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ISAD Reference Code: WB IBRD/IDA EXC-09-3957S

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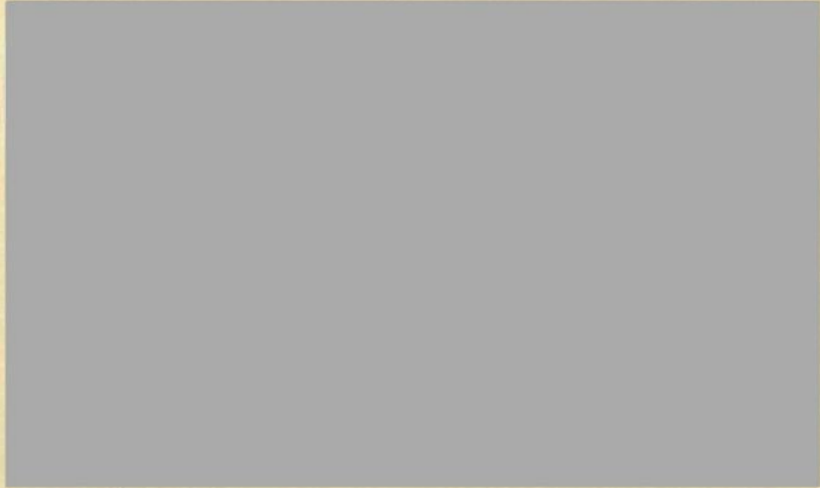


THE WORLD BANK
Washington, D.C.

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Clausen's: General Correspondence (1985 - Sept - Dec) Vol. VII



The World Bank Group
Archives
1629771
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Clausen Papers - General Correspondence - Correspondence 07

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November 14, 1985

Dear Mr. Hammarberg:

Just a note to thank you for your letter and the copy of the Amnesty International Report 1985. It is both a grim reminder of the vast distances we have yet to travel before human rights are assured for all and a fine testament to the important work of your organization. Congratulations! I'll make certain that it receives wide circulation here in the Bank.

Thank you again for writing.

Sincerely,

A. W. Clausen

Mr. Thomas Hammarberg
Secretary General
Amnesty International
International Secretariat
1 Easton Street
London WC1X 8DJ
United Kingdom

bcc: Mr. I. Shihata (w/report)

SBP:VRS

(Log # 1516)

1516



amnesty international

INTERNATIONAL SECRETARIAT
1 Easton Street London WC1X 8DJ
United Kingdom

Our reference: SGO/CMD/gm

Direct line:

Mr A W Clausen
President
The World Bank
1818 H Street, NW
Washington DC 20433
USA

24 October 1985

Dear Mr Clausen

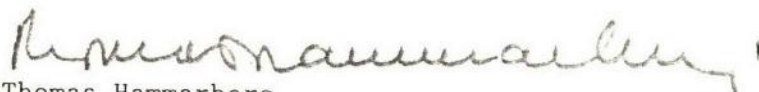
... I enclose for your information a copy of the Amnesty International Report 1985 which describes our organization's work and concerns throughout the world during 1984.

The report documents practices directed against the individual security of the person in over 120 countries in different regions of the world and with diverse economic and social systems. These practices, which include the widespread use of torture, "disappearances", political killings and the incarceration of prisoners of conscience, are in direct violation of the Universal Declaration of Human Rights, the International Covenants on Human Rights and other international human rights instruments which the nations of the world have freely pledged to observe.

As I mentioned in my letter of 22 January, I was grateful for the opportunity to gain a deeper understanding of the work and objectives of the World Bank when we met in November of last year. I was particularly interested to learn of the emphasis the Bank puts on projects that can enhance the well-being of local populations.

I trust that you and your colleagues will find the information we publish, both in the enclosed report and throughout the year, of interest.

Yours sincerely


Thomas Hammarberg
Secretary General



amnesty international

INTERNATIONAL SECRETARIAT
1 Easton Street London WC1X 8DJ
United Kingdom

R1
orig. Mr. Shihata
to handle 1/30

Our reference: CMD/ES/VT

Direct line:

118

Mr. A.W. Clausen
President
The World Bank
1818 H Street, NW
Washington DC 20433
USA

1.30.85
△

22 January 1985

Dear Mr. Clausen,

I was most grateful for the opportunity provided by our meeting of 30 November to present to you and Mr. Shihata the working concerns of Amnesty International and to gain a deeper appreciation and understanding of the work of the World Bank. We understand that the Bank is an institution concerned with promoting and stimulating sound economic development and that its development strategy is to place emphasis on investments that can directly affect the well-being of the masses of poor people of developing countries, by integrating them as active partners in the development process. Amnesty International believes that questions involving the individual security of the person are pertinent to this process. The Bank clearly has an important contribution to make toward ensuring that economic development is consistent with individual security.

I welcomed our discussion regarding an exchange of information. As suggested by Mr. Shihata, arrangements will be made to send copies of Amnesty International publications to the library of the Legal Department for distribution to the relevant Bank staff. We shall, in addition, endeavour to make other Amnesty International country-related information available as appropriate. We are grateful to Mr. Shihata for his undertaking to put us on the mailing list to receive the catalogue of Bank publications. We shall ourselves contact the Bank's Publications Office regarding the relevant subscriptions.

In my letter of 22 November 1984, by which I transmitted the Amnesty International information on specific countries, I mentioned that you might wish to refer these materials to the relevant Bank staff for their study. I noted also in this respect your request of Mr. Shihata to review the

.../2

Mr. A.W. Clausen
22 January 1985

- 2 -

information provided. Any comments which Mr. Shihata or other Bank staff might have would be of interest to us.

With respect to other matters raised during our discussions, such as the violations of rights of Bank employees, please be in touch with me should it seem likely that Amnesty International might, within the limits of its own mandate, be in a position to assist.

We have in fact recently received information regarding the arrest in Laos of Oudone Pholsena whom, I believe, is listed in the Bank's 1984 Annual Report as Bank Governor for the Lao People's Democratic Republic. Appended is a brief summary of the information presently available to Amnesty International. Any additional information you might have which might assist our work on this case would be appreciated. Should other cases arise concerning Bank employees, Margo Picken, Amnesty International's representative to the United Nations, who is also responsible for liaison with international organizations in Washington DC, may be contacted at our UN office (phone: 212-867 8878).

Yours sincerely,



Thomas Hammarberg
Secretary General

enclosure

Our Reference: CMD/ES/VT

Date: 22 January 1985

Information received by Amnesty International

concerning Oudone Pholsena

Oudone Pholsena was reportedly arrested in late November 1984. He was at the time one of the Laotian Government's four Vice-Ministers of Finance, with responsibility for banking affairs. He was also Governor of the World Bank for the Lao People's Democratic Republic. To Amnesty International's knowledge, no charges have been preferred against him. On 19 December 1984, Amnesty International sent a telegram to His Excellency Souphanouvong, Chairman of the People's Supreme Council, asking for information on his case and assurances that he would receive a fair trial.

In the same telegram Amnesty International asked the Laotian Government for information concerning Chanpheng Bounnaphol and assurances that he would receive a fair trial. Chanpheng Bounnaphol was reportedly arrested in early December 1984. He was at the time one of three of the Laotian Government's Vice-Ministers of Trade. To Amnesty International's knowledge, no charges have been preferred against him.

In both cases, Amnesty International's concern is that the persons concerned are being held without charge or trial. Neither Oudone Pholsena nor Chanpheng Bounnaphol has, at this time, been adopted by Amnesty International as a prisoner of conscience.

THE WORLD BANK

ROUTING SLIP

Date
Jan. 27, 1986

OFFICE OF THE PRESIDENT

Name		Room No.
Mr. Steel		E-823
	To Handle	Note and File
	Appropriate Disposition	Prepare Reply
	Approval	Per Our Conversation
	Information	Recommendation

Remarks

David:

Mr. Shihata attended the meeting and had a follow up discussion and he will be able to give you the information you need.

Roy Southworth

From

ROUTING SLIP

DATE: 1/24/86

FROM THE OFFICE OF THE
VICE PRESIDENT, EXTERNAL RELATIONS

NAME

ROOM NO.

Mr. Roy Louthworth E-1227

APPROPRIATE DISPOSITION

NOTE AND RETURN

APPROVAL

NOTE AND SEND ON

X COMMENT

PER OUR CONVERSATION

FOR ACTION

PER YOUR REQUEST

INFORMATION

PREPARE REPLY

INITIAL

RECOMMENDATION

NOTE AND FILE

SIGNATURE

REMARKS:

This was sent to all operations division chiefs and senior economists and I am in touch with Paula Donovan to keep the lid on responses. Do you have the record of Mr. Clarence's meeting with Mr. Hammarberg so we know exactly what was agreed? We would like to keep it to published materials only + not do anything broader. David Steel E-823

FROM:



amnesty international

INTERNATIONAL SECRETARIAT
1 Easton Street London WC1X 8DJ
United Kingdom

HORO/WG

6 December 1985

Devbrat Dutt
Division Chief
Room C 607
The World Bank
1818 H Street NW
Washington DC 24033
USA

Dear Devbrat Dutt

I enclose for your information a copy of the Amnesty International Report 1985 which describes our organization's work and concerns throughout the world during 1984. The report documents human rights violations in over 120 countries in different regions of the world and with diverse economic and social systems.

You will find the entry on Malaysia on page 229.

I am writing to you now following a meeting in November of last year between the Secretary General of Amnesty International, Mr. Thomas Hammarberg, and the President of the World Bank, Mr. A. W. Clausen, where it was agreed to initiate an exchange of published materials between our two organizations. There was a suggestion that with the Bank's emphasis on the well-being of local populations and Amnesty International's emphasis on the security of the person there could be mutual advantage in studying each other's information on different countries.

As you might know, Amnesty International has a limited mandate based on the Universal Declaration of Human Rights. It works for the release of prisoners of conscience - people imprisoned solely for their beliefs, colour, sex, ethnic origin, language or religion who have not used or advocated violence. It also endeavours to ensure fair and prompt trials for political prisoners and an end to torture and executions. In pursuing this mandate Amnesty International is strictly impartial. It neither supports nor opposes any political, social or economic system, nor does it take any position with respect to boycotts or other forms of economic sanction. The organization believes that its own most effective tool to achieve its ends is the collection of reliable information about human rights violations. It seeks to disseminate that information, by campaigning activities and other means, to those in a position to effectuate change, be they government officials, public opinion-makers or others who might have direct influence on governments engaging in human rights violations!



☎ 01-833 1771 Telegrams: Amnesty London WC1 Telex: 28502

Amnesty International is an independent worldwide movement working impartially for the release of all prisoners of conscience, fair and prompt trials for political prisoners and an end to torture and executions. It is funded by donations from its members and supporters throughout the world. It has formal relations with the United Nations, Unesco, the Council of Europe, the Organization of African Unity and the Organization of American States.

