and correct way.

ZENNI: In October '72, you moved to the Transportation Division in the Asia Projects Department. Please discuss your move to a regional focus and whether it was related to the '72 reorganization under [Robert S.] McNamara.

ABE: Yes. The purpose of the reorganization was to put responsibility for lending in the hands of regional vice presidents who control resources required to realize agreed targets in the work program. I thought it was a good idea. Since I was already in Asia at that time, I did not mind joining Asia.

ZENNI: What were the challenges you faced and what objectives did you set out to accomplish when you went to Asia?

ABE: Immediately I worked on Korea. It is very interesting, because Mr. Burke Knapp had asked me to go to Korea when I was a YP. Then he told me, "If you are successful, more Japanese would be going to Korea. You are the first." He had a very thin file on me, and I was only a YP then. The Korean Government tested the case for possible visits of Japanese staff to Korea using me. The result was, luckily, very positive. So as soon as I came to the Asia Region they sent me to Korea, and I learned about the transport sector work and basic lending techniques of the Bank. I prepared the Transport Sector Paper and experienced difficulties in estimating the traffic forecast when the economy was growing fast.

ZENNI: When did you go to Bangladesh?

ABE: I started going there in '74 after my work in Korea.

ZENNI: In January '74, you were promoted to Senior Transportation Economist, Ports and Railroads Division.

ABE: Yes. Before then I had two interesting stints, one in Burma to reopen the lending operation and the other in South Vietnam to check if a transport project was feasible. In Burma in early 1973 we prepared two transport projects, but their preparation was not adequate. The government's economic forecasts were too optimistic, and our discussions with them on making it more realistic faced extreme difficulty. In the end, they listened to us and implemented the projects. We had a strange feeling towards the country, though Burma was full of natural resources and kept them unexploited.

In South Vietnam in late 1973 we did check if the country was ready to launch a transport project with an uncertain security condition. In the end of the mission, I concluded that the security condition was not stable enough to start a project preparation, let alone implementation. I could luckily unite mission member opinions with a "no project," as some members were originally willing to go for a project. Political pressures we received at that time from various embassies were enormous. When we came back to Washington, our nicknames were "Mr. Lefty" for a few months. It was funny.

ZENNI: How was the Bank's overall approach to transport lending evolving in terms of areas of particular focus and emphasis in its intervention? How was sector analysis evolving?

ABE: Yes. We, of course, felt it was very dangerous to have a project analysis done away from sector work and the macroeconomic situation. But if you look at the macroeconomic situation and then jump to project, the jump is too big, so sector analysis is a good way to bridge between macro economy situation and the project selection. So, we started writing sector reports. I was one of the first group of authors preparing the series of transport sector reports. I wrote it for Korea and for Sri Lanka. I remember that it was an effective tool to sharpen our analysis prior to the authorization of our project selection, or government selection, and it was the basis for our talks with the government.

We also built a good reputation within the Bank on the use of sector work. However, two important problems continued to persist. The concerns were for improved operational efficiency and maintenance of transport assets and ensuring that our sector work was consistent with macro economic conditions. On the first point, I could remember that we were unsuccessful in achieving more efficient running of diesel locomotives in many countries and in improving the standard of road maintenance. On the second point, ineffective operational maintenance becomes more critical as the country's macro-economic situation deteriorates. It was very difficult to analyze total negative effects on the transport sector as many required investments would have to then be postponed. With the recurrent budgets being curtailed it further deteriorates the quality of operations making it difficult for us to develop policy options.

ZENNI: From July '74 through early '81, you worked in the South Asia Projects Department, Transportation Division, serving first as Senior Transportation Economist, then as Deputy Division Chief. What were the circumstances leading to this change? Was it organizational? And what did this entail in terms of areas of particular focus and regional challenges?

ABE: There was a split of the Asia Region into two regions: South Asia and East Asia & Pacific. And at that time, I moved to South Asia.

ZENNI: Why did you choose South Asia?

ABE: It was because of Bangladesh, India and Pakistan. These countries were much more challenging and complicated than the ones in East Asia for me being an East Asian. It was also because I did not know those cultures, so I chose Bangladesh as my main field. And somehow, the Deputy Division Chief position came. I started managing the division formally, but it did not entail anything extra as I was already managing a part of the divisional work.

ZENNI: Is there anything more you wish to add regarding your South Asia experience before we move on to Eastern Africa?

ABE: Yes. Mid-'70s ('75 or '76), First Boston called, and they wanted to open a Tokyo office. So they invited me to New York City for an interview with the managing director and CEO.

ZENNI: They were offering you a job?

ABE: Yes, to go to Tokyo. The offer was very nice financially. But since I just started learning about Bangladesh a little better and it is a very interesting country to work with, I turned down the job. Perhaps I missed one of best opportunities to move to the private sector and to return to my home country, but I still feel that the decision I took then was correct.

ZENNI: Is there anything else you wish to mention about your stint in South Asia?

ABE: I had an unforgettable experience meeting with Dr. Watkins (Ralph J. Watkins) in the Ashoka Hotel, Delhi. Dr. Watkins wrote a very important report on the Japanese highways in the 1950s on behalf of the Bank and Japan. This became the basis of the World Bank's lending to the highway sector in Japan. What was most amusing of that meeting was the way I approached

him, because we were the only two people in the oversized dining room at the hotel. I sent him a note asking him to join me for breakfast, without knowing who he was. He guessed that I was Japanese, and he told me he authored the so-called Watkins Report, which I was already aware of. It was very coincidental that at the same time we were having breakfast he was informed that he had received the Order of Merit from the Japanese Government, marking his contribution to Japan. That surely was a very memorable event.

ZENNI: What were the specific experiences you faced in Bangladesh?

ABE: Now, in Bangladesh I thought I learned a lot. The reason was I continued to work on that country for seven years. I refused to move.

For example, Mr. David Hopper called me up and said, “China is opening up. Would you join us?”

I said, “No, I'm still learning about Bangladesh.” I was developing my own chemistry, using my own mix of macroeconomics and microeconomics. It was a very meaningful experience.

The opportunities at the World Bank deepened my understanding on the essence of foreign aid and related economics. The result was a couple of even half jokes, but I was very proud of these stunts. When the Minister changed in the Ministry of Construction and Transport, I was the person who explained to the new minister what the issues were in his ministry. Of course, other civil servants explained to him, too, but besides that they asked me to do the same.

Second, I started doing something new in the World Bank, and on this one, Mr. McNamara was not too pleased. I had to go to the Board to defend the proposed project because nobody wanted to present it because they were afraid. It was a new thing. When I went to the Board, Mr. McNamara whispered to me, “I will let you do this only once.” Now, this was a secondhand equipment project, and I wanted to develop a system to import crude oil to Bangladesh. They were importing about 1.2 million tons a year of crude oil from the Middle East. In Chittagong there is a refinery, Eastern Refinery, and I wanted to let them have crude oil imported, bringing oil to Bangladesh with their own fleet capacity. And to do that I thought a group of secondhand ships with a limited life was good enough as a new technology was being developed for transferring crude oil. I called up the Norwegian Embassy in Bangladesh, and I said, “Would you mind giving them nice crude oil tankers as they have a dream of importing crude oil in their own fleet? So I thought you should help them. The Bank is going to help once you bring in your Norwegian mother tanker; the Bank would finance lighterage tankers to bring crude oil into the Eastern oil refinery.” For those two lighterage tankers, I was successful in convincing my management for Bangladesh to procure secondhand ships through the international competitive bidding. This was the only time the Bank went through with the procurement of the secondhand equipment. Again, that kind of event was only possible because of my rather long experience in the same country.

Although I worked on India, Nepal, Pakistan and Sri Lanka on and off, Bangladesh was my main focus. Again, it was a wonderful experience, and I hope the Government of Bangladesh appreciated my efforts.

By the way, I am happy to note that the Bank recently changed the rule on international competitive bidding allowing the procurement of secondhand equipment.

