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Folder ID: 1771014

ISAD(G) Reference Code: WB IBRD/IDA 03 EXC-10-4549S

Series: Contacts - Member Countries files

Sub-Fonds: Records of President Robert S. McNamara

Fonds: Records of the Office of the President

Digitized: June 28, 2013

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McNamara Papers

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Contacts with member countries: Cyprus - Correspondence 01

Contracts  
Cyprus (1974-1980)

Folder 4

**DECLASSIFIED**

WBG Archives

CYPRUS

CYPRUS

1. 3/22/74 Nicos G. Demetriou, Ambassador of Greece
2. 7/22/80 Ambassador Andreas Jacovides, Cyprus  
Mr. Looijen (ED)
3. 8/8/80 Marios Iliadis (Courtesy call)  
Minister of Communications



## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara, President, IBRD                      DATE: March 22, 1974

FROM: Willi A. Wapenhans, Acting Vice President, EMENA

SUBJECT: CYPRUS - Your meeting with Ambassador Nicos G. Demetriou on Friday, March 22, 1974, at 6.30 p.m.

I attach for your information a brief biographical sketch of Ambassador Demetriou together with a copy of the current operations and lending programs in Cyprus. Mr. El Darwish, the Program Division Chief responsible for Cyprus, will accompany the Ambassador.

*copy*

The Bank's main objectives in Cyprus are (1) improving and normalizing relations in specific operations between the Greek and Turkish communities, and (2) encouraging the Government to seek financing from other outside sources, since the Bank's share in total debt outstanding is 65 percent, although debt service payments comprise only 2.4 percent of exports of goods and services.

Cyprus has no indigenous energy sources and is completely dependent on imported oil for its power generation needs. As a result, the economy of Cyprus is expected to be affected by the sharp rise in prices of crude oil. In the long run increases in commodity exports, emigrant remittances, and tourism earnings are needed for viable economic development.

This is a courtesy visit and I know of no specific topics which Ambassador Demetriou may wish to raise with you. He may discuss very generally the prospective lending operations to the Electricity Authority of Cyprus and the Cyprus Development Bank.

c.c. Messrs. Benjenk  
Knapp  
Wapenhans  
Wyatt  
Ljungh  
El Darwish

President has seen

Ambassador Nicos G. Demetriou

Ambassador Demetriou is married with three daughters, one of whom lives in New York city.

Ambassador Demetriou is a businessman by profession and has been active in the banking, insurance and industrial fields. He has been employed in many capacities in many companies. He was a promoter and a sponsor of the Cyprus Development Bank (CDB) which has received one Bank loan and has recently been appraised for a second. Since then he was Minister of Commerce and Industry for two years and has been Chairman of the Electricity Authority of Cyprus (EAC) which has received four loans from the Bank. A fifth project will be appraised in early May.

Ambassador Nicos G. Demetriou assumed his ambassadorial duties in Washington at the beginning of 1974.

POPULATION: 0.6M

TABLE IVA

PAGE 73

GNP PER CAP: \$1100

CYPRUS - 6 YEAR OPERATIONS AND LENDING PROGRAMS  
(BY FISCAL YEAR - AMOUNTS IN \$ MILLIONS)

OPERATIONS PROGRAM		1974	1975	1976	1977	1978	1979
-----		----	----	----	----	----	----
5-CYP-AI-02 IRRIGATION PAPHOS	IBRD	14.0					
5-CYP-AI-03 AGRIC. IRRIGATION II	IBRD			5.0			
5-CYP-AI-04 IRRIGATION III	IBRD					7.0	
5-CYP-DD-02 DFC-CDB II	IBRD		4.0				
5-CYP-DD-03 DFC-CDB III	IBRD				4.0		
5-CYP-DD-04 DFC-CDB IV	IBRD						4.0
5-CYP-PT-05 POWER/DESALINATION	IBRD		10.0				
5-CYP-TH-02 ROADS II	IBRD			5.0			

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1964-68 1969-73 1974-78  
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AMOUNTS

IBRD	2.8	39.3	49.0
IDA			
TOTAL	2.8	39.3	49.0

NUMBERS

IBRD	1.00	7.00	7.00
IDA			
TOTAL	1.00	7.00	7.00

AMOUNTS

IBRD	14.0	14.0	10.0	4.0	7.0	4.0
IDA						
TOTAL	14.0	14.0	10.0	4.0	7.0	4.0

NUMBERS

IBRD	1.00	2.00	2.00	1.00	1.00	1.00
IDA						
TOTAL	1.00	2.00	2.00	1.00	1.00	1.00

LENDING PROGRAM ( 9/12/73 )