Research is central to Amnesty International's entire work. The Research Department of the International Secretariat has a permanent staff of some 100 individuals responsible for the collection and analysis of information relevant to the organization's mandate throughout the world. It keeps comprehensive records of known or possible prisoners of conscience, political prisoners, torture victims and individuals facing the death sentence.

Information is received from many sources, public and private, and is carefully studied and cross-checked. Accuracy and impartiality are the twin principles that guide all Amnesty International's research. Care is taken to distinguish between allegations and facts. Each new piece of information is evaluated and the reliability of the source examined. Before any information can be issued by Amnesty International, it is subject to a series of checks within the International Secretariat to ensure that it conforms to the organization's policies and research standards.

Most of the material Amnesty International produces is country-related and often case-specific. Together with the Annual Report, I am enclosing a selection of recent materials on Malaysia. I should be grateful to know whether you and the Loan Officers concerned find this sort of information useful to your work and whether you would be interested in receiving further such materials in the future. I would welcome any other comments or queries from yourself or your colleagues.

I should mention that I am writing along similar lines to the Senior Economist with the suggestion that our materials be forwarded for the perusal of the Director of your Country Programs Department. You might also be interested to know that other Heads of Region at Amnesty International are making similar approaches to other Division Chiefs within the World Bank.

I look forward to learning of your reaction.

Yours sincerely



Arlette Laduguie
for Head of Asia Region
Research Department
Amnesty International

EXTERNAL

AI Index: ASA 28/03/85

March 1985

Amnesty International
International Secretariat
1 Easton Street
London WC1X 8DJ
United Kingdom

SUMMARY OF AMNESTY INTERNATIONAL'S CONCERNS IN MALAYSIA

Amnesty International continues to be concerned about the longterm detention without trial of about 160 people under the Internal Security Act (ISA) 1960, including a number of prisoners of conscience, and the imposition and carrying out of the death penalty.

On 13 September 1984, the Deputy Prime Minister and Minister of Home Affairs, Datuk Musa Hitam, announced that 168 people were then detained under the ISA, which allows for detention without charge or trial for renewable two-year periods of people whom the government considers a threat to national security. Many of these detainees have been held for long periods. According to another government statement in November 1984, a total of 52 people had been arrested under the ISA in the previous year, but Amnesty International has not been able to obtain full information about these arrests as the names and whereabouts of those arrested are usually not made public.

Amnesty International is working on behalf of about 50 prisoners whose cases it has either taken up for adoption or investigation. Many of these have been imprisoned without trial for long periods. Ma Hong Wan, formerly of the opposition Labour Party, many of whose members were detained in the 1960's, was arrested in August 1971 only shortly after finishing his high school education, and Loo Ming Leong, a former rubber tapper, has been detained since October 1972. Both have been adopted by Amnesty International as prisoners of conscience. They are believed to be held at the Taiping detention camp in Perak state. Wong Yong Huat, a former college student, has been imprisoned since April 1972. At the time of his arrest, he was working on a rubber plantation and studying Chinese language in the evenings. His arrest was reported to have been motivated by suspicion that he might engage in pro-Communist agitation because he had given up full-time studies to become a worker while continuing to study Chinese. He is reported to have been taken on a number of occasions in recent years from detention in Taiping to undisclosed police interrogation centers for up to a year at a time. Another detainee at Taiping, Ng Swee Khwan, whose case Amnesty International has taken up for investigation, has been detained without charge or trial since January 1976, after participating in a strike in the shoe factory where he worked.

Since the transfer of all ISA detainees from Batu Gajah Special Detention Camp in March 1983, most are understood to be held either at Taiping detention camp or at various police stations or "rehabilitation"

centers throughout the country. Conditions in Taiping are reported to be poor, with detainees confined to extremely hot and poorly ventilated cells. Prisoners are reported to be allowed few books and correspondence is restricted to contact with immediate family. Medical care provided at the camp is also reported to be insufficient. According to reports received by Amnesty International some prisoners do not see their families when they visit because the prisoners are not told why they have been summoned to the prison office and, after frequent summonses for interrogation, many prisoners refuse to leave their cells without knowing the reason for the summons. Over thirty prisoners are reportedly held under the ISA in Kawasan 10, a special section of the camp where detainees are reportedly not allowed to mix freely with other prisoners. Amnesty International is currently investigating their cases.

Amnesty International receives persistent reports of prisoners being transferred from regular detention camps to interrogation centers including police stations or so-called "rehabilitation" centers for interrogation. Most detainees in such centers are reportedly held continuously in solitary confinement and denied regular exercise or books. Sanitary facilities are reported to be inadequate and food rations meagre, in some cases leading to health problems for the detainees. The length of times spent in the centers varies, but some detainees are reported to have been held there in solitary confinement for up to three years. Some are subsequently released - often with no explanation - while others are sent back to their detention camp.

One example of a prisoner detained in such an interrogation center is Ng Teo Huan: a former shopkeeper, Ng Teo Huan had been detained without trial since 1972 and adopted by Amnesty International as a prisoner of conscience. He was transferred from Batu Gajah to Johore Baru Special Branch headquarters in September 1982, after which he was reportedly held continuously in solitary confinement. He had suffered from tuberculosis while in Batu Gajah and reportedly continued to complain of poor health. In June 1984 Amnesty International appealed for all necessary medical treatment and for his immediate release. On 11 October 1984, Ng Teo Huan was released, although like other released prisoners, he was placed under certain restrictions on his freedom of movement and association.

Amnesty International is concerned about other cases of prisoners currently detained in interrogation centers or "rehabilitation" centers for interrogation: Yeo Kwee Poh, who has been detained under the ISA for more than 8 years and has reportedly been held in Johore Baru Special Branch headquarters for the last three years in solitary confinement; and Ong Geok Huai (female) who has been detained under the ISA since 1977, reportedly in solitary confinement in Johore Baru Special Branch headquarters since February 1984.

Conflicts between two Malay political parties, the ruling UMNO (United Malays National Organization) and PAS (Partai Islam se Malaysia), a United

fundamentalist Muslim party which appeared to be winning renewed support in the northern states of Malaysia, dominated political debates in the latter part of 1984. This followed the arrest on 10 July 1984 under the ISA of three members of the PAS Youth National Executive Committee, Abu Bakar bin Chik, Mohamad Sabu, and Buniyamin Haji Yaakob. An official statement at the time of their arrest alleged that their activities had been a threat to the nation and that they had been "inciting people to violence and other crimes". While two of them were released in September, Amnesty International is concerned about the continued detention without charge or trial of Abu Bakar bin Chik, particularly as the accusations against him set out in a government White Paper in November 1984 appear to amount to no more than that he had engaged in non-violent criticism of government policy.

The use of the death penalty in Malaysia is of major concern to Amnesty International. During 1984, at least 13 people were executed and 24 others sentenced to death. Five of those executed in 1984 had been convicted of illegal possession of firearms under Section 57(1) of the ISA, for which the death penalty is mandatory. People charged under the ISA are usually tried under special trial procedures known as the Essential (Security Cases) Amendment Regulations, which places the burden of proof on the defence, allows prosecution witnesses to give evidence in camera and provides for trials without juries. Most of the death sentences imposed during 1984 followed convictions for drug trafficking. Amnesty International is concerned that large numbers of prisoners awaiting trial face the imposition of death sentences if convicted. According to a statement made in August 1984 by Deputy Minister of Home Affairs Encik Radzi Sheikh Ahmad, 458 people had been charged between April and July 1984 with drug trafficking under Section 39(B) of the Dangerous Drugs Act 1952, which provided for a mandatory death sentence for that offence. In another statement by the secretary-general of the National Association against Drug Abuse on 12 January 1985, it was reported that a total of 28 people had been hanged and that 70 more were in death row having been convicted of drug offences since the enactment of the Dangerous Drugs (Amendment) Act in 1975.

OFFICE MEMORANDUM

*Mr. Clausen**file**368*

DATE November 15, 1985

TO Files

FROM Ghassan El-Rifai, Division Chief, EM2DC *W*

EXTENSION 32480

SUBJECT Meeting with Mr. Abdlatif Al-Hamad

1. Mr. Abdlatif Al-Hamad, Chairman and Director General of the Arab Fund for Economic and Social Development paid a courtesy call on Mr. Clausen on November 11, 1985. Mr. Wapenhans and myself attended. Following are the major highlights of the meeting:
2. Mr. Clausen asked Mr. Al-Hamad about the new direction and orientation of the Arab Fund under his leadership. Mr. Al-Hamad explained that his predecessor left behind a very well managed institution that placed basic emphasis on infrastructure and more recently on agriculture. He explained that he would like to see the Arab Fund involved in new areas such as human resource development, enhanced computerized literacy in member countries, adult literacy and possibility of starting an open university that could benefit about 100,000 to 150,000 people. In short, Mr. Al-Hamad said they would like to invest more in human infrastructure while obviously they will continue their support to projects in the traditional sectors.
3. Responding to a question by Mr. Clausen as to the relations between the Arab Fund and the World Bank, Mr. Al-Hamad replied that he has noticed a decline in co-financing between the Bank and the Arab Fund in recent years. He indicated that he would like to enhance the level of cooperation not only in cofinancing but in jointly addressing complex economic and social issues facing the Arab Fund member countries. Mr. Clausen agreed that indeed there is a need to join forces in tackling those issues.
4. On Sub-Saharan Africa, Mr. Clausen explained that the Bank's focus has been and will continue to be on maintenance and rehabilitation. Mr. Wapenhans joined to say that these areas are no more limited to Sub-Saharan Africa. We, in EMENA, are also focussing on these areas.
5. Mr. Al-Hamad then moved to speak about Sudan. He informed Mr. Clausen that the Arab Funds had recently met in Riyadh to discuss how they can promptly assist the Sudanese Government in coping with its pressing and complex economic and social issues. Mr. Al-Hamad further explained that these Funds have agreed to immediately start preparing a financial and technical assistance package to assist the Government. On the latter, Mr. Al-Hamad informed Mr. Clausen that an economic technical assistance team, financed on a grant basis by these Funds, will be put at the disposal of the Finance Minister to assist him in the preparation of economic and social programs. Mr. Wapenhans asked whether there would be any rescheduling of the Arab Funds' loans for Sudan and/or any relaxation in the Funds' lending terms. Mr. Al-Hamad replied that there would be no

rescheduling; maybe reprogramming! Or stretching of the repayment and/or grace period. As far as the lending terms are concerned, Mr. Al-Hamad indicated that present terms are already soft and they range from 3 to 4%. He did not think that these would be further relaxed at this point in time.