ZENNI: In March of '81, you were promoted to Chief of the Ports, Railway, Aviation, and Pipelines Division in Eastern Africa Projects Department. How did this come about? And what did it entail in terms of overview responsibilities as a newly appointed manager? And why did you choose to go to Africa?

ABE: Mr. Hans Adler called me and asked, “Would you mind joining our management?”

I said, “Yes, but I don't know anything about Africa.”

They said, “That's okay. Please come.” That was all.

I became the Division Chief there. I was deputy in South Asia at the time. By the way, if my memory serves me correctly, I was the first Japanese Division Chief in the then so-called Projects Department. Since I knew nothing on Africa, I had to read the history books. I collected several University of California and British history books on Africa, and I read them very carefully. I pretty well got to know the history by the time I actually started managing the work. My curiosity led me to imagine that there must be an African way of being economically successful, and I thought my job was to find that. And that was how I designed my management approach and the way I dealt with my staff, country leaders, et cetera, in the same way that I decided to come to the World Bank because I thought I learned out of my Japanese experience the secrets for economic development.

In Africa, I started to think of their affairs and that there must be a way and I had to find it. Unfortunately, at the same time, there was a famous report written on the African economy. It was written by, I think, Elliot Berg. He was a Michigan University professor and the report talked about the introduction of market mechanisms in Africa. Mr. [Willi W. A.] Wapenhans told me, “On the first day you have to read this report which is on your desk.” I read it, but I did not like the report.

ZENNI: Wapenhans was your VP [vice president] at the time?

ABE: VP, yes. And I reported my comments to him and to Mr. Hans Adler by saying that it might be premature to introduce market mechanism in the African economy in a way we were pushing in the middle-income countries.

ZENNI: Adler was your director?

ABE: Yes. I said to Mr. Hans Adler, “I disagree. Don't push the market mechanisms too much. There must be an African way.” The reason is in the history books I picked a lot of successful cases within the African civilization. Unfortunately, they did not last for a long time. But part of Uganda was running the country in her own way, also part of Zimbabwe and part of Nigeria. They had their own legal system, market mechanisms, et cetera, et cetera. I thought it was

essential to understand the factors that led to their successful experience, just as the World Bank let the Japanese and Korean people do that.

ZENNI: Take ownership.

ABE: Yes. But I stayed only four years or so. It was too short.

ZENNI: What were the challenges in infrastructure in Eastern Africa at the time when you took on that position?

ABE: The loss of economic resources was enormous. Investment was poor, inefficient management, coupled with poor maintenance. Two, economic demand was small. In other words, the population density is lower than that of Asia, both East and South Asia. For example, in Asia the demand for freight as well as passengers was very high, and trucks and buses had to catch up with the demand. In Africa, you count the number of trucks, 150-250, not more than 1,000 or beyond. So what do I do? That was the second issue.

One of first issues, maintenance improvement, was a very difficult problem. During my visit to a field, I went out with the Director General of the road department for road checking. I walked with him at 5 o'clock in the morning carrying a pick, and then he said, "I should have done this all the time; you let me do this together with you. That was fascinating. I should have done that." So he started doing that, but whether he continued to do that or not, I don't know. It was my engineers in South Asia who taught me these kinds of things.

ZENNI: Would you say that your previous experience in Asia helped you tackle issues in Africa?

ABE: My Asian experience did not help me much. Most probably, I am saying African issues are different from Asia's.

One day I was flying from somewhere in order to attend an international conference in Lesotho or Swaziland; I forgot in which country the conference was being held, but I was flying from somewhere, and then I found a beautifully maintained road, a South African road. So what did I do? I tried to communicate with the director general of road maintenance of the South African Government, with whom I should not talk because she is not a member of the Bank. Through an international medium, I could talk to him indirectly. Eventually, he took annual leave. He appeared personally in front of me in Washington saying, "I will help you because you don't understand the situation." And he explained how he achieved a high standard of road maintenance in his own country. He said, "You can do it, and you are the first person who asked me to explain. And I came here." Now, his daughter was in New York; that is why he came. And then he told me, "All African engineers are qualified. If they become chief of maintenance, they are qualified, trained by British or Americans, either one. They have a Master's in civil engineering, but they don't use their knowledge effectively; somehow they don't get out at five o'clock in the morning." And he said, "We use pictures if not cartoons for training. By visual means you have to explain the required job and to develop training programs." He showed them

to me, and he also left a set on my desk. But by then I was moving out to Europe, so whether people used that or not, I do not know. But I was learning immensely from that experience.

ZENNI: So would you say you reluctantly moved out from Eastern Africa?

ABE: Yes, but whether five years' experience was good enough or not, I was not sure. Before I moved to Europe, though it does not have direct connection with my operational stories, I have to tell you one incident worthwhile recording here. But I will come back to Europe later.

In 1981, when the new Chinese ED [executive director] arrived at the Bank, I received a call from the ED's office to meet with a team to discuss the role of the Bank when Japan had been a borrower. I do not remember how they got my name and why they chose me to do this job. As I remember, over dinner at a Chinese restaurant I described the history of the relationship between the Bank and Japan to the ED and Alternate ED (who spoke beautiful American English, by the way). Their main questions were related to the usefulness of the Bank in the process of Japan's reconstruction efforts and subsequent development. I was almost certain that they knew how they were going to develop China's association with the Bretton Woods organizations, and I did my best to explain Japan's history with the Bank. My main responses were centered on the usefulness of economic reports to understand the economic state of the country, as they were politically neutral and they contributed to the development of concrete policy options. I also emphasized the Bank's effective advice on Japan's access to the international financial market. I explained the steps that the Japanese Government took, with the help of the Bank, for the eventual bond issuance for Japan Development Bank in the New York market. I mentioned that the Bank together with Japan designed various projects for financing initially part of foreign exchange requirements for equipment imports and later part of public expenditures, mainly in the area of infrastructure. I explained the role of competitive bidding in procurement operations, and if domestic bidders win, they earned foreign exchange that added to the country's foreign exchange reserves. The discussion continued more than four hours, and they were quite happy to hear my story.

Coming back to Europe, it was interesting, too. The countries I worked on were Portugal and Turkey, the three Maghreb countries and Yemen. I moved there and was happy to be in Europe and North Africa.

ZENNI: Going back to the early '80s, what impact did higher energy costs and a sluggish international economy in the aftermath of the two oil shocks in '72 and '79 have on your work in addressing transport infrastructure issues as the Bank sought to help developing countries better adjust to these economic conditions?

ABE: As I mentioned earlier, the reason why the book on pushing market mechanisms even in Africa was on my desk was a reflection of the Latin American financial crisis. They used the public sector to borrow too much money, foreign exchange guaranteed by the public sector. And that was Latin America's mistake--Brazil, Mexico--during the '80s. And in '78, '79, early '80s, we collected all the information, and we knew something was wrong, and structural adjustment lending was emerging. So resources started moving towards structural adjustment; the

management's attention was going there. Even in Africa, they were pushing to experiment with structural adjustment. I was not convinced it was the best way to assist the African economies.

ZENNI: What did this entail for the Bank in terms of analytical work? And how well developed and systematic was the Bank's sector analysis at the time, and how has this evolved?

ABE: Not many of us were pushing this kind of analytical work, but country focus started emerging. Lending more was against my philosophy, but the way we collected data was not that bad. Although I complained about the way we pushed structural adjustment lending, I later compromised my own judgment by concluding that data collected for structural adjustment operations was at least important. We continued to push sector strategy, and we continued to do project analysis. Yet the transport sector was no longer the focal point anymore.

If you looked at transport sector strategy, project design as well as analysis and project completion, and using our experience with transport projects, it was possible to train people (YPs, for example). By picking up any one transport project file, one could learn the history of the World Bank's lending operations. By '78-'79, transport was still all right for training traditional lending operations, but we started talking about how to do structural adjustment lending and all these things, and a different set of literature was appearing holding these ideas. By then we were no longer in the center, operationally and intellectually.

Perhaps our efforts for improved efficiency and maintenance of available assets did not create enough fiscal space to be noticed as a macro policy objective or an instrument. Perhaps our sector work was insufficiently relevant for improved macroeconomic situation in the developing countries. These might have been the causes for declining influence of transport in the Bank.

ZENNI: Well, how best, in your opinion, was support for structural and sectoral adjustment reform to be handled?

ABE: There was no easy solution. My argument was that transport demand is after all not direct, as it is indirect. For example, if the passenger moves from A to B, there is a reason for that movement. Movement itself is passenger demand, but the reason for a man or woman to move is the origin of demand, and that needs to be analyzed economically. With the above analysis, if the transport sector policy changes could create economic and fiscal space and if the quality of investment can be improved, we would be able to design a set of policy changes in the transport sector in a developing country. If you can get political support of the country for such a program, we should be able to prepare an adjustment lending. I was almost certain that the most difficult issue would be assigning the timeframe for the government to undertake policy changes in the terms of regulatory arrangements, privatization, decentralization, et cetera.

ZENNI: From January '83 up until the '87 reorganization, the Bank's first institution-wide reorganization, you continued to serve as Division Chief, Transportation Division, first in Eastern Africa Projects Department, then in EMENA [Europe, Middle East and North Africa] Projects Department. What were your areas of particular focus, and what challenges did you face, including the highlights of your endeavors during this period?

ABE: Yes. I learned a lot about the history of Islamic countries; e.g., Yemen and Maghreb countries. A country like Turkey had an extremely interesting history. And I had to study a lot on Yugoslavia. In Yugoslavia we built highways and tried to help their railways. I had occasions to visit the famous Mostar Bridge that was destroyed and rebuilt. [Josip Broz] Tito's fantastic efforts of uniting Yugoslavia influenced our operations. In order to build one section of the highway in one state, agreement from all other states was necessary. In the beginning, I had to receive many hours of lecture from the Bank's lawyer to understand the constitutional difficulties in Yugoslavia. But I never thought that Tito's Yugoslavia would disintegrate the way it did.

ZENNI: In July 1987, you served as Division Chief, Infrastructure Operations, in the EMENA Country Department. Please discuss whether this change from projects to a country focus was related to that year's reorganization under [Barber B.] Conable.

ABE: Essentially, it was a country-focused exercise. I felt it was a very important step, and somehow I was involved in developing the strategy on how to get country focus implemented within the Bank structure. A Country Director has resources to manage the totality of the department work program. I agreed with the whole concept, but my only worry was how to assign transport staff meaningfully, not only in EMENA but also all over the Bank. The reorganization should have been done in the proper way without losing professional skills of the Bank and yet consistent with the country focus. It was a difficult job. But somehow I involved myself in making it all happen, at least within the EMENA Region where I still had a voice. I requested each director when they were appointed to find a mixture of professionals to create teams. Without using individuals' names, I was just giving them ideas, like by saying "Oh, you have to have a railway engineer in your team."

ZENNI: Within a country focus.

ABE: Yes, within a country focus. Luckily, a lot of people helped me. While I was doing this, Mr. Eberhard Kopp, Director of Turkey/Pakistan Country Department, called me up asking, "Will you join us?" I accepted his offer with one condition, and that was to let me handle local government finance. And he said that it was fine. Mr. Kopp gave me total freedom within my portfolio. And I also advised him that country focus should be done seriously. If we think that infrastructure lending should be cut, then it becomes crucial in the management meeting to discuss why and how it should be cut.

ZENNI: So, how did your previous project approach experience prepare you for the conduct of operational decision-making within the country framework?

ABE: As I have been saying that the proper mix of macro and micro is the important thing, it is not an either/or relationship but a proper mix. For example, in order to help a macroeconomic situation such as a government budget deficit, in the management meeting we would agree to the need for a 1 percent increase in GNP, the equivalent of extra tax revenues, right away. We could further discuss which sector should contribute to the increased tax revenue; e.g., such-and-such a percentage by raising gasoline tax. Now, I wanted to make that kind of exercise happen. So

country focus was very important to me as the proper mechanism under which to assist our client countries better than before.

ZENNI: Speaking specifically about the '87 reorganization, how would you assess its long-term impact on the Bank as an institution and on the morale of its staff? And, in your opinion, were there any lessons learned in the Bank?

ABE: As a strategy, I felt the reorganization with a country focus was very good. However, how to place people and how to cut unnecessary staff, I felt there could have been more considerate approaches taken. It is difficult to explain what is more considerate. I think the appointed directors should have been trained in personnel matters in order to implement “cascading” properly, the word that we used at that time. The personnel people should have trained them on how to deal with the cascading mechanisms, not as systems but as people management. That was lacking. That is where I came in. In the case of infrastructure, I was helping the implementation of the reorganization within EMENA. If each director had thought like that, the tasks would have been much more smoothly done. So there was a weakness on the personnel management side.

ZENNI: Are there any highlights of that period after the reorganization that you would like to talk about?

ABE: Yes, I have to mention three interesting operational experiences, two in Turkey and one in Pakistan.

The first, Turkey experience was on the choice of the best technology for raw sewage treatment in the two most important cities in the country, Ankara and Istanbul. In the case of Ankara, the city wanted to have a very modern but expensive mechanical plant to treat raw sewage, and our technical choice was to have a natural method of treatment by the sun. Our choice was an extension of a new technique having been tried successfully in various countries, including the U.S., but the size of a sewage pond we were proposing was rather big and had not been tested. There were a lot of environmental and technical discussions that had taken place between the city of Ankara and the Bank, and in the end we agreed to Ankara's choice. In the case of Istanbul, one group of engineers (Turkish), the Bank and environmental groups thought that the rate of treatment of raw sewage flowing into the Bosphorus Strait was too low, while the other group thought it was too high. As the quality of water of the Bosphorus Strait is an important issue, the discussion on the choice became disruptive and difficult. In this case, I supported the Bank's technical specialists' recommendation; i.e., keeping a lower rate of sewage treatment. If I have a chance, I would like to check if our final choice was right; i.e., the natural effectiveness of the Bosphorus Strait to clean the sewage.

The second experience in Turkey that I cannot forget goes like this. One day I was having dinner with the Vice Minister of Planning and he said, “Yoshi, I understand that you have a portfolio in the Department on local government finance.”

So I said, “Yes, who told you that?”

“Oh, your director told us. Would you mind helping us on that side?”

So I said, “How?”

“We don't know how, but would you mind looking at Istanbul's books?”

So I went back to my hotel room to think about what I'll do. So I had the brightest idea. If Mr. Mayor shows me the first book of his government, then the World Bank might find the way to restructure the city's fiscal position and possibly to guarantee the issuing of his Istanbul city bond. So I wanted to see what I could do. So I called up the Vice Minister of Planning and put forth my idea and then asked, “What do you think of this idea?”

“Fantastic!” He said, “I will discuss it with the Vice Minister of Finance.”

So I went to see the city staff in Istanbul and offered him this: “Will you show me your city's book? And perhaps on the basis of reviewing your book, we can prepare a city's fiscal improvement program to eventually guarantee your bond issue in the international market.”

“My government will love that. I'll think about it,” he said.

Two or three days later he calls me up and says, “Is it okay if we only show you our second book instead of our first?”

“No, no, no,” I said. “We have to see your first book.”

“There are many books,” he said.

So I said, “No, only the first book.”

“What are you going to do?” he asked.

“Oh, I will bring in twenty or thirty staff or any other specialists, and I will check your books. That is what I mean by showing them to me. And then if we know your balance, we'll know what kind of policy you have to develop for improvement. And if you need more money, then you'll issue the bond, the first international bond guaranteed by the World Bank.”

And he said, “I will think about that, but you say even the second book is no good.” He eventually had to say no.

That offer I made to Istanbul was only possible because of the Bank's country focus. It was consistent with the macroeconomic situation of the country, and using Istanbul, if the Bank was successful, the Bank could have used the same technique of checking the books in other cities. So, though unsuccessful, my experience was very positive.

I have to mention one in the Pakistan operation. It is related to how to improve the low standard of living of villagers in the rural community, including very high death rate of babies before reaching a year old. Pakistan's social statistics did not show any positive sign of improvements. The Government asked us to take a look at the problem. We concluded that the provision of a

countrywide rural community water system might be the best method to improve the situation. A proper study, including checking of water levels at various locations in the country, was necessary, and we did not have sufficient funds to undertake the study for project preparation. Luckily CIDA [Canadian International Development Agency], Canadian aid agency, gave us the needed funds, and we started its preparation. The key question we had to deal with was if outsiders like us could penetrate into lives of rural communities in Pakistan. Our concern was whether the time saving of women in a remote village by the provision of water would be considered by the villagers as time saved and available for other use by the women and villagers at large. In '80s, these issues were rather new, and we did not have much experience.

Eventually we decided to hire anthropologists and sociologists. They could speak the local language and understand the need of women in rural communities and the needed mechanisms to establish within communities for proper use of water. These were new trials, and I was quite happy in moving towards this direction, bringing in cultural sensitivity within our operations. Also related to this, given a chance I would like to check actual effectiveness of how specialists added value to our projects.

ZENNI: In July 1990, you were promoted to Senior Operations Advisor, Office of the Regional VP for Asia. How did this come about, and what were your main responsibilities and objectives?

ABE: Yes. Mr. [Attila] Karaosmanoglu called me up; that was it. The job was extremely important for me in order to check the validity of my own thoughts on economic development process and understand the Bank's effectiveness and limits as well from a regional perspective. My first impression of SOA work was the overwhelming volume of operational lending documents I had to review on behalf of my RVP. Somehow I could adjust to the new situation quite quickly as I defined my job as the one who checks consistency among country strategies, a country's macroeconomic position, various relevant sector strategies, and the quality of all specific project documents. Probably one can say it was superficial checking, but I thought it was reasonable.

ZENNI: Well, in June of '91, you were promoted to Country Director in the Latin America and Caribbean Region, known as LAC III. Please discuss the reason for your move to yet another region. And what were your main responsibilities and the challenges you faced? This was a time when the region was recovering from what was then referred to as the "lost decade of the '80s."

ABE: I do not speak Spanish, so my initial thought was, "What am I going to do?" Mr. Shahid Husain knew that, and he still invited me to join. While I was unable to speak the language, I started doing a couple of interesting things. First, in the resident offices, whenever I had a chance, I tried to appoint staff who were familiar with project operations rather than diplomats or macro-economists unless the country wanted to have a macro-economist in the office. I wanted to have a project implementer who did not necessarily have to have macro experience. And since I had been working on the project side for a long time, some of the LAC colleagues thought that I was a highway engineer. It was very interesting. So that was perhaps the reputation I was carrying. I also started playing my own music with the country focus; I ensured that the Country Strategy Papers would have to be written not by the country operations people but by a task force, people who know the country, staff from various resident offices, highway engineers and

forestry specialists. These specialists created the task force and started drafting the Country Strategy Paper (CSP). And then they had to work with the government. The government had to have a similar team. At that time, the CSP document was a very confidential document, but I said, “Never mind, show it to them.” And that is the way I started doing things there.

The next interesting thing happened by chance. The President of Guyana wanted to have a Consultative Group (CG) meeting in Atlanta, Georgia. I was ignorant enough not to understand what he was talking about, and as a Bank career officer, I had to say, “No, Mr. President, we can have a CG meeting only on World Bank territory, so we prefer to have it either in Paris or in Washington, DC.”

And he said, “No, no, I would like to have it in Atlanta, Georgia.”

So we went back to our hotel and thought about it, and we thought, “Why not do it in his country’s capital, in Georgetown?” After receiving the go-ahead from Washington, we told the Government to have the CG meeting in Georgetown, and the President was very happy. It was going to be the first CG meeting to be held in the capital of a borrower.

ZENNI: Those in the Bank who were not in favor were perhaps thinking that other presidents of borrowing countries might also want to hold CG meetings in their proper countries as propaganda?

ABE: If the country is going to use the CG in the capital of our client as a political ploy, then the World Bank should not be part of that political game, one. Two, if you were going to be nice just because you are there, you will be pressed by NGOs [non-governmental organizations] and the general public; they would pounce on you. If you are willing to compromise all the time, then it is not good and that was certainly to be avoided; certainly, the circumstances of having CG meetings in the capital of a borrowing country was to be avoided.

The reason why the President of Guyana wanted to have it in Atlanta, Georgia, was that President and Mrs. [Jimmy] Carter were going to join in the meeting. I did not know this; they did not tell me that. So while I was in the hotel, the President of Guyana was talking to Mr. Carter saying that the Bank decided to have the meeting in Georgetown. Mr. Carter was very happy. That CG Meeting was a wonderful experience. Mr. Carter was sitting next to me; that was a rare experience I had. He and his wife enjoyed working with the Government of Guyana and the Bank. He told me that he did find Bank’s activities worthwhile and that his encounter with us was an eye-opener for him.

ZENNI: In your opinion, how successful is the Bank in general in coordinating donor activities and mobilizing aid resources through consultative groups, consortia, aid agencies, et cetera?

ABE: In general, we did a pretty good job. It depends on the quality of our preparatory work that determines its usefulness, and we use that with our dialogue with the government. In the Bolivia case, for example, we had a very nice dialogue, but the country was also capable. I think the most important is the quality of work of our staff and the commitment of the Government. Our partners, IMF, IADB [Inter-American Development Bank] and UNDP [United Nations

Development Program] were very cooperative as the Bank and the governments were working hand in hand.

The next issue that I had to deal with was a bit complicated. I wanted to install a system in my Department which can deliver the targeted work program with high quality. After difficult and long discussions in the management meetings, we decided to try a new system: the lending program and the completion of economic and sector reports had to be done by the end of the calendar year instead of the fiscal year. And this implies that the rest of the year, for six or more months, we think about the strategy to initiate various other preparatory works for the next production cycle in order to avoid rushing up work at the end of the fiscal year. This approach freed up more time and resources to do other work. When I noticed that this was becoming our Department management culture, I was very happy. I thought this system was one of my most important contributions for the Bank's operational improvement.

I have to mention something else here on how limited budgetary resources became the origin of creative thinking. When we were opening up a resident office in Jamaica, we did not have enough money to have a proper office. We analyzed the factors adding up to high total costs. We found it was due mainly to taking care of security arrangement. In order to have public access for the PIC [Public Information Center], you have to have a security system installed with proper standards. And that cost a lot. So we decided to try to move the PIC to the library of the University of West Indies. What a bright idea. The chancellor of the university was more than happy to have Bank documents come in, in one corner of the library of the West Indies University. It was a wonderful idea, and we also cut the budget. So we had an interesting time.

ZENNI: Do you want to say more about your operation in Latin America? Are there any highlights you would like to talk about?

ABE: When I was dealing with the countries in Latin America, one of the key jobs was how to accurately assess the credit-worthiness of the borrowers. There was a standard formula but it was applied quite flexibly, depending on the dynamics of the economic performance of the country in question. Though I could not verify before my retirement whether my suggestion was adopted as the Bank's practice of country ratings, I did make an interesting suggestion to the Management to incorporate a country's performance on effectiveness of recurrent expenditures and efficiency of public sector services such as water, road, and electricity. I had thought that the Bank needed to develop broad coverage to measure various sector performances so it is easier to judge the country's performance in general. Indeed this is another set of mixture of macro- and micro-economic variables to enable us to do proper credit worthiness analysis.

There is one anecdotal point that I should not forget to mention. I did not like Colombia using only military force in abating or controlling coca production. I had a feeling that perhaps the second generation of land reform might be a better policy than military operation supported by the United States Government. And on the basis of consultants' studies, we came up with the idea of second-generation land reform. Now, land reform was quite important in Japan in the context of Japanese economic reconstruction after the war. Mr. Ladejinsky (Wolf Ladejinsky, a tireless advocate for land reform) used to assist the land reform program in Japan during the [Douglas] MacArthur regime. I met him when I was a YP. He let me read his manuscript when

his book on land reform was being drafted. And he told me about how he was successful in Japan and unsuccessful in other Asian countries. So it came to my mind to talk with the President of Colombia, and he said, “That sounds very interesting; let me think about that.” And then Mr. Wolfensohn visited Colombia, and they had a discussion on this. The Columbian President requested Mr. Wolfensohn to use the land reform approach to reduce coca production. And after the meeting, I had to explain to Mr. Wolfensohn that to finance land reform the Bank has a special operational rule that does not allow the financing of this because it was considered as local-cost financing. Luckily, I found out recently that the rule was changed. According to the new rule, the Bank can finance land reform operations though it is a local-cost financing operation. It has been a real progress. I will have to check whether the Columbian Government eventually applied land reform program to reduce coca production.

ZENNI: Were there any other interesting experiences?

ABE: I have to talk about the *East Asian Miracle*, which came out in September '93, and its connection with LAC countries. I sent a copy of the book to each minister with whom we worked and said, “You better read this book.” The result was an interesting experience. For example, on high saving ratios, public health, education, they agreed that these were the keys for development, but they were most interested in long lasting economic policy regime in Asia in comparison with a shorter span of regime in Latin America. It is indeed interesting to note that several Latin countries in fact changed their constitution from one-term presidency to multiple.

There is one more interesting story I have to tell you. In 1997, the Bank published the second history book on the Bank. I remember when the first book that was published in 1973 was being drafted; the book’s authors interviewed me for less than one [hour]. It was only natural as I was an inexperienced staff member. By the time the second history book was under preparation, I saw the authors a couple of times in my office. Essentially there were three issues we discussed. One concerns my experiences in the Bank from the start; the second, my experiences in Latin America as Country Director; and the third, the relationship between Japan and the Bank. I vividly remember my conversation with Mr. Richard Webb on how to design an independent chapter in the book on Japan and the Bank. Eventually we discussed who should be writing the chapter and the structure of the chapter encompassing the time when Japan became a member, a major borrower, and a major creditor to the Bank. Eventually, the independent chapter was incorporated in volume two of the history book. I never knew that a little note I then prepared for the discussion with Mr. Webb became later my research proposal for my sabbatical leave at the Bank, the sabbatical I took from my university during the academic year 2004/5.

ZENNI: Would you like to break for today?

ABE: Yes.

ZENNI: Thank you very much, Mr. Abe.

ABE: Thank you.

Session 2
March 17, 2005
Washington, D.C.

ZENNI: Good morning. I'm Marie Zenni. Today is Thursday, March 17, 2005, and I'm here again at World Bank headquarters to resume the second and final session of my interview with Yoshiaki Abe. Welcome again, Mr. Abe.

ABE: Good morning.

ZENNI: Let me begin today's session by asking you to talk about your involvement with the task force that produced the Wapenhans Report, and we'll just give a bit of background information for the benefit of users of oral history. Soon after Lewis Preston became President in September of '91, Willi Wapenhans, then senior manager in the Bank, was asked to head a task force to examine the quality of the Bank's portfolio and make recommendations. Please discuss your input to the task force's endeavors in producing its landmark report, "Effective Implementation: Key to Development Impact," also known as the Wapenhans Report, in November of 1992.

ABE: I was one of the rare macroeconomists having project operations experience; whether people or senior management knew that, I do not know. I knew the details of project procedures and also from the management's point of view how our budgetary processes influence our daily activities at World Bank headquarters. Because of this combination of careers in the Bank, they invited me to become a member, and they knew from the beginning, particularly Mr. Wapenhans, that I had strong views on the importance of supervision. Most of the conclusions were in accordance with my own judgment, so I did not have any problem with the report. If you were to ask me when I became a Director whether I pursued those recommendations, at various levels I did, as practically as possible; I was following my own philosophy, which happened to be similar to the conclusions. Whether I was successful in doing it completely or not, of course, remains to be questioned. I have to confess, though, that some of the times I had to do things that I did not want to do. But, in principle, I think I followed the conclusions and recommendations of the Wapenhans Report, even before and after that report.

ZENNI: In your opinion, what is the long-term impact of the task force's findings and recommendations on the way the Bank does its business in general?

ABE: I hope it influenced our operational culture. The Bank is for lending, and it needs to be pushing lending targets. Country focused lending, each country's strategy has to have specific objectives, and an important part of that is the quality of lending. I think it is our cardinal responsibility to make sure that those basic qualities of our strategy are kept intact. Whether we can do that or not is made more complicated, as the reality in the field is more difficult than what we are talking about right now. So there is a mixture, and some confusion, of course. First of all is our human nature to push ourselves for meeting quantitative targets. The other is the real issue in the field, which is confusing all the time. When sometimes the two work against the correct approach that we should have followed, you cannot even understand completely why we are doing something wrong. And I felt that kind of difficulty.

And, going beyond the Wapenhans report's recommendations, I felt sometimes at a quandary as to which were my responsibilities: Is it borrower's side or my side? Or is it the confusion of the issues in the field or within the Bank? Sometimes it was not that clearly delineated, and it is impossible to do so, because after all we are only human. But to lessen the pressure of pushing a lending program was essential to putting more resources for supervision with the assumption that there will be improved quality of the new projects. The Wapenhans Report was useful for these reasons, and to be understood by the Bank staff.

ZENNI: Okay. Thank you. Moving on to the 1994 *World Development Report*, one of the *WDR*'s main messages was examining the link between infrastructure and development, stressing the importance of improving the quality of infrastructure service over the quantity of infrastructure investment as vital to the goal and measure of development in infrastructure. The 1990s saw a revolution in the provision of infrastructure services as governments turned to the private sector for financing and management expertise. In light of this, what is your assessment of (a) the dominance of the public sector in infrastructure, and (b) public-private partnerships in terms of the positive/negative results of infrastructure privatization?

ABE: When a developing country is trying to create a new infrastructure, unfortunately infrastructure costs a lot. For example, infrastructure services are not that divisible; they come in chunks, with chunky needs in terms of physical work, finance, technical specialists, et cetera, et cetera. Often developing countries do not have those properly endowed within their country, so it is inevitable that the public sector is going to take the initiative. And I do not think, from my point of view, that we should criticize public sector dominance in infrastructure in the developing country. I think it is only a natural state of affairs in developing countries. If they do not have such a problem, then they are not a developing country. Therefore, to improve public sector's performance it is more important than to look for private sector participation because even the private sector does not exist properly in developing countries. So these difficulties were not covered in detail with the '94 report, and again this is my own theory that I have held for a long time. So the report was not that influential in my mind as a new document. But my real point was not on the basis of their recommendations, but it was essentially based on what Mr. Warren Baum had taught me. Public sector is the natural sector for infrastructure provision by definition, based on the characteristics and limitations of developing countries.

Now, how to improve the performance of that is an issue. Looking for the private sector's participation, from the beginning, is not a good solution. A more difficult approach is to try to improve performance of the public sector first, of course possibly with the help of the private sector. But in many developing countries, the private sector is not well developed, so what are we talking about? When people started talking about private sector participation, I did not think it was a good approach. And I think I still feel I am correct, and I am giving that lecture to my M.A. and Ph.D. students in Japan in accordance with that principle under the title of "Economic Development and Infrastructure."

ZENNI: What did you think of the adequacy of the Bank's approach at that time?

ABE: I think as an institution we say we are going to look for private sector's assistance or partnership. It is not wrong to say that, but its real value depends on the capacity of the local institutions and individuals in both public and private sector in the provision of infrastructure services. Some public sector operations without help of the private sector did improve their effectiveness; some with the help of the private sector did improve their performance; some with the help of the private sector did not improve their performance; and some did not seek the help of the private sector nor did they improve their performance. In reality, most cases were in the third and last categories. I think reality taught us not to rush for privatization.

ZENNI: Are there other issues highlighted in the '94 *WDR* that you wish to talk about?

ABE: Yes. From a macroeconomics point of view, although some chief economists disagreed completely with me, to me having a higher domestic savings ratio is one of the basic needs to realizing economic development. I say whether it is from infrastructure or not, as part of my own experience with economics, the public sector should be contributing to enhance domestic savings in a country. If everybody agrees on that, I further stress infrastructure as a capable sector that contributes to increasing domestic savings; that is, only if infrastructure services are provided with efficiency and the ability to obtain some of the financing required for needed investment. The role of infrastructure in domestic savings ratio enhancement is important. We do not say that clearly in all of our documents, including the *WDR*. I feel that the connection between macroeconomics and infrastructure provision mainly in the public sector was not well explained, from my point of view. That's my comment on this particular issue.

ZENNI: Anything you'd like to add as to how would you like to see the *WDR* report handled?

ABE: The publication of *WDR* every year is too often. Every year we have new ideas. It gives the impression that the issues raised a year before or two years back have been satisfactorily solved and that every year we have new issues. Unfortunately, almost the same fundamental developmental issues continue for many years. To correct this situation, perhaps we should issue the *WDR* every three years. To me, this is much more digestible. Every year is too much to digest for the individual intellectual capacity. And suppose you are a cabinet member of a developing country; when each year you have a *WDR* and you do not even have time to read it sentence by sentence, the next year a new one comes out and you say, "Oh, I have to worry about the relationship between last year's and the previous year." So in that sense, if we want the *WDR* to be more useful for policy makers in developing countries, my suggestion would be for the Bank to prepare a *WDR* every three years or so.

ZENNI: Okay. Thank you. Now we move on to decentralization, most of which was implemented after you left. Under the [James D.] Wolfensohn presidency, the Bank greatly decentralized under a Strategic Compact implemented in '97, with almost a third of its total workforce in field offices. Albeit the changes were mostly implemented after your retirement in April of '96, how do you see the advantages/disadvantages of bringing the Bank closer to its clients and the impact this has on promoting greater policy dialogue?

ABE: In principle, I completely agree with decentralization. But the real issue besides regionalization and decentralization is, of course, one related with the cultural issues. Even

though you are nearer to the issue being in the client country with decentralization, if the staff's mind is not flexible enough to fully understand local issues, being in the client country loses its advantage. So even if you are physically there, I do not think we can be closer to the solution, closer to the meaningful assistance to the country. If the staff of the Bank is trained entirely by, let's say, Northeastern graduate schools and are academically excellent students, he or she can analyze the economic problems nicely. But when you are to design the solutions for them, theory will help you but local data remains the crucial link. Basically, you have to understand the basic problems of human beings, and that understanding comes from sensitivity to cultural differences. I am not going for the softer Bank, but rather for the stronger Bank having cultural sensitivity to understand deep-rooted social issues of the client countries.

ZENNI: Cultural sensitivities.

ABE: Yes. Unless we have that, just decentralization, being nearer to the field or in the field, itself is not enough. And, if we look at our training programs for managers, some of them went again to Stanford, Harvard, Yale, et cetera, et cetera. "Why?" was my question. But, of course, I had already left by then. But I still have a basic problem with possible cultural insensitivity that all of us have. That was my main issue on decentralization.

ZENNI: Are there any other institutional changes that took effect under Wolfensohn that you think particularly helped further the goal of poverty alleviation in the Bank?

ABE: Yes. Everybody focused on poverty. From my own personal view and experiences, the Japanese experiences during 1950s and 1960s indicate that small disparity, the smaller difference between the rich and the poor which may have been the secret for our economic growth and development. And this point should have been added on top of poverty alleviation. I have been pushing that idea as a better-balanced approach. We have to have a society with reduced poverty. Yes, indeed. But what does it mean? Less rich people, and that is the other side of the coin.

ZENNI: Equitable growth.

ABE: Yes, and I think that policies for equitable growth should have been pushed more. Belatedly, we are taking it up. That used to be my idea, and I will come to that later.

ZENNI: In sum, based on your extensive experience and from your macro perspective, how would you assess the Bank's overall success in assisting the establishment of basic and sustainable infrastructure in developing countries? And what do you see as emerging priorities and challenges in the 21st century?

ABE: I have to go beyond transport and infrastructure and discuss our role in the lower-income countries. Although we are lending to China, China essentially doesn't need 1 billion dollars from us, or 1.2 or 1.4 a year. So forget about middle-income countries. Then comes the development of lower-income countries; we have to have focus on that. There, infrastructure is very, very important for our financing. Now, do we have a specialist on those things such as how to build a road for low traffic volume, and how to fix the water supply system where the loss of water is almost 50 percent? You produce 100 units of water; by the time it comes to the end

users, the unit becomes 50. How do we correct that situation? Again, these are the specialists' job to come up with solutions. Do we have water specialist? I don't even know. And how do we get rid of white elephant-type projects? It becomes a political game, apart from economics.

But there are more practical issues like how to reach out to the remote villages in order to deliver fertilizer on time for the planting season. Again, how to do all these things you need local knowledge, and quite detailed local knowledge, and sociologists and anthropologists would have to be on the team to understand those problems in that particular area. So, African specialists, rural sociologists and anthropologists, their role will have to be very important in thinking of macroeconomic and infrastructure management. Both the bottoms-up approach and the top-down approach are absolutely needed.

ZENNI: Okay. Moving on to World Bank Presidents, how would you assess the various Presidents that you served under during your tenure in terms of their overall leadership of the institution? Starting with McNamara.

ABE: I served five Presidents of the Bank from Mr. [George D.] Woods to Mr. Wolfensohn. I have stories to tell on Mr. McNamara, Mr. Preston and Mr. Wolfensohn.

I was very surprised when Mr. McNamara came in. I thought he does not understand poverty. He found nice people like Hollis Chenery and Mahbub ul-Haq. He picked up developmental issues very quickly. So I was quite impressed. I met him actually twice very privately. One Sunday morning in early '70s, I was in the office finishing up my work. I came out to take the elevator, and the Transport Division was on the fourth floor of the A building. I pushed the button, and he thought it was his floor, so he came out, and we bumped into each other.

As we came out of the building together it was raining cats and dogs; he said, "Oh, my wife is coming. Where do you live?" I happened to live near him, and then he said, "Who will drive you?"

So I said, "Mr. President, unfortunately, I have a better driver."

So he said, "Oh, Mrs. Abe is coming." And then the yellow Mustang--or a yellow car—came, and he got in and left. That was the first encounter.

The second time was when Mr. Burke Knapp called me up and asked, "Would you like to discuss lending issues of Bangladesh with our President?" Everyone knew that he used me for Korea; I was the first Japanese to go to Korea. And this time it was Bangladesh. He said, "I understand you have different ideas from McNamara's on the lending program to Bangladesh." It was mid-'77/'78. And they knew that I knew Bangladesh very well. The Area people did not want to harden our policy towards Bangladesh in spite of her poor performance, and Mr. McNamara wanted to cut the lending program. Everybody tried and failed to soften the President's position. People thought that I might be able to change his mind. Mr. Knapp said, "Feel free to tell him how you feel about his idea."

So I said, "Yes, sir. What's the venue?"

He said, “Don't worry about that.”

I received an invitation card, together with my wife, to come to the IMF Japanese Executive Director's house. And they prepared a room for our discussion. Mr. McNamara came and we went into that room. “What would you like to tell me?” he said.

So I gave him my own thoughts.

Then he said, “Thank you very much. Is that all?”

So I said, “Yes, thank you.” So I got out. I did not lose my job. And they thanked me and that was it.

These are two very memorable encounters with Mr. McNamara. He did very well as President of the Bank. At Cornell, I was against American policies on the Vietnam War. And I was well versed on what was going on because of the Cornell professors involvement in that. So I did not like McNamara on those particular issues, but I found him very interesting and very understanding on social issues, poverty, and population. I thought he was very good.

In the case of Mr. Preston, I accompanied him and his wife for their trip to Bolivia. I was walking with Mr. and Mrs. Preston on the golf course in La Paz to adjust ourselves to Bolivian time. Walking with Mr. Preston were perhaps Shahid Husain and others. I was walking with Mrs. Preston, and she said, “Yoshi, I understand that you are Japanese.” She asked me about the book of Shusaku Endo, who had been a candidate for the Nobel Prize in Literature. And he's a Catholic, and his typical subject is Catholicism in Japan. Mrs. Preston asked me a lot on Endo's book and history of Japanese Catholicism. I was quite impressed by her deep understanding of Japan. Also I should not forget to say that Mr. Preston's visit to Bolivia was quite successful.

I also accompanied Mr. Wolfensohn to Jamaica and Colombia, and his handling of our clients, politicians, civil servants and press was very impressive.

ZENNI: Okay. How would you describe Bank relations with Japan over the years, and how do you see that evolution? In particular, how was the nature of the relationship between the Bank and Japan reflected in the recruitment of Japanese in the Bank during your tenure?

ABE: When Japan was a borrower, she was a very effective borrower. Japan also became a creditor to the Bank quickly. Japan became the second shareholder after the U.S. Let us not forget also her contribution to IDA [International Development Association] and the trust funds.

On the formation of the development strategies, we have indeed interesting experiences after World War II. But I think Japan's total economic experiences since the Edo period is still relevant under the theme of economic development, but relatively untapped. The Bank and Japan did not exploit well these experiences on behalf of the developing countries. Yes, the *East Asian Miracle* published in 1993 was one specific contribution, but we should have done more.

Let me move to another subject. I have to mention that the World Bank has been dealing with Japan not as a country but mostly with the Government of Japan. I did not know if the Bank was doing this intentionally or not. I told Mr. Wolfensohn on his arrival at the Bank, “When you deal with Japan, please deal with Japan at large; broaden your relationship.”

ZENNI: Would you say that there is a mind-set of only looking at Japan as a creditor and not going beyond that?

ABE: Yes. And that is my comment.

ZENNI: How was the nature of that relationship reflected in the recruitment of Japanese in the Bank during your tenure and after you left?

ABE: Our senior management was very cognizant of the small number of Japanese staff in comparison with other major shareholders. The management did a good job of reacting to political pressure and also tried to increase the number of Japanese staff. We have three groups of Japanese staff in the World Bank. One group is seconded from the Japanese Government or private companies, and they would stay here three to five years and then go home. They are essentially people from within the Japanese society. The second group are the people who have been working outside of Japan, and they come to the World Bank and make their careers here. And then the third group are YPs coming through YP program. We needed different approaches to the three groups.

The reason for not being able to increase the number of Japanese staff is a mixture of cultural and linguistic issues. While they are capable in Japan, some do not want to leave Japan because of family reasons, and linguistically they may not be able to work in the Bank. After all, not many Japanese are studying outside of Japan, let alone getting Ph.D.s and going through five years of rigorous work. I myself, together with Mieko Nishimizu and the Japanese ED, used to go to Japan with a budget from the Personnel Department. We explained to Japan how interesting the World Bank job is. And we did visit Tokyo, Nagoya, Kyoto, Osaka, and various universities, research institutions, and economic federations, et cetera. Even with these efforts, the number of Japanese staff did not increase much. In the end, I made a special request to the management: “We’d better have a Japanese officer within HRS [Human Resources Strategy] specialized in Japanese recruitment.” After my retirement, a Japanese--former YP--was put there for two years or so, and I assisted her as a consultant. Nowadays, I hear that our number is further declining, including YPs. Our competitive edge seems to be relatively declining.

ZENNI: Has anyone done an assessment of Bank-Japanese relations and how to get more of them on board?

ABE: Good question. They are doing it, I am sure. One important question remains, though: Was the Bank sufficiently open to recruiting staff having different working culture, and do we have in the institution sufficient tolerance to work with different working habits?

ZENNI: Okay. Based on your experience, how would you assess the Bank’s ability in aligning staff skill mix with its evolving strategies and priorities?

ABE: First, we have to have agreement in the international community on what should be the role of the World Bank. Are we going to fix the Africa development issue or do we continue helping middle income countries? I say the Africa development issue is the most important, and, therefore, our skill mix will have to be adjusted accordingly. For that, we need the sociologists and anthropologists as intermediaries of different cultures. These specialists are not linguistic specialists but cultural translators.

ZENNI: Translators of human issues . . .

ABE: Human issues, yes, will have to be part of that team.

And another issue that we never discuss is what is the role of the regional banks (MDBs) [multilateral development banks] vis-à-vis the World Bank. I think we have to start discussing, and openly, and the realignment of responsibilities will have to be clear. Otherwise I do not think we are going to have a smooth transition with the new WB president pushing for different ideas for development. This would apply particularly in Africa in order to solve the real issues of poverty. And that is my strong view.

The problem I still have is: Did we study the East Asian experiences properly to make it relevant enough in tackling African issues?

An interesting one is when Anne Krueger came into the Bank in 1981. My Ph.D. advisor, Professor Jaroslav Vanek of Cornell, called to tell me that Anne Krueger is coming to the Bank; “I know her very well. Will you buy her lunch?”

So I said, “Yes, I will do that, Professor.”

So she came. I called her up and we had lunch. During the lunch, she asked, “Do you have any new good ideas?”

I suggested that the Bank should study the economic development experiences of Japan as part of the World Bank's research so that we can share Japan's experiences with other countries: typically, of high savings ratio, less income disparity, life longevity, life expectancy, then water quality, and all these things.

“No,” she said, “Don't tell me those kinds of things. Are you asking me to make a study on the United States, France, U.K., et cetera, et cetera?”

I said, “I'm not talking about that. Japan is not a Western country.”

She did not agree with that, saying, “I don't think the Japanese experience is unique.”

When Larry Summers came to the Bank, I told him exactly the same thing, but this time Larry Summers came back with the better idea of the *East Asian Miracle*, studying not only Japan but also other Asian countries. But he said, “I need \$1.4 million for that; will you find it?” I was very

happy with the proposal, and Mr. Shiratori, then Executive Director of Japan, was instrumental for financing the study by the Japanese Government. In this way, I was trying to minimize cultural barriers, to look at economic experiences in a universal way in explaining unique experiences. I think we should continue to do these kinds of attempts.

The lesson I learned then was that our internal management culture must have a strong element of sensitivity to cultural differences. Unless we have this important sensitivity, even if we try to understand the problems of our clients, the efforts would end up with fruitless results.

If I may, I would like to go further on this internal cultural sensitivity. To achieve this, the management style must be multicultural, and for simplicity of my suggestion, it is quite dangerous to promote too many former YPs to senior managerial positions. As I mentioned already, I prefer to see a system where one third each of senior managers, from Directors and up, be former YPs, promoted non-YP from within, and recruited from outside. Of course, the nationality of managers has to be varying. At the same time, macroeconomists should have minimum 4-5 years of experiences as project economists so that that they would be familiar with how an economic system works. If we adopt this kind of system, the quality of our policy analysis would improve tremendously.

ZENNI: And how do you assess the Bank's ability to align its staff when there is a shift of focus?

ABE: We are all capable. Of course, when the adjustment is needed, the Bank has the intellectual muscle to do it.

Another point that I should make is that we not only have capable people, but also nice people, and I enjoyed being here for 29 years.

ZENNI: Specifically on career development in the Bank, do you have anything to say?

ABE: My suggestion would be to let staff in the early stages of their career stay in one position for 5 or more years to develop basic expertise.

ZENNI: What are your views on the systematic learning of lessons in the Bank as an input in the way the Bank does its work, affecting methods, methodology, and policy formulation?

ABE: I feel there is no systematic method. However, in organizing any kind of working unit, there must be a sort of a proper mix of skills, specialists. When I was Country Director in LAC, I had a chance to do team-making efforts, and my explanation to my managers was not only do you need varying cultural backgrounds, but also regional experiences and age differences, young and old, all these mixtures. It is extremely important. If we do it systematically like this, we are automatically systematizing all the learned experiences. Training for managers should be done properly, so that managers not only develop the skills required for the job but also develop consciousness to cultural diversity.

ZENNI: How do you see the evolving role of both IBRD [International Bank for Reconstruction and Development] and IDA and their continued relevance on the global stage?

ABE: As the attention towards Africa is increasing, then IDA is surely going to be more important. I feel more strongly than before that the need to pay attention to Africa will be the most relevant in the future, mainly due to the fact that middle income and transition countries that need money can attract finance in their own way now. So, that is the key to understanding the future of development.

ZENNI: How do you see IDA? Where is it going in terms of its funding? Grants are up from 19 percent to around 30 percent.

ABE: I think it will have to continue like that.

ZENNI: But how do you see the raised percentage of grants?

ABE: The grants will have to increase a little more.

ZENNI: What then happens to IDA reflows?

ABE: It will surely decline, but then additional budgetary allocations will also be needed. So politics will come in. Nothing is automatic, by the way. It will be more complicated.

ZENNI: Well, in general, how do you see the relevance of the World Bank Group on the global stage?

ABE: In the 50 years of the World Bank-IMF Bretton Woods treaty, one of my suggestions was to review the Bretton Woods treaty to see whether it is still relevant or not to reflect the new world order. I was told then that it was not necessary. The key question is if the Treaty in the 1940s is still relevant as the basis of the current IMF and the Bank system. The question remains: Does this reflect the current and future needs of the world economy?

ZENNI: Looking back, what have you learned from your experience at the World Bank, and what has it meant to you personally serving as unique an institution as the World Bank?

ABE: I had an excellent 29 years here. The reason why I could enjoy it was perhaps the Bank gave me space to put my learning into real life, as from one end I developed on economic theory and the other by learning from the real world to add to that theory. Indeed, it gave me the luxury of letting me go back and forth between the abstract and concrete world. The Bank also allowed me to be creative in operational activities, enabling customers to receive necessary and relevant services. My real teachers were developing countries. Also my nice colleagues were unforgettable. I owe them a lot.

So, I spent my youth and my middle age here, and I am using that experience, particularly now, in teaching at graduate school in Tokyo and helping the students in my country and others. I have

already given about 60 M.A.'s in my program, and half of those M.A.s are for civil servants in Asian developing countries, like Indonesia, Laos, Vietnam, Mongolia.

ZENNI: So you have international students.

ABE: Yes. And I enjoy doing that. So I still have my own theme in my mind, the same as I had when I was at the World Bank. I am preaching the same thing as I used to preach in the World Bank. Of course, I am slightly older, so I may have automatically changed my language and the ideas here and there, but basically I am still pushing my own theme of development.

ZENNI: What have you learned from your experience at the World Bank?

ABE: The complicated relationships between unique experiences and deducing them as universal ideas. That surely is very difficult, and the experiences that I gained here reflect those complications. I saw so many cases, and then somebody would ask me to summarize these experiences. I hate to do that, actually, because it is a series of unique experiences, not necessarily easy to generalize as one experience in a few sentences. And I think I learned how difficult it is to universalize somebody's unique experiences.

ZENNI: Okay. Is there anything else you wish to talk about that I might have perhaps overlooked?

ABE: Yes, a couple of things now I remember in terms of experiences as a matter of record.

One, if I were to look back towards the end of my career here, although at that time I did not think of it as that, the senior management started using me as a convenient firefighter. For example, they would call me up and say, "Will you help us on the Appeals Committee?" So I became a judge on the Appeals Committee for two years or so. Though I was extremely busy as a Country Department Director, I did that. Most probably, senior management was thinking of me as a neutral man for cultural differences.

ZENNI: Why? Because you were Japanese, do you think?

ABE: I do not know, but I did survive in the international environment. Perhaps it was very useful for this institution, my being on the Appeals Committee and also on the YP Committee.

ZENNI: Explain the YP Committee. What were your duties?

ABE: I did not need to interview anybody, but on the YP Selection Committee my job was to introduce new rules because I objected to having mainly YPs in the field of M.B.A. and Ph.D. in economics. I wanted to have anthropologists, engineers, civil engineers, et cetera, et cetera.

So senior management heard my opinion, and although they did not tell me openly to do that, they asked me to join in the Selection Committee, as in, "Would you mind winning the argument in that group? And we will be watching how you do it."

So I said, “It doesn't matter; I will try my best.”

Initially, nobody listened to me, but then in a year or so we changed the rules to include more diversification. I hope that the new system still continues.

Another interesting thing was when one day I got a telephone call in the early '90s asking me to become Vice Chairman of the Economist Panel as a representative of sector economists. So I became Vice Chairman and served two chief economists who were chairmen, one was Larry Summers and the other Michael Bruno. Again, there was a specific purpose in the process of promoting macroeconomists; they should be properly trained to understand the working of real economic mechanisms. If they did one good country report then we promote them to senior economists, and I objected to that, of course. If I remember, that is why I was asked to participate in the Panel. But the fact was I had to fight against the chairman personally. It was very interesting, and that was the job I had to do.

ZENNI: And what was the outcome of that?

ABE: I did not win. And then Mr. Michael Bruno came. He agreed with me. He said, “Let's change the rules. Macroeconomists should have experiences as micro-economists.” So, we drafted a new rule, but before it became part of the rule for economists' career development, he passed away, and somehow that idea could not be actualized. It was very sad. But these are very important experiences that I would like to keep on the record.

ZENNI: What advice do you give future YPs joining the Bank?

ABE: Don't jump around. Learn the World Bank's limitations and strengths as quickly as possible, but stay in one position long enough to learn the basic tools and basic approaches of the World Bank. Within those limitations, you have to learn to know how to try new things. In order to be able to try new things, you have to know exactly what the rules are and what the past experiences are. Learn all these, and then try to do new and innovative things. You have to stay in one position for a long time at the cost of some promotions, but you will obviously get what you deserve later. But first, the important thing is to learn the rules and limitations of the Bank. You have to have a job in mind to change that rule, to expand the facilities of the World Bank, and that should be your job. That is my advice.

ZENNI: Is there anything else you wish to add?

ABE: I wish to mention the fact that the Bank was blessed with so many nice staff. I should thank them all. Out of many whom I met, I should not forget to mention two persons' names.

One is Frank Southard. Frank was a retiree from the IMF, and his last position was Deputy Managing Director up to 1974. I met him soon after his retirement, and he gave me his historical account of the role of the IMF and the Bretton Woods institutions. The most interesting story I heard from him was the U.S.'s role and his own experiences on Japanese application to the IMF/IBRD. Then he was the U.S. ED of the IMF, and he told me of his impressions on how the IMF calculated the original appropriate share of Japan. During one winter, our whole family

visited his vacation place in Florida, and my children had the chance to pick a lot of strawberries. I still keep his paper on the IMF that he gave me with his personal notes.

The second person is Mr. [Mugur S.] Nanjundiah, who was a Bank staff and my mentor on the Bank business. His coaching on many subjects was indispensable to my interesting career in the Bank.

ZENNI: Well, thank you very much for your invaluable contribution to the Bank's oral history program. Thank you very much, Mr. Abe.

ABE: Thank you.

[End of interview]