AMOUNTS

IBRD	2.8	39.3	40.0
IDA			
TOTAL	2.8	39.3	40.0

NUMBERS

IBRD	1.00	7.00	6.00
IDA			
TOTAL	1.00	7.00	6.00

AMOUNTS

IBRD	16.0	10.0	5.0	5.0	4.0	7.0
IDA						
TOTAL	16.0	10.0	5.0	5.0	4.0	7.0

NUMBERS

IBRD	2.00	1.00	1.00	1.00	1.00	1.00
IDA						
TOTAL	2.00	1.00	1.00	1.00	1.00	1.00



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## OFFICE MEMORANDUM

CONFIDENTIAL

TO: Memorandum for the Record

DATE: July 30, 1980

FROM: Maurice P. Bart, Director, EM2 *MPB***DECLASSIFIED**SUBJECT: Mr. McNamara's Meeting with the Ambassador of Cyprus**MAR 20 2013****WBG ARCHIVES**

1. Mr. McNamara met on July 23 with Ambassador Andreas Jacovides. Mr. Looijen and I were present.
2. Mr. McNamara enquired about the prospects for a political settlement in Cyprus. The Ambassador said that there were several factors working in favor of a settlement: The UN resolutions provided a framework for negotiations; the procedures for negotiations had been agreed upon; and the 10-point agreement between President Kyprianou and Mr. Denktash provided a basis for negotiations. On the other hand, the presence of Turkish troops in North Cyprus complicated the situation. Nevertheless, the Turkish Cypriots were not doing well economically and were feeling closer to the Greek Cypriots while the latter had been chastised and had moved away from Enosis with Greece. They did not want to obliterate the ethnic and cultural ties of the Turkish Cypriots and were hoping that Turkey would be induced to remove its troops, thus facilitating negotiations between the two Cypriot sides.
3. Mr. McNamara referred to the lack of progress in the regional projects which the Bank had tried to put together. Was this due to the Bank's weaknesses or to the situation? The Ambassador mentioned the case of Nicosia's airport to illustrate the difficulties of such projects. Both sides would greatly benefit from the reopening of the airport, now controlled by the UN. But Mr. Denktash had demanded to have in the airport Turkish Cypriot custom and immigration officers, bilingual air controllers, etc. Basically, he was seeking to have in Cyprus two governments, which neither the Greek Cypriots nor the international community could accept. All countries had recognized the Cypriot Government, except Turkey, which had withdrawn its recognition, whereas no country but Turkey had recognized Mr. Denktash's government.
4. As to the possibility for weak governments in Turkey to back normalization in Cyprus, the Ambassador felt that the Turkish Army, which exercised the real power and represented a constraint in Turkish politics, held the answer. Cyprus was a national question in Turkey, with the two basic objectives of preserving the security of the Turkish Cypriots and preventing a shift in the balance of power between Greece and Turkey in the Eastern Mediterranean. The Cypriot Government was seeking a reasonable compromise which would be acceptable to the Turkish Army. Its withdrawal from Cyprus would benefit Turkey financially, improve its reputation among its friends and increase their aid, and prevent in the UN a resolution similar to the one recently adopted for Afghanistan. It would also improve the climate with Greece although the problems in the Aegean were far from resolved. The main risk for Turkey was that the feeling against the US and the West in Greece would bring the opposition to power. This would lead to the neutralization of Greece with dire consequences for Turkey which would then be surrounded by unfriendly countries.
5. Mr. McNamara observed that the political situation in Turkey was such that no party could move on Cyprus without facing the opposition of the other parties. It was impossible for Mr. Demirel or any other to deal with the Cypriot problem under present circumstances.

July 30, 1980

6. He concluded that the Bank wanted to do whatever it can to help Cyprus. The Ambassador expressed gratitude for the Bank's assistance to a country still burdened by the refugee problem and whose high per capita income did not reflect wide disparities in standards of living. Mr. McNamara said that Cyprus would be beyond the Bank's limits for graduation policy if there weren't extenuating circumstances. The Bank would continue to lend to Cyprus in the near term but it was important that the projects should address fundamental issues.

Original to Mr. McNamara's Office

cc: Messrs. Stern, Chaufournier, Knox, Dubey, Finzi, Davar o/r, Bachmann  
MPBart/bp



## OFFICE MEMORANDUM

TO: Memorandum for the Record

FROM: Maurice P. Bart, Director, EM2 *MMB*

SUBJECT: CYPRUS - Mr. McNamara's Meeting with Minister Eliades

DATE: August 11, 1980

1. Mr. McNamara met briefly on August 8 with the Cypriot Minister of Communications and Public Works, Mr. Marios G. Eliades. Mr. Koch-Weser and I were present.
2. The Minister conveyed the Government's gratitude for the financial assistance it had received from the Bank. He regretted that it had not been possible so far to use much of the Bank loans for projects benefitting the Turkish Cypriots. The Bank had made considerable efforts to work out mutually acceptable arrangements to develop such projects. However, the Turkish Cypriots were pursuing political goals, which had prevented agreement on common projects. He hoped that the resumption of the inter-communal talks under the UN aegis on September 15 would lead to progress.
3. Mr. McNamara responded that the Bank wished very much to assist both communities, but did not want to cause political embarrassment to the Government. He asked that the Bank be informed of any aspects in our activities which may be inimical to either community.