6. In conclusion Mr. Clausen said that he would like to see the level of cooperation between the Bank and the Arab Fund enhanced and the Bank will make every effort possible to contribute to that. Mr. Al-Hamad assured Mr. Clausen that the management of the Arab Fund also looks forward to a continuation and enhancement of the level of cooperation between the two institutions.

cc: Messrs. Clausen, Stern, Qureshi, Ohuchi, Stoutjesdijk, Picciotto, Lari, Wiehen

Cleared with Mr. Wapenhans

0771S/p.50-51

GEL-Rifai:al

OFFICE MEMORANDUM

349

DATE: November 5, 1985

TO Mr. A. W. Clausen, President
 (through Mr. Ernest Stern, Senior Vice President, Operations) *ES*
 FROM Willi A. Wapenhans, Vice President, EMENA Region *W.A.W.*

EXTENSION 3 2676

SUBJECT: Arab Fund - Visit of Mr. Abdulatif Al-Hamad, Chairman and Director General

1. Mr. Al-Hamad (bio-data attached) will visit you on November 11, 1985 at 2:30 p.m. The meeting will essentially be a courtesy call but may cover general and Bank co-financing issues. Mr. Ghassan El-Rifai and myself will attend the meeting. You may wish to take this opportunity to discuss with Mr. Al-Hamad, the following issues related to co-financing and other matters of mutual interest.

2. Co-financing with Arab/OPEC Financing Agencies. The Arab/OPEC financing agencies have to date, co-financed 288 projects with the Bank, providing about \$4.2 billion in co-financing. Annual account of the co-financed operations between the Bank and these agencies is attached. Because of the continued decline in oil revenues of the Gulf countries, the level of co-financing cooperation between the Bank and the Arab/OPEC financing agencies has declined substantially since 1982. (FY85 level was at \$140.9 million down from a high of \$657.1 million in FY82).

3. The Arab Fund. Established in 1971, the Arab Fund for Economic and Social Development (AFESD) is one of the oldest of the Arab/OPEC financing agencies. Its development assistance is limited to Arab countries, which include several of the poorest countries in Africa (Sudan, Somalia and Mauritania). Its lending in 1986 is expected to be somewhere in the area of 95-100 million Kuwaiti Dinars (\$315-330 million)^{1/}, and is expected to increase by about 20 percent by 1990. The dominant sectors in AFESD lending have been in transportation, water and sewerage and agriculture.

4. Bank Co-financing with the Arab Fund. The involvement of AFESD in the Bank's operations dates back to FY73, only two years after AFESD's establishment. This involvement has averaged around \$53 million (3 projects) each year. Only once in the last 12 years has AFESD not been involved in Bank projects (FY81). Transport, water/sewerage and agriculture have figured largely in AFESD co-financing with the Bank.

Recommended Position. You may wish to mention that co-financing with the Arab Aid Agencies continues to be high on the Bank's agenda and that we look forward to a continuing close cooperation on addressing together the pressing economic challenges facing the various countries in the Arab World, e.g. Morocco, Sudan, Mauritania etc.

5. Technical Cooperation. In the past, the Bank has assisted the Arab Fund through Bank staff secondment, in formulation of operational

^{1/} Not officially confirmed.

procedures and assistance in strengthening AFESD's administrative and personnel departments, and through visits to and training by the Bank of AFESD staff. In addition, the Bank has assisted AFESD in carrying out major economic studies on the needs and resources of Arab countries and status of their development. The Bank continues to provide AFESD with appraisal and supervision information on co-financed projects as well as with other relevant country information.

Recommended Position. You may wish to assure Mr. Al-Hamad of the Bank's continued willingness to assist the Arab Fund in its pursuit of economic and social development in the Arab World. In this respect, you may wish to encourage Arab Fund staff participation in appraisal of future co-financed projects with the World Bank.

Attachments

CGavino/GE1-Rifai:cjd/pah
0555Q p. 84/6

BIOGRAPHICAL INFORMATION

Mr. Abdulatif Al-Hamad, Chairman and Director General, Arab Fund for Economic and Social Development (AFESD)

Mr. Abdulatif Al-Hamad, a Kuwaiti national, replaced Mr. Mohammed Imady as Chairman and Director General of AFESD in FY85. Mr. Al-Hamad studied at the American University in Cairo and holds a bachelors in foreign relations from Claremont College in California (1960). He did graduate work at Harvard University. Mr. Al-Hamad was the Director-General of the Kuwait Fund for Arab Economic Development. He held the position of Minister of Finance in the Kuwait Government from 1981 to 1984. He has also been Chairman of the United Bank of Kuwait, Ltd. (London), and a member of the Board of Kuwait Investment Company, the Arab Fund for Economic and Social Development, and other Arab institutions. Mr. Al-Hamad was a member of the Brandt Commission. In his mid-forties and married, Mr. Al-Hamad speaks excellent English.

July 1985

ARAB/OPEC FINANCING AGENCIES

Co-financing with the World Bank

Summary, FY74-85

	Cum. FY74	FY75	FY76	FY77	FY78	FY79	FY80	FY81	FY82	FY83	FY84	FY85	TOTAL
Abu Dhabi Fund													
Amount (\$'000)	15.9	67.5	1.0	10.0	48.6	—	46.0	16.4	29.4	—	—	—	234.8
No. of Operations	2	3	1	1	4	—	2	2	2	—	—	—	17
BADEA													
Amount (\$'000)	—	—	61.4	42.2	33.8	—	6.0	12.7	16.6	33.4	—	2.8	208.9
No. of Operations	—	—	13	5	6	—	1	2	2	4	—	1	34
Arab Fund													
Amount (\$'000)	51.5	69.4	110.5	147.7	56.0	0.5	58.0	—	46.6	31.3	100.6	14.0	686.1 # 3
No. of Operations	3	4	4	7	2	1	3	—	4	3	5	1	37
Islamic Dev. Bank													
Amount (\$'000)	—	—	—	7.5	17.0	22.1	15.5	6.0	33.0	16.8	—	9.3	127.2
No. of Operations	—	—	—	1	2	2	2	1	3	2	—	1	14
Kuwait Fund													
Amount (\$'000)	105.4	132.8	118.3	119.7	95.4	115.5	69.1	93.5	241.9	77.6	80.2	6.6	1,256.0 # 2
No. of Operations	11	8	10	7	10	8	3	4	9	4	6	1	81
OPEC Fund													
Amount (\$'000)	—	—	—	—	39.3	48.6	49.5	106.3	170.2	18.3	9.0	14.0	455.2
No. of Operations	—	—	—	—	7	8	9	9	15	5	2	4	59
Saudi Fund													
Amount (\$'000)	—	212.0	204.7	69.5	169.0	68.9	160.0	14.5	119.4	36.4	113.3	94.2	1,261.9 # 1
No. of Operations	—	6	7	3	7	2	6	2	3	3	5	3	47
Total													
Amount (\$'000)	172.8	481.7	495.9	396.6	459.1	255.6	404.1	249.4	657.1	213.8	303.1	140.9	4,230.1
No. of Operations	16	21	35	24	38	21	26	20	38	21	18	11	289

COPY

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

November 18, 1985

Dear Messrs. Bowsher and Dye:

It was indeed a pleasure to meet with you and Elmer Staats in September. We are interested in IDI, as in all initiatives designed to improve accounting and auditing in developing countries.

Please be assured that we intend to continue our efforts to improve the effectiveness of Auditors-General--at international and regional levels through collaboration with INTOSAI and its affiliates--and at country level through leading operations for strengthening audit functions.

Should INTOSAI, in its development of IDI, formulate an activity which you feel the Bank could support by its financing mechanisms, please do not hesitate to contact us. Similarly we intend to approach INTOSAI whenever we have a concern or issue on which that organization may be able to advise.

I have asked Maurice Mould, the Financial Adviser in the Projects Policy Department, to keep in touch with you for exchange of information and views. However, please feel free to contact me whenever you think I can be of further assistance.

Sincerely,



A.W. Clausen

Mr. Charles A. Bowsher
Comptroller General
U.S. General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Mr. Kenneth M. Dye
Auditor General of Canada
240 Sparks Street
Ottawa, Canada K1A 0G6

cc: Mr. Elmer Staats

THE WORLD BANK

ROUTING SLIP

Date

Nov. 11, 1985

OFFICE OF THE PRESIDENT

Name

Room No.

~~Mr. Stern~~

E-1241

MR. Husain

XX

To Handle

Note and File

Appropriate Disposition

Prepare Reply

Approval

Per Our Conversation

Information

Recommendation

Remarks

Mould knows all about this

You attended the meeting of Messrs. Statts, Bowsher and Dye with Mr. Clausen.


Roy Southworth

From

1364
AUDITOR GENERAL OF CANADA
240 Sparks Street
Ottawa, Canada K1A 0G6

U.S. COMPTROLLER GENERAL
441 G Street, N.W.
Washington, D.C. 20548

November 6, 1985

Mr. A.W. Clausen
President
The World Bank

Dear Mr. Clausen:

Thank you for receiving Elmer Staats and us to discuss the INTOSAI Development Initiative (IDI). We appreciate having had a few moments of your valuable time.

IDI is taking conceptual shape. We enclose a background memorandum and tentative budget, so that you can appreciate some of the history, objectives and financial implications. *nothing enclosed*

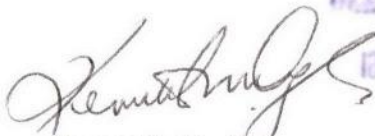
We would like to take this initiative to the INTOSAI Governing Board when the Auditors General hold their triennial Congress next April in Sydney, Australia. We would put before them a plan which will clearly state the objectives of IDI, set out an action plan and provide funding for it. To make this approach, we need to plan resources, financial and human. We believe the need is real and we have a good plan to meet it. The latter item, resources, is obviously why we're writing this letter.

We ask you to give serious thought to ways and means whereby the World Bank can help Auditors General of the world, particularly in developing nations, to be more effective. During our meeting, we had the impression that the Bank might finance well-defined development assistance projects.

We ask you to consider active Bank participation in developing IDI, particularly as it identifies specific programs in which the Bank may find it beneficial to be involved. These could include training needs analyses or training program evaluations, and would be in addition to funding of specific projects which may be defined for the Bank's member countries through IDI activities. If the Bank decides to associate itself with IDI, INTOSAI will regularly inform your staff on its development, particularly on activities which we believe the Bank could consider supporting. Similarly, we hope you would encourage Bank staff to help identify and develop programs and projects which may be appropriate for Bank funding.

Again, many thanks for seeing us. We hope that you can help us get on with these important and effective initiatives.

Cordially yours,



Kenneth M. Dye
Auditor General of Canada



Charles A. Bowsher
Comptroller General

cc: Mr. Staats

Unofficial Translation
LAC Region hja
10/16/85

October 9, 1985

Dr. Virgilio Barco
Calle 85, No. 9-21
Bogota D.E. Colombia

Dear Dr. Barco:

In Mr. Clausen's absence, who is presently in Korea, I would like to acknowledge receipt of your kind letter of October 1, 1985. In view of the very interesting comments made in the letter, I have taken the liberty of forwarding it directly to Seoul for Mr. Clausen's consideration during his meetings with the different financial authorities.

I would also like to take this opportunity to elaborate on the different aspects you mentioned, especially those relating to the more preponderant catalytic role of the World Bank in mobilizing external resources; this subject has been supported recently by the Bank in a relatively small but growing number of cases. Among the examples worth mentioning is the program of support for Colombia in which the Bank has more than doubled its disbursements to more than US\$600 million, and commitments by 50%, or about US\$700 million, during the fiscal year that just ended. This program, which included a loan for export development, served as the basis for the financing of US\$1 billion, arrangements for which are being finalized through international commercial banks. I have asked Mr. Schloss, Chief, Colombia Division, who will be in Colombia next week, or Mr. Hoppenbrouwer, Resident Representative in Bogota, to visit you at your convenience, to discuss this matter with you.

In thanking you again for your kind comments, I remain,

Cordially yours,

Suitbertus van der Meer
Acting Vice President
Latin America and the Caribbean
Regional Office

Virgilio Barco

Bogota, October 1, 1985

Mr. A. W. Clausen
President, World Bank
Washington, D.C.

Dear Mr. Clausen:

Since I shall not be attending the Annual Meetings of the World Bank and the International Monetary Fund this year in Seoul, in my capacities as a former Executive Director of the Bank and as a candidate for the presidency of the Republic of Colombia, a member country and founder of both institutions, I should like to put before you and others attending that important event a number of considerations on problems which command worldwide attention today and will surely be the focus of the discussions in Seoul.

Solution of these problems is essential to the future, sustained well-being of the developing nations and to creation and consolidation of a new international economic order based partly on the Bretton Woods institutions but capable of contracting situations and needs different from those prevailing at the time of their creation.

Undeniably, the world is currently experiencing a degree of uncertainty and misfortune that tests the capacity not only of all countries, but also of the structures and institutions forming the international financial system, to overcome the present crisis and bring in an era of general prosperity as the end of the twentieth century approaches.

It is clear from the many meticulous, detailed studies carried out by the professional staff of both institutions, and from the statements made by their Executive Directors, Governors and other member-country officials, that the World Bank and the International Monetary Fund, and through them the world at large, are well aware of the difficulties afflicting so many countries.

They are overwhelmed by external debt-service obligations, lack of vigorous international trade, austerity programs requiring complex social management, extremely low levels of investment and saving, high inflation rates that constantly erode the purchasing power of the neediest, severe unemployment and underemployment in both urban and rural areas, and the

uninterrupted outflow of foreign exchange toward centers promising greater security and higher returns.

With inevitable distress at the magnitude of the obstacles to be overcome, these nations look to multilateral institutions like the Bank and the Fund to engage in constructive debate and take decisions that will prove valid over the long term. All too often, the policies adopted are short-term and of limited scope, and turn into mere stopgap measures that distract attention from the need for durable solutions.

All sectors of the international financial community -- debtor and creditor countries, international lending and development agencies, and the international private banking system -- have a responsibility, within their particular jurisdictions, to promote and support agreements focused on eradicating the obstacles that stand in the way of general growth and development.

The interdependent character of the present-day world calls for a sound financial system that will give rise to an economically and socially more promising future where the autonomy and freedom of all countries to determine their own forms of political and administrative organization will be respected.

Agencies like the Bank and the Fund can serve as integrators and catalysts for such a system. However, if it is to become a reality, they must to some extent adjust their policies, programs and resource bases, since there are already signs of cracks which, unless repaired, will undermine their importance and let in doubts regarding their capacity to respond to the most pressing problems and needs of their member countries.

I certainly recognize how much both agencies have achieved since they were created, often in times of great difficulty. In particular, the World Bank has been called upon to devise new programs and forms of financing in response to the crisis of recent years. Its acceleration of loan disbursement procedures, allocation of a higher proportion of available resources to cofinancing programs with private lenders, and introduction of loans and guarantees in support of member-country sector policies and structural adjustment programs are all measures that have proved worthwhile and merit the widest support for giving the Bank flexibility of action when it is most necessary.

Bank concern with these matters, my dear Mr. Clausen, is reflected in the proposal now before the Board of Governors for the creation of the Multilateral Investment Guarantee Agency, a facility designed to foster transfers of capital and technology to the developing world by providing guarantees and insurance for foreign investment there.

Nevertheless, I note with concern that the Bank's loan commitments for the fiscal year just ended (1985), far from increasing, as should be the case in these times of crisis and misfortune, declined. If its 1983 lending operations are taken at constant prices, the decline is seen to have been 14% in 1984 and 20% in 1985.

More serious still, examination of the Bank's recently published Annual Report shows, with regard to its 1985 lending operations, that if real disbursements and principal and interest payments from borrower countries are offset against one another, the net transfer of resources proves to have been only 34% of an already low volume of lending.

Regarding the International Monetary Fund, today the backbone of the monetary system, it seems to me that a somewhat limited interpretation is being made of its original mandate to foster balanced and sustained growth of the world economy by means of a stable exchange rate system, anti-inflationary policies and use of its resources to support the long-term needs of its member countries.

It is extremely limiting to attempt to confine solution of the structural problems that affect most countries to restoring the equilibrium that should exist in their balances of payments. As pointed out by the Group of 24 in a recent document, "The Functioning and Improvement of the International Monetary System," prepared for consideration in Seoul, the central concern of the Fund should be to achieve balanced growth in international trade accompanied by high levels of employment, income, savings and investment in member countries.

The emerging restrictions on access to the Fund's resources are signs that some countries wish to limit its role by giving its programs an eminently transitory character. Restriction of the resources available for determining country quotas and gradual reduction of the Extended Fund Facility, created in 1981, are regressive policies which damage relations between the Fund and its numerous member countries in need of resources to get them through their periodic difficulties.

Analysis of recent Fund loans to countries prepared to undertake "structural adjustments," as well as disbursement projections based on the restrictions now being applied, reveal that in 1985 there will be virtually no net transfer of resources from the Fund to the developing countries, and that, from 1986 onward, transfer will be in the opposite direction, namely, from the developing countries to the Fund.

That being so, the best efforts of all interested parties should go to making certain that the International Monetary Fund is supplied with ample and sufficient resources. But, above all, they should go to ensuring that the Fund adopts a global vision of the world economy so that those countries less favored with the fruits of economic development receive preferential consideration and treatment and participate in the distribution of prosperity in accordance with the needs of their inhabitants.

The reason I find the shortcomings I have enumerated disquieting is that I regard the Fund as having a preeminent role in coordinating policy among its member countries and in consolidating the development of a stable, dynamic and flexible monetary system capable of confronting and solving problems as they present themselves.

Likewise, it is the Fund's job to provide balanced surveillance or monitoring to ensure that all components of the system, and not only the

weakest, behave in a manner consistent with the global interests of member countries. If surveillance or monitoring is limited to proposing austerity and adjustment programs for debtor countries, as has been the case recently, there exists a danger the Fund will come to be regarded as a kind of "supranational police agency" expected to make certain that these countries "behave properly" by "tightening their belts" and devoting the largest possible part of their resources to external debt servicing.

Let us hope that by taking a broader view of its mandate and supervisory responsibility the Fund will seek and find effective ways to influence policy formulation and implementation not only in the developing world but also in the industrialized nations, whose decisions have such impact on resource transfer, international trade, interest rates, exchange policies, inflation indicators and consumption levels, saving, and public and private investment. It is there the Fund will discover the foundations for the kind of balanced, fair monitoring that would foster complementary financial relationships among the various components of the international monetary system.

Through bilateral consultations, especially those envisaged in Article IV of its By-Laws, the Fund could well evaluate and give formal opinions on industrialized country policies and their impact on the rest of the world. An important contribution, this would help create circumstances likely to increase the coherence of those policies, especially as regards public expenditure and measures to revitalize markets by opening them more to the kind of international trade that stimulates larger flows of funds, credit and investment toward the developing nations.

Only in this way will we manage to rectify the imbalances now affecting so many countries and overcome the inconsistencies of the present financial order.

It is very clear from the various reports and other material circulating in connection with the forthcoming Annual General Meetings what tremendous sacrifices numerous countries in Latin America, Asia and Africa have had to make to meet their international obligations as best they can.

The "adjustment" programs set under way on the advice of the Fund have produced significant reductions in balance of payments disequilibria and have moderated external debt growth. But the achievement has rested on recessionary policies that have led to extremely high unemployment and inflation levels and extremely low rates of investment and both individual and collective saving in the countries affected.

A case in point is the decapitalization of Latin America, which, in the course of the crisis and as a result of its external debt problems, has been converted into a net exporter of capital (US\$30 billion in 1983 and US\$27 billion in 1984), to the detriment of its inhabitants' standard of living, which has declined by 10%.

The export success achieved by some countries in the region as a result of strenuous efforts, which have led to massive devaluations and high inflation, has failed to produce significant increases in investment and saving, since the major part of the benefits obtained have had to be channeled

into servicing the external debt. It is in this manner that many of its "shareholders," the citizens of the developing countries, have supported the stability of the international monetary system.

Even the progress achieved with exports in 1984 has uncertain prospects for the future, given the slackening rate of growth in the United States, that country's large government deficit, and the lack of audacity on the part of major markets in Europe and Japan in opening their doors, widely, to exports from the developing world.

The agreement signed recently in New York by the five major industrial powers to reduce the price of the dollar is a step in the right direction if it helps increase world trade and reduce protectionist pressure in the United States, and if it also means that Japan and the European Economic Community adopt trade policies that discriminate less against developing country exports.

It is these factors I have had in mind when I have emphasized publicly on various occasions that, if the world is to emerge from its present stagnation and advance in balanced and dynamic fashion toward the achievement of higher standards of living, then the kinds of agreement and plan it requires must be novel and inspired.

In a document I forwarded on July 26 of this year to the President of Cuba, Dr. Fidel Castro, when presenting my excuses for being unable to attend the meeting he convened in Havana to examine the question of Latin American and Caribbean external debt, I suggested that what was required in addition to action and ongoing dialogue between countries was more direct involvement on the part of multilateral lending institutions like the World Bank and the Inter-American Development Bank in solving the problems created by the excessive external debt incurred by many of the countries in the region. I should like to quote from that document:

"In my view, the balances of these agencies have been under-utilized. That fact, added to their ready access to long-term funds on world capital markets and to arrangements coordinated with the international private banking system, should make possible new forms of "recycling" that would restore the operational capacity of the financial system and, in particular, its importance to our countries. Such new methods might well provide us with means of financing not only urgent projects and programs focused on our most disadvantaged population groups, but also others focused on effective transfer of the technology that would enable our countries to generate and multiply highly productive and adequately remunerated job opportunities."

If one accepts that the World Bank's subscribed capital, US\$58.846 billion, constitutes its real equity base, one realizes it is ten times greater than the primary capital of the largest bank in the world. In March 1985, however, whereas the group of nine leading U.S. banks held financial claims equivalent to 214% of their primary capital in developing countries, the same figure for the World Bank was in the vicinity of 70%.

Both ratios appear to me to be extreme. International private banking risk is unduly concentrated, for reasons and circumstances already well known to all of us. As for the World Bank and agencies like the various regional development banks (Inter-American, Asian and African), their operations have remained somewhat restricted by political considerations or the requirements of their By-Laws.

It would be advisable, in my opinion, to examine the various possibilities that might allow more flexible and creative management of the balances of the multilateral lending and development banks, especially in connection with possible provision of guarantees and special issues of "external debt bonds."

Such bonds would be radically different from those such agencies use on world financial markets today to finance their operations. They would be designed to bring in new forms of recycling that would enable debtor countries to alleviate their financial burdens, extend maturities and rely on adequate external resource flows for the complementary financing of their development and growth.

This would revive debtor country hopes of a more dignified future in which absolute poverty can be eradicated and an equitable distribution achieved of the benefits to be expected from more vigorous trade between countries, higher levels of saving and investment, and exchange policy stability. All this should be under Fund auspices, so that economic and financial orthodoxy may apply to all equally, without odious distinctions between countries which need its resources and countries which do not.

Special responsibility for the international adjustments process falls on the United States, given the size and worldwide impact of its economy. There is unanimous agreement that benefits for all would accrue from a drastic reduction in its gigantic government deficit. The present Administration, with all its prestige and influence, should devote itself unreservedly to this urgent task, hand in hand with the most progressive segments of the Congress. In the same vein, the Administration should encourage active participation by the private banks not only in rescheduling the existing debt but also in new transfers of capital, either through support for trade, in the form of credits or interbank lines, or for projects, in the form of cofinancing programs resembling those of the World Bank.

Unfortunately, the degree to which United States private banks are harassed by the regulatory authorities to effect constant increases in the reserves backing their international assets can only undermine their interest in financing international development -- at a time, moreover, when there is most need for the resources and transfers that private banks, not only in the United States but in the world as a whole, can channel and promote.

In short, in my view, benefits for all and concrete progress toward the establishment of a new international economic order can be achieved through new agreements on a quite short list of topics: an enduring structural solution to the problem of the external indebtedness of numerous developing countries; preferential access for developing country commodities, manufactures and services to the markets of the industrialized nations;

incentives for saving and both domestic and foreign investment in the developing countries; and stimulation in the developing countries of securities markets which would facilitate the channeling of increasing volumes of public and private savings toward the priority sectors of their economies. All these steps are viable, in an international context coordinated in a generous and balanced manner by the Fund and with support from the multilateral lending and development agencies.

After three years of austerity and adjustment in an environment of economic stagnation, the moment has now arrived to search for a way out of the crisis through growth reflected in increased productivity, employment and real incomes. One fundamental component will certainly be a disciplined effort on the part of the developing countries, but another will be concerted action on the part of the international financial community and, within it, the assumption of a leadership role in this hemisphere by the World Bank and the Inter-American Development Bank.

As I noted in my earlier communication to the President of Cuba, prudent external debt management in the past has enabled Colombia to keep its external obligations current. Nonetheless, the seriousness of the crisis in the rest of Latin America has prompted me to send you these reflections. This may well be the ideal moment to adopt an international strategy of growth as a constructive response to the external debt situation, provided action is taken energetically and without delay.

Thank you.

Yours truly,

/s/ Virgilio Barco

Brief
Mr. Clausen's Visit with Mr. Hannes Androsch, Chairman
Creditanstalt - Bankverein
November 20, 1985

+4:00 P.M.



Creditanstalt-Bankverein:

Creditanstalt-Bankverein, headquartered in Vienna, is the largest private Austrian commercial bank with assets totaling Austrian Schillings 346.2 billion (\$18.8 billion). Capital, reserves and subordinated debt amount to 7% of assets. Creditanstalt-Bankverein maintains a presence in both Austrian and international capital markets and in the first six months of 1985, was a member of the management group for about 70 Eurobond issues. Creditanstalt-Bankverein has branches in New York and London, and representative offices in Budapest, Buenos Aires and Dubai. It is a member of the CA Banking Group, and has interests in a number of affiliated banks and companies. (See Attachment I)

IBRD Banking Relationships with Creditanstalt-Bankverein:

1. Deposits:

The IBRD made deposits with Creditanstalt-Bankverein in 1979-1980. Since 1980 the Bank has not had any deposits with Creditanstalt-Bankverein. There are two reasons for this. Firstly, in May 1980, IBRD established an interest bearing account with the Austrian central bank (Nationalbank) earning a market rate of interest. This account is now used to the exclusion of all others in Austrian commercial banks. Secondly, borrowings in Austrian Schilling are always swapped: The Nationalbank requires the proceeds of all AS borrowings to be swapped because of their concern over capital outflows arising from foreign entities tapping their market. As a result, the IBRD's balances in Austrian schillings are typically very low. Creditanstalt-Bankverein, however, remains on the list of eligible banks for investment purposes.

2. Borrowings:

Creditanstalt-Bankverein has lead-managed four issues for the Bank:

- AS 1 billion; public bond issue 1980-1990
- AS 600 million; public bond issue 1982-1992
- AS 100 million; private placement 1982-1992
- AS 900 million; public bond issue 1984-1994

No issues with Creditanstalt-Bankverein are planned in the near future, as IBRD is targeting its borrowing at cooperative sector and savings banks.

3. Cofinancing:

The IBRD has cofinanced with Creditanstalt-Bankverein on four occasions: two B-loans since 1984 and two parallel financings under the old-style cofinancing. (See table below) An official cofinancing framework agreement was drafted in July and was signed at the Annual Meetings in Seoul on October 5, by the Finance Minister, Mr. Vranitzky. This agreement includes a recognition by the Austrian authorities that commercial loans cofinanced with the IBRD are high quality assets that deserve special consideration under prudential regulations and guidelines.

Cofinancing with Creditanstalt-Bankverein

			<u>\$ million</u>
B-loans:	1984 - Columbia	Power Development Finance	4.0
	1985 - Hungary	Integrated Livestock)	
		Fine Chemicals)	6.5
		Transport)	
Parallel Financings	1979 - Rumania	Livestock II	1.0
	1980 - Yugoslavia	Highways II	<u>1.0</u>
	TOTAL:		\$12.5 mil.

Austrian Economy

Austria's economic performance is better than the West European average. According to the latest OECD report, increased demand for exports and internal consumption may lead to over 3% real GNP growth in 1985, following growth of 2.2% in 1984. The unemployment rate - according to the Vienna Economic Research Institute (Wilfo) - may rise to 4.7% or 4.8% in 1985, compared to 4.5% in 1984 and to an 11% average for Western Europe. The annual inflation rate, which averaged 5.7% in 1984, should remain in the 3.5% to 4% range during 1985. Nevertheless, persistent structural weakness of Austrian industry and the budget deficit (4.5% of GDP in 1984 after 4.75% in 1983) will need further improvement.

Personal: See attached Biography.

Biographical Information

Dr. Hannes ANDROSCH
Chairman, Creditanstalt Bankverein

Experience

- 1981-Present - Chairman, Creditanstalt Bankverein (previously Deputy Chairman)
- 1976-81 - Vice Chancellor (Chairman of the OECD Committee at Ministerial Level in 1979)
- 1970-81 - Minister of Finance (Chairman of the Interim Committee of the IMF in 1980)
- 1967 - Elected to the National Assembly
- 1963-66 - Advisor on Economic Issues to the Social Democratic Party's Upper and Lower House Caucus. Subsequently, consultant to the Social Democratic Party's Lower House Caucus
- 1956-66 - Self employed Certified Auditor and Tax Consultant

Education

Doctorate from University of Economics and Business Administration (thesis on investment planning)

Personal

Born on April 18, 1938.
Married, with two children.

November 1985

Creditanstalt-Bankverein

Head Office: Vienna 1, Schottengasse 6

87 Branches in Vienna and
71 in the Federal Provinces
Foreign Branches: London, New York
Representative Offices: Budapest, Buenos Aires, Dubai

CA Banking Group

Creditanstalt-Bankverein, Vienna
Bank für Oberösterreich und Salzburg, Linz
Bank für Kärnten und Steiermark AG, Klagenfurt
Bank für Tirol und Vorarlberg AG, Innsbruck
AVA-Bank GmbH, Vienna

Other Affiliated Banks and Companies

Adria Bank AG, Vienna
ALAG Anlagen Leasing Gesellschaft mbH, Vienna
AWT International Trade and Finance Corp., Vienna
Bankhaus Brull & Kallmus AG, Vienna
CA-3 Banken Beteiligungsfonds AG, Vienna
Eurocard Austria Kreditkarten-GmbH, Vienna
Factor-Bank GmbH, Vienna
Investkredit Holding GmbH, Vienna
"KB" Beteiligungs- und Verwaltungsgesellschaft mbH, Vienna
OKAG Vermögensverwaltungsgesellschaft mbH, Vienna
Österreichische Hotel- und Fremdenverkehrs-Treuhand-
gesellschaft mbH, Vienna
Österreichische Investment-Gesellschaft mbH, Vienna
Österreichische Leasing GmbH, Vienna
Österreichische Verkehrskreditbank AG, Vienna
Bausparkasse Gemeinschaft der Freunde Wüstenrot
gem. reg. Gen.m.b.H., Salzburg

Participations in Foreign Banks and Companies other than EBIC Group

Associated European Capital Corporation (AE Capital), New York
Banco Bradesco de Investimento S. A., São Paulo
Central-European International Bank Ltd. (CIB), Budapest
Wirtschafts- und Privatbank (WPZ), Zurich

EBIC Group

Partner Banks:

Amsterdam-Rotterdam Bank N. V., Amsterdam
Banca Commerciale Italiana, Milan
Creditanstalt-Bankverein, Vienna
Deutsche Bank AG, Frankfurt
Generale Bank, Brussels
Midland Bank plc, London
Société Générale, Paris

Joint Ventures:

European American Bancorp, New York
European Arab Banks in Bahrain, Brussels, Frankfurt and London
European Asian Bank AG, Hamburg
Banque Européenne de Crédit S. A., Brussels

Management Company:

European Banks' International Company S. A. (EBIC S. A.), Brussels

September 20, 1985

The Honorable
Karl Ahrens
President
Council of Europe
F 67006 Strasbourg Cedex

Dear Mr. Ahrens:

I have received your letter of September 5 concerning the follow-up to the Lisbon Conference on Europe and North-South relations, and the attached report of the Honorable Representatives Aarts and Holtz of the Parliamentary Committee on Economic Affairs and Development. The World Bank did participate in the Conference and presented a paper. We have a lively interest in knowing about the Conference's continuing impact on policy-making.

Therefore, it is most gratifying to note that the European Council has resolved to urge the member states to take steps to strengthen public understanding in Europe of the issues of interdependence and global survival. This would facilitate the task of governments that might wish to take courageous and innovative measures to assist Third World countries.

I have noted that special debates are planned in 1986 on (a) the hunger crisis in Africa and malnutrition elsewhere in the world and (b) external debt and development assistance to non-oil producing developing countries. We will follow these debates with great interest. As in the past, we will be prepared

Mr. Karl Ahrens

-2-

September 20, 1985

to present to the Committee the Bank's analysis of development issues and to provide other information on Bank policies and operations the Committee might wish to have. Mr. Maurice Bart, Director of the Bank's European Office, is familiar with the Committee's activities. He and his staff will be happy to continue to cooperate with the Committee.

With kind regards and best wishes for the fulfillment of your important task.

Sincerely,



A. W. Clausen
President

cc: Messrs. Southworth (EXC), Bart (EURO), Riley (IRD)

VMASONI: ka

REF: 1267

THE WORLD BANK

ROUTING SLIP	Date Sept. 13, 1985
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OFFICE OF THE PRESIDENT

Name	Room No.
Mr. Botafogo	E-823
<i>B. Botafogo</i>	
<i>VM</i>	

<input checked="" type="checkbox"/> To Handle	Note and File
<input type="checkbox"/> Appropriate Disposition	Prepare Reply
<input type="checkbox"/> Approval	Per Our Conversation
<input type="checkbox"/> Information	Recommendation

Remarks

-

Roy Southworth

From

1267

Conseil de l'Europe
Assemblée Parlementaire

Le Président

Strasbourg, le 5 septembre 1985

Monsieur le Président,

Au cours de sa réunion du 4 juillet 1985 à Hambourg, la Commission permanente, agissant au nom de l'Assemblée parlementaire du Conseil de l'Europe, a notamment débattu d'un rapport sur les suites données à la Conférence "Nord-Sud : le rôle de l'Europe" (9-11 avril 1984), présenté par la Commission des questions économiques et du développement.

A la suite de ce débat, la Commission permanente a adopté la Résolution 843 (1985) dont j'ai le plaisir de vous faire parvenir le texte ci-joint, ainsi que le rapport sur lequel elle se fondait (Doc. 5424).

Veillez agréer, Monsieur le Président, l'assurance de ma haute considération.



Karl AHRENS

Monsieur Alden W. CLAUSEN
Président de la
Banque Mondiale
1818 H Street NW
WASHINGTON DC 20433
USA

RECEIVED

1985 SEP 12 PM 6:12

RECEIVED


November 15, 1985

Dear Mr. Blackwelder:

Thank you for your letter regarding World Bank involvement in the Sardar Sarovar Dam project in India. We appreciate your concern about the possible future consequences of such a project, and we share that concern.

As you are aware, our policy is to refer letters such as yours to the Executive Director representing U. S. interests on the Bank's Board. Therefore, I am asking Hugh Foster, the acting U. S. Executive Director, to consult with our Southeast Asia region and to get in touch with you regarding the points you have raised. Thank you again for writing.

Sincerely,



A. W. Clausen

Mr. Brent Blackwelder
Director
International Resources
Environmental Policy Institute
218 D Street, S. E.
Washington, D. C. 20003

cc: Mr. Hugh Foster
Acting U. S. Executive Director

✓ bcc: Mr. Stern
Mr. Hopper

MH

ENVIRONMENTAL POLICY INSTITUTE

1351
November 6, 1985

A.W. Clausen
President
The World Bank
Washington, D.C.

Dear President Clausen:

The Environmental Policy Institute is writing to you about the pending loan for the Sardar Sarovar Dam, part of the Narmada Project in India. We urge that you take every step to halt further World Bank contributions to this project for the following reasons.

First, the terms of the loan agreement do not provide adequate protection for tribal people. The Narmada Project as a whole is estimated to involve the relocation of over 200,000 individuals.

Second, this is exactly the sort of big dam project which has caused concern to conservation organizations throughout the world. The U.S. Congress, through its Appropriations Committees, has urged the World Bank to shift away from large-scale projects which inevitably have adverse social and environmental consequences and into smaller scale projects. The Sardar Sarovar Dam is the antithesis of appropriate technology. It is a disaster in the making. The World Bank is in a crucial position now to affect the outcome of this Project.

In the judgment of the Environmental Policy Institute, funding this sort of project is the worst conceivable way to assist the poor people of the world. Furthermore, this project exhibits all the characteristics of large-scale projects built in previous decades with severe social, health, and environmental consequences. Thus, rather than helping the poor, the Narmada Project will make their plight worse.

Sincerely,



Brent Blackwelder
Director
International Resources

cc: Senator Kasten
Congressman Obey
Secretary Baker

September 11, 1985

Dear Mr. Bull:

Thank you for your recent letter concerning the three-year work program of the Environment Liaison Centre. Your efforts in the environmental field are commendable, and of keen interest to The World Bank. The environmental aspects of Bank projects have long been an important element in our project design. We are also increasingly aware of the critical link between development and environmental preservation.

I have noted your request for financial support for the ELC's work program. The Bank has currently under consideration a request for a grant for the ELC's Small Grants Program, following discussions with your fund-raising consultant in the United States, Ms. Mary-Ann Eriksen. The scale of Bank assistance under our grants program is, however, quite modest, given our budgetary constraints. We hope that a small grant for a specific aspect of the ELC program will make a contribution to its overall objective.

I have forwarded your background literature to our Environmental Adviser, Dr. James A. Lee. Should the opportunity arise, Mr. Leakey or Ms. Eriksen should feel free to arrange a meeting with him to discuss issues of mutual concern in the fields of environment and development.

Thank you again for writing. I would like to wish the ELC every success in its efforts.

Sincerely,



(Signed) A. W. Clausen

Mr. David Bull
Executive Officer
Environment Liaison Centre
P.O. Box 72461
Nairobi, Kenya

xc: Mr. James A. Lee, PPD

KMartin/DRClarke/



Environment Liaison Centre, ELC
Centre de liaison pour l'environnement, CLE
Centro de Enlace para el Medio Ambiente, CEMA

P.O. Box 72461
Nairobi, Kenya
Cables: ENVICENTRE
Tel: 24770
Telex 23240 ENVICENTE

106-2
27 August, 1985.

Mr. A.W. Clausen,
President
The World Bank
1818, H Street, N.W.
Washington DC 20433
USA.

Dear Mr. Clausen,

I am writing to you personally at the suggestion of Maurice Strong, Director of the Office of Emergency Operations for Africa. Dr. Strong is very familiar with the work of the Environment Liaison Centre since his time as Executive Director of UNEP. ELC has now formulated an ambitious three-year programme aimed at strengthening the effectiveness and capacity of non-governmental organisations in developing countries. Our programme emerges from the perspective of the present crisis in Africa and seeks to mobilize the potential of indigenous NGOs for reconstruction and long-term development, giving full consideration to the crucial environmental aspects of the development process.

NGOs have a very good reputation for effective development work, but are also plagued by severe constraints, not least their unfulfilled need for technical and administrative skills, information, contacts with others and, often, very small financial inputs. Our programme aims to overcome these constraints and release the full potential of NGOs for development. This is an approach which will be catalytic in producing results at the field level far in excess of the relatively moderate investments required.

We are hoping for some financial support from UNDP to supplement existing funds from UNEP and others. Yet, for the full implementation of our programme, we are still seeking funds in the region of one million US dollars per year, initially during 1986 and 1987. I hope that you will give our programme your personal consideration and, ultimately, support.

Please find enclosed the following:

- "NGOs, Sustainable Development and the Africa Crisis: an introduction to the three year programme of the Environment Liaison Centre, Nairobi, Kenya."
- "Working Together for Sustainable Development: Building NGO Networks and Capacities: the programme of the Environment Liaison Centre, April 1985 - March 1988"

Mr. Richard Leakey, Director of National Museums of Kenya, is the Chairman of ELC's Executive Committee. He is frequently in the United States and I hope that a meeting can be arranged between

....2/

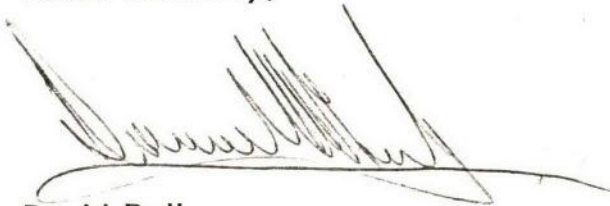


Mr. Leakey and yourself to further discuss our programme. I will contact you again when we have the dates of Mr. Leakey's next visit to Washington. I am copying this letter also to Ms. Mary-Ann Eriksen, who is ELC's fundraising consultant in the United States. She may perhaps contact you directly on our behalf.

In the meantime, I hope that you will be able to find the time to review our proposal, at least by reading the seven page introductory document.

I thank you for your consideration, and look forward to your response.

Yours sincerely,



David Bull,
Executive Officer.

cc. Richard Leakey
(Vice Chairman of the ELC Board of Directors)
P.O. Box 40658
Nairobi.

Mary Ann-Eriksen
P.O. Box 169
Washington, Connecticut 06793
USA.

DB/MJN

100 216 - 0 101 5: 04

FRANK A. SOUTHARD

APT. 606W
4620 N. PARK AVENUE
CHEVY CHASE, MD 20815

5

473-8834

(IMF -12-401)

The projected appointment with
Mr. Clausen will include:

MR. TOM RICHARDS, retired business man,
former President, American Horticultural
Society.

MRS. TERRY B. MORTON, U.S. Chairman,
International Council on Monuments and
Sites (ICOMOS)

Possible times - any afternoon, Nov. 14-21,
except Nov. 18

OFFICE MEMORANDUM

DATE: November 15, 1985

TO: Mr. A. W. Clausen
THROUGH: Mr. S. Shahid Husain, OPSVP & Mr. Ernest Stern, SVPOP
FROM: Aklilu Habte, Director, EDT *Aklilu Habte*

OK

EXTENSION: 6-1956

SUBJECT: Visit of Ms. Terry Morton and Mr. Thomas Richards, November 20, 1985.

Your visitors, Ms. Terry Morton, Chair of US/International Council on Monuments and Sites (ICOMOS) and Mr. Thomas Richards, an environmental and historic preservation consultant (resumes attached) will wish to talk to you about ICOMOS work and to get better acquainted with the Bank's work in environmental matters and related fields.

ICOMOS, an alliance for the study and conservation of historic monuments, buildings, and districts was founded in 1965 and maintains its international secretariat in Paris. US/ICOMOS, in association with the National Park Service, carries out World Heritage programs in the U.S. It also cooperates in programs of mutual interest with the National Trust for Historic Preservation, the Advisory Council on Historic Preservation, the U.S. Information Agency and the U.S. Department of State. US/ICOMOS has a membership of more than 500 organizations, libraries and individuals. This U.S. service organization sponsors education programs, international conferences, an international Documentation Center, and "World Heritage Day" each April.

ICOMOS has worked closely with Unesco, qualifying as one of its international non-governmental organizations (category A since 1970 - a consultative and associate relations with Unesco). Thus, it collaborates with Unesco in expanding those of its own activities which are of special interest to Unesco. It contributed in many different ways to the planning and execution of Unesco's program concerning the protection of immovable cultural property. It has provided basic documentation, carried out technical studies and reports, contributed to Unesco publications, organized meetings on behalf of Unesco, and provided technical assistance. ICOMOS receives a financial grant from Unesco in the form of subventions, which in 1982 amounted to about \$30,000 (out of a budget of about \$400,000; \$300,000 from contract fees, \$70,000 from others).

We understand Ms. Morton has had contact with Mr. James Lee of PPD and his associates regarding the Bank's ongoing effort to preserve archeological sites and property in World Bank projects. Thus far, twenty-nine Bank projects in twenty countries (list of relevant projects attached) have cultural property components. These are designed to preserve historic monuments and sites which would otherwise be destroyed by development projects, or are part of tourism projects. Such projects are: the Murchison Falls Power Project in Uganda, which has been deferred to preserve the Murchison Falls, a powerful 130 foot cascade on the Nile;

November 15, 1985

the Highlands Water Project in Lesotho, where, after archeological studies have been completed, cave paintings, middens, rock shelters, and fossilized dinosaur footprints will be salvaged and protected during construction of reservoirs and tunnels; and the Petite Cote Tourism Project in Senegal, which will restore the 17th and 18th Century colonial buildings, streets, and ferry landings of Goree Island, a centre of West African and American slave trading.

Ms. Morton is expected to brief you about the ICOMOS 8th General Assembly and Symposium to be held in Washington, D.C. on October 7-15, 1987. This will be the first time this event has been held outside Europe. It will be cohosted by the National Park Service and the National Trust for Historic Preservation and the 600 delegates will be studying issues, problems and solutions around the world under the conference theme of "Old Cultures in New Worlds."

It was announced on November 1st that Stephen S. Halsey, President of the American Express Foundation, has been appointed Chairman of the National Advisory Committee for the General Assembly.

We understand ICOMOS is seeking "Cosponsorship" by many other organizations for fundraising, tours, meeting space, receptions, volunteers, information dissemination, brochures and publications, and translations. It is probable that the Bank will be asked to assist with publishing brochures and other publications, providing meeting or reception space, providing translation services (French, Spanish and Russian)--all at little or no cost--and encouraging staff to volunteer their services.

Since the actual requests which ICOMOS will make of the Bank are unclear at this time, I suggest you reiterate the support of the Bank for the work of ICOMOS, but defer from making any commitments of Bank resources until their program and requests are more clearly elaborated.

Tom:

Attachments

This is one of the many requests we may receive for funds and other support. I do not think we should promise any.

Shawnt

Resume

Ms. Terry B. Morton, Chair, US/ICOMOS

Ms. Morton, an honorary member of the American Institute of Architects, has been chair of US/ICOMOS since 1979. She was on the staff of the National Trust for Historic Preservation for 26 years, serving as a vice president for the last seven. As a preservation activist she led the campaign to save Frank Lloyd Wright's Pope Leighey House and the Old Post Office in Pennsylvania Avenue, and has been involved in editing and publishing journals for several American and International preservation organizations.

Mr. Thomas W. Richards, Environmental and Historic Preservation Consultant

Mr. Richards has also been active in this field for many years. He is a former president and executive vice president of The Nature Conservancy, Arlington, Virginia, and the American Horticultural Society, Mount Vernon, Virginia, and served on various government boards, councils, and planning committees, being Chairman of the Land Use Committee of Council of Government for a number of years. He was founding president of the first cable television company in Washington area and is currently President of an environmental consultancy firm.

WORLD BANK ASSISTED PROJECTS WITH CULTURAL PROPERTY

<u>REGION</u>	<u>NUMBERS</u>	<u>COUNTRY</u>	<u>PROJECT NAME</u>
East Africa	3	Uganda	Murchison Falls Power
		Tanzania	Kidatu Hydro (Stage II)
		Lesotho	Highlands Water Project
West Africa	1	Senegal	Petite Cote Tourism (Goree Island)
East Asia & Pacific	2	Korea	Kyongju Tourism
		Fiji	Monasava Wailoa Hydro
South Asia	5	Nepal	Kathmandu Valley Tourism
		Pakistan	Kalabagh Dam Project
		Pakistan	Lahore Urban Development
		India	Narmada Irrigation and Hydro
		Sri Lanka	Mahaweli Ganga Irrigation & Hydro
European, Middle East and North Africa	10	Egypt	Luxor Tourism
		Egypt	South Hussaniya (Lake Manzala)
		Egypt	New Lands Development Tourism
		Jordan	Tourism
		Jordan	Irrigation (Mequarin Dam)
		Turkey	South Antalya Tourism
		Turkey	Karakaya Hydro
		Turkey	Ceyhan Aslantas Multipurpose
		Turkey	Sir Hydro
Yugoslavia	Visegrad Hydro		
Latin America	8	Brazil	Carajas Iron Ore
		Brazil	Northwest Region (Polonoroeste)
		Honduras	El Cajon Hydro
		Honduras	Copan Tourism
		Nicaragua	Earthquake Reconstruction
		Panama	Colon Urban Development
		Suriname	Kabalebo Hydro
		Guatamala	Chixoy Hydro

1573

U.S. COMMITTEE
INTERNATIONAL COUNCIL
ON MONUMENTS AND SITES
US/ICOMOS

RI
cc: Mr. Habte
Dr. Lee
11/27

Mr. A. W. Clausen, President
The World Bank
701 19th Street, N.W.
Washington, D.C. 20433

November 22, 1985

Dear Mr. Clausen,

On behalf of Frank Southard, Thomas Richards and myself, I wish to thank you for the courtesies extended to us last week during our visit with you in your office. We also enjoyed meeting James A. Lee and Aklilu Habte.

We look forward to meeting again in the near future with Dr. Lee and Mr. Habte to develop an ongoing relationship with your staff as well as special interest and assistance with the ICOMOS 1987 General Assembly here in Washington, D.C.

Thank you again for your kindness.

Sincerely yours,

Terry B. Morton, Hon. AIA
Chairman, US/ICOMOS

NOV 23 1985
U.S. DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED

1985 NOV 25 PM 4:55

OFFICE OF THE PRESIDENT

ROUTING SLIP		DATE: November 15, 1985	
NAME		ROOM NO.	
Mr. S. Shahid Husain			
<i>Sh. Husain</i>			
<i>Mr. Clancy</i>			
APPROPRIATE DISPOSITION		NOTE AND RETURN	
<input checked="" type="checkbox"/>	APPROVAL	NOTE AND SEND ON	
<input checked="" type="checkbox"/>	CLEARANCE	PER OUR CONVERSATION	
	COMMENT	PER YOUR REQUEST	
	FOR ACTION	PREPARE REPLY	
	INFORMATION	RECOMMENDATION	
	INITIAL	SIGNATURE	
	NOTE AND FILE	URGENT	
REMARKS: The President asked us to prepare the attached brief, probably because ICOMOS (International Council on Monuments and Sites) is closely associated with Unesco. I have consulted James Lee in the process.			
FROM: <i>AH</i> AKLILU HABTE		ROOM NO.:	EXTENSION:

OFFICE MEMORANDUM

DATE: November 15, 1985

TO: Mr. A. W. Clausen
 THROUGH: Mr. S. Shahid Husain, OPSVP & Mr. Ernest Stern, SVPOP
 FROM: Aklilu Habte, Director, EDT

EXTENSION: 6-1956

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Tom:

Attachments

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Shaunt

I fully agree.

ES.
11/18

Re sume

Ms. Terry B. Morton, Chair, US/ICOMOS

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		Pakistan	Kalabagh Dam Project
		Pakistan	Lahore Urban Development
		India	Narmada Irrigation and Hydro
		Sri Lanka	Mahaweli Ganga Irrigation & Hydro
European, Middle East and North Africa	10	Egypt	Luxor Tourism
		Egypt	South Hussaniya (Lake Manzala)
		Egypt	New Lands Development Tourism
		Jordan	Tourism
		Jordan	Irrigation (Mequarin Dam)
		Turkey	South Antalya Tourism
		Turkey	Karakaya Hydro
		Turkey	Ceyhan Aslantas Multipurpose
		Turkey	Sir Hydro
Yugoslavia	Visegrad Hydro		
Latin America	8	Brazil	Carajas Iron Ore
		Brazil	Northwest Region (Polonoroeste)
		Honduras	El Cajon Hydro
		Honduras	Copan Tourism
		Nicaragua	Earthquake Reconstruction
		Panama	Colon Urban Development
		Suriname	Kabalebo Hydro
Guatamala	Chixoy Hydro		

October 21, 1985

Mr. John Vanderveken
General Secretary
International Confederation of Free
Trade Unions
Rue Montagne Aux Herbes Potageres 37-41
1000 Bruxelles, Belgique

Dear Mr. Vanderveken:

Thank you for your letter of September 27, 1985 and the concerns expressed over the continuing economic problems facing Latin America, particularly in the wake of the devastating earthquake that shook Mexico recently.

I very much share the thoughts and concerns you have expressed. As you know, the World Bank is the largest single source of multilateral development finance for Latin America. Over the last decade, close to one-third of total World Bank lending has gone to Latin America, more than to any other region. Economic development of the Latin American countries has been a major objective for the World Bank for the past 37 years and during the turbulent period of the last few years, the Bank has intensified its efforts to help countries that were hurt by the crisis to regain economic growth.

Your plea for a major expansion of international financial support to the Latin American region is shared by many development agencies, including the World Bank.

As you know, Latin American economies remain basically strong. There are grounds to believe that the development process of the region can be renewed and that the remarkable progress made in the past three decades will not be lost. The World Bank will remain a strong partner to support Latin America in the years ahead.

At our recent meetings in Seoul, we have agreed that the problems of the heavily indebted middle-income nations require an integrated plan of action for each country involving the four parties to the process — the governments of the indebted nations, the multinational financial institutions, the commercial banks, and the governments of the industrial nations. They must all agree on the strategy to solve the problems and then act in close collaboration to implement it. And each partner must bear his responsibility fully.

October 21, 1985

As regards Mexico, I have already informed President Miguel de la Madrid that we are prepared to provide strong support to Mexico's reconstruction efforts.

Support for Mexico will come in two ways. First, a lending operation is being prepared to help Mexico with the expeditious reconstruction of basic services to the country to assess the extent of the damage and to design, together with the Mexican authorities, a package of reconstruction programs suitable for a World Bank loan.

More immediately, the World Bank is working towards reallocating sizeable portions of earlier loans to make these funds quickly available for emergency expenditure in the sectors of water supply, transportation, and housing.

I very much enjoyed the discussion we had last spring and I highly value the relations that exist between your organization and mine.

Sincerely,



A.W. Clausen
President


bcc: Messrs. Vogl, Blinkhorn, Bahl, Sankaran, Southworth


FR:md:PAD/IPA/10/18/85

Log No. 1211

OFFICE MEMORANDUM

DATE: October 21, 1985

TO: Mr. A.W. Clausen, President 

THROUGH: Mr. Jose Botafogo G., Vice President, External Relations 

FROM: Frank Vogl, Director, IPA

EXTENSION: 72468

SUBJECT: Letter Requesting Support for Latin American Development

You have received a letter from Mr. Vanderveken, General Secretary of the Brussels based International Confederation of Free Trade Unions (ICFTU), in which he makes a plea for increased financial support to Latin American countries, particularly in view of the recent earthquake in Mexico.

Mr. Vanderveken and some of his colleagues have paid a courtesy call on you last spring.

A draft letter summarizing the Bank's lending to the Latin American region and recent actions taken with regard to the Mexican earthquake is attached.

Messrs. Koelle, Bahl, Blinkhorn, Sankaran, Gamarra (o/r), Southworth

FR:md/IPAPA

Log No. 1211

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THE WORLD BANK

ROUTING SLIP

Date
Oct. 8, 1985

OFFICE OF THE PRESIDENT

Name

Room No.

Mr. Steel, Acting VPE

cc: Mr. van der Meer, Acting LCNVP

XX

To Handle

Note and File

Appropriate Disposition

Prepare Reply

Approval

Per Our Conversation

Information

Recommendation

Remarks

Please prepare reply for Mr. Clausen's signature by October 21.

Vogel

Sonia Benavides

From



ICFTU international confederation of free trade unions
C I S L confédération internationale des syndicats libres
I B F G internationaler bund freier gewerkschaften
C I O S L confederación internacional de organizaciones sindicales libres

RUE MONTAGNE AUX HERBES POTAGÈRES 37-41 - 1000 BRUXELLES, BELGIQUE
☎ 02 217 80 85 - TELEGR.: INTERCONFED BRUXELLES - TELEX: 26785 ICFTU BRU

1211
P.P. NARAYANAN
President - Président
Präsident - Presidente

JOHN VANDERVEKEN
General Secretary - Secrétaire général
Generalsekretär - Secretario General

ESP/SP/1s

27 September 1985

Mr. A.W. Clausen
President
The World Bank
1818 H Street, N.W.
WASHINGTON, D.C. 20433
USA

Dear Mr. Clausen,

International Financial Support for Latin
American Development

I am writing to express the grave concern of the ICFTU, over the continuing economic problems facing Latin America. Although some improvements in the balance of trade and in inflation have been achieved, a firm base for development and, in particular, for an improvement in the living standards of the poorest people in the region is not yet in place. Working people and their families are bearing the cost of adjustment but see little or no prospect of an end to their sacrifices. In such circumstances, confidence in the ability of democratic structures and of international cooperation to produce results is seriously weakened. On top of this we now face the aftermath of the terrible Mexican earthquake which will certainly necessitate a heavy programme of reconstruction and repair.

The ICFTU would therefore wish to recall our proposals for a major expansion of international financial support to the Latin American region by the International Monetary Fund, the World Bank and the Inter-American Development Bank, elaborated one year ago at the ICFTU/ORIT Conference on New Approaches to the Economic Crisis in Latin America and the Caribbean. In our view the availability of both short-term balance-of-payments support and longer-term investment finance should be increased. Resolving the continuing difficulties in meeting debt service charges at the same time as investing in substantial structural changes is not possible without a large increase in investment, much of which will have to be financed from outside the region with long and generous repayment terms. I do hope that the widespread international concern for all those injured or bereaved by the Mexican earthquake can be focused into raising the finance for

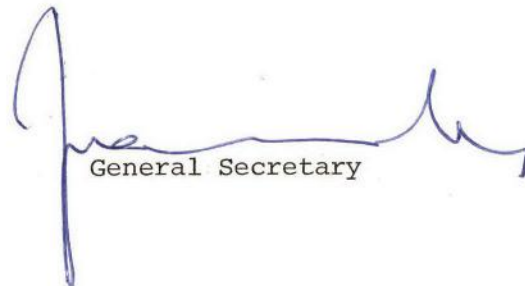
.../...

27 September 1985

a major investment programme. In our own small way we are looking into how the ICFTU can help channel financial donations from our affiliates made in response to our disaster appeal into trade union projects in the areas affected by the earthquake. I mention this as an indication of the deep and widespread public support for increased international financial assistance. The ICFTU and other voluntary agencies can do something, but a full response to the gravity and the international implications of the situation, not only in Mexico but also in most other countries of the region, is the responsibility of the IMF, the World Bank and the Inter-American Development Bank.

I understand from newspaper reports that the emergency support for Mexico and the wider issue of financing development in the region is currently under discussion within the IMF, the World Bank and the IADB. I would like to indicate the ICFTU's support for the principle of increased assistance and our interest in the elaboration and implementation of new programmes and policies.

Yours sincerely,



General Secretary

SECRETARY GENERAL

1985 OCT -8 W 11:13

SECRETARY

RECEIVED

1985 OCT -8 AM 11: 13

OFFICE OF THE PRESIDENT

OFFICE MEMORANDUM

DATE October 22, 1985

TO Mr. A. W. Clausen, President (Through: Mr. S. S. Husain, Acting SVPOP)

FROM Jean-Loup Dherse, Vice President, EIS *MD*

EXTENSION 72747

SUBJECT Visit of Mr. Hans Blix, Director General IAEA
October 25, 1985

328

1. Attached please find a briefing note for your meeting's visit with Mr. Blix, which is scheduled for 11:00 AM on October 25, 1985. Mr. Rovani, who will be acting for me as Vice President, EIS, during Mr. Blix's visit while I am in Thailand, will be present.

2. Following your discussion with Mr. Blix, I will be pleased to discuss myself the areas of cooperation with Mr. Blix at the policy level, which I happen to be familiar with. EGY and IAEA staff will work out arrangements for power sector studies.

3. In addition to the attached brief prepared by my staff, we are also attaching copy of a brief already sent to you by Mr. Blix on his own account. As you will see, Mr. Blix is asking for collaboration with the Bank in several specific ways. We recommend that you respond to these approaches positively but cautiously, saying that each of the proposals has merit and should be explored further.

cc: Messrs. Rovani, Hume (EGY)

Attachment

NUCLEAR ENERGY IN DEVELOPING COUNTRIES

1. Less than 3% of the electricity generating capacity in developing countries is represented by nuclear plants^{1/}. At present there are 20 nuclear plants in developing countries totaling 9,800 mW of capacity as follows: Argentina 900 mW, Brazil 600 mW, Hungary 800 mW, India 1,000 mW, Korea 1,800 mW, Pakistan 125 mW, Taiwan 4,000 mW and Yugoslavia 600 mW. Additional developing countries which have nuclear plants under construction include China, Mexico, and the Philippines, which together with new units from existing nuclear countries should bring total nuclear capacity to 25,000 mW by 1991. This would represent about 5% of installed capacity in that year. A rough estimate for the planned capital expenditure for nuclear during the 1985-90 period is \$50.0 billion.

BANK LENDING POLICY REGARDING NUCLEAR POWER

2. The Bank has taken the position since 1975 that there are no unique policy issues with respect to lending for nuclear power, and that nuclear power is simply another proven technology which may be considered as an option in determining a country's least cost generation development program. The Bank has not, however, financed a nuclear plant since a 1959 loan to Italy. Also, the Bank has not been involved in infrastructure or downstream support for a nuclear plant or directly in technical assistance associated with nuclear planning or project implementation. As a result, the general perception in the IAEA and among developing countries is that the Bank's policy is one of non-involvement in nuclear power sector financing. The IAEA has for years expressed disappointment over the Bank's inactivity in nuclear power.

3. There are reasons why the Bank has not been involved in nuclear power. Until recently bilateral financing has been available on attractive terms from countries seeking to promote nuclear exports. Also, there are major economies of scale in nuclear power generation which favor large plants (600 to 1,000 mW) which makes the nuclear option only feasible for countries with large power systems. In those large countries, there are on-going Bank financed energy programs where the Bank could contribute more non-financial assistance per dollar loaned than through involvement in nuclear power.

4. In the future it will be increasingly difficult for the Bank to remain detached from the nuclear power field. Nuclear plants are in the development programs of our largest power sector clients - Brazil, China, Korea, Turkey, Egypt and India. These countries, the nuclear

^{1/} IAEA's statistics are somewhat different from the Bank's because they include some COMECON countries which are not Bank members and therefore not included in our statistical base.

suppliers, and the IAEA consider that the design, operational, and safety issues have been satisfactorily resolved. However, the key to successful implementation and management of nuclear programs in developing countries remains their ability to organize such programs, and, right or wrong, there is a perception in the industrial countries that few developing countries have the know-how for successful nuclear programs. The availability of finance is also a problem. At the IAEA Conference on Costs and Financing of Nuclear Power Programs in Developing Countries in early September 1985 a number of participants suggested that the Bank could play a role in mobilizing financing for nuclear programs in developing countries. The Bank representative to this conference stated that the Bank had no pre-determined position as regards nuclear, that nuclear had become an economic alternative for consideration in countries with large power systems, and that where it is demonstrated that nuclear is the least cost generation alternative for a given country and the government asks for Bank assistance, the Bank could