Original to Mr. McNamara's Office

cc: Messrs. Stern, Chaufournier, Davar o/r, Bachmann  
/bp

# OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara  
THROUGH: Mr. Roger Chaufournier, RVP, EMENA and Acting VPO  
FROM: Maurice P. Bart, Director, EM2 *hub*

DATE: August 8, 1980

SUBJECT: CYPRUS - Your Meeting with His Excellency the Minister of  
Communications and Public Works

1. His Excellency Marios G. Eliades, Minister of Communications and Public Works, is scheduled to meet with you at 6:30 p.m. today. Messrs. Bart and Berk will attend.
2. Minister Eliades was born in Limassol, Cyprus, in 1944, and studied law in London and Athens. He practiced law from 1970 until his appointment to the cabinet by President Kyprianou in March 1978. He has no party affiliation.
3. As background for your meeting, I am attaching the brief prepared for your July 22 meeting with the Ambassador of Cyprus to the United States. The Ministry of Communications and Public Works is presently implementing a second highways project for which a \$10 million Bank loan was made in late 1976. In addition, a rural and secondary road rehabilitation and development project is under preparation.

GPark:mem

## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara  
DUGH: Mr. Ernest Stern, Vice President, Operations  
FROM: Roger Chaufoournier, RVP, EMENA

DATE: July 18, 1980

SUBJECT: CYPRUS - Your Meeting With The Ambassador Of Cyprus

1. Ambassador Andreas Jacovides is scheduled to meet with you at 6:00 pm on Tuesday, July 22, 1980. Mr. Bart will attend.
2. Ambassador Jacovides was appointed Ambassador to the United States a little over a year ago. He previously served with the Cyprus delegation to the UN in New York. We understand from the Embassy that the Ambassador wishes only to pay a courtesy call on you, as he has not had an opportunity to meet you since taking over his post.
3. The Government of Cyprus has been extremely appreciative of the Bank's assistance to Cyprus, especially since lending was resumed in 1976 after the 1974 events, with the Bank becoming the first major international agency to do so. Since then Bank lending has totalled \$66.5 million for 7 projects and has been instrumental in helping Cyprus obtain cofinancing from the Kuwait Fund and other sources. In FY80, we made a \$16.0 million loan to the Electricity Authority of Cyprus. We are currently preparing a Fruit and Vegetable Export Marketing Project for FY81.

Projects Benefitting Both Communities

4. Despite considerable efforts on our part, especially in connection with the 1980 power project, we have thus far been unable to work out satisfactory arrangements between the Greek Cypriot and Turkish Cypriot communities to enable the Bank to undertake new lending for projects directly benefitting both sides. The only success so far was the 1978 arrangements to satisfactorily complete the 1971 Nicosia Sewerage Project in both sectors of the divided city. Since 1974 we have only been able to lend for projects directly benefitting the Government controlled southern part of Cyprus, although our projects for water resources and power system development have provided some indirect benefits to the Turkish Cypriot community in the north. More active assistance to the Turkish Cypriots has not been possible because of the insistence of their administration to receive Bank loans without the involvement of the Government, either as borrower or guarantor, or their unwillingness that part of a loan to the south be channelled to them under ad hoc arrangements of the Nicosia Sewerage type, as we had proposed for the power project. The view of these political obstacles, we now intend to rely on the UNDP to identify projects which may be acceptable to both sides, before investing manpower. However, UN efforts to bring about an improvement in the political situation have not been successful so far.

Economic Situation And Future Lending

5. The Bank's report on the Cypriot economy, recently circulated to the Executive Directors, confirms the rapid recovery of the economy in the south after the 1974 events, with GDP growing by over 17 percent in 1976 and 1977, and by about 6.8 percent in 1978 and 1979, as the economy reached full capacity

July 18, 1980

and began to suffer from labor shortages. As a result of this remarkable performance, capita income in 1979 is estimated at over \$3,000 for the south. Although, the economy in the south is experiencing increasing, but still modest inflation, and growing pressures on the balance of payments, those problems remain manageable. The main issue is a need to improve domestic savings, especially public savings, which remain very low. Given the relatively high per capita income, the economy in the south is approaching a stage of development requiring a special justification for Bank involvement. We have begun to discuss this matter with the Government and stressed the need to orient future lending towards the remaining pockets of poverty, or towards innovative projects which do not lend themselves to financing from other sources. Total lending approved for FY81-85 amounts to \$50 million. The question of the eventual phase-out of Cyprus will be addressed in the upcoming CPP planned for early 1981.

Cleared with and cc: Mr. Bart (EM2)

cc: Messrs. Stern (VPO), Chaufournier, Dubey (EMNVP), Bachmann (EM2) (o/r),  
Roy, Boonma (EM2)

GPark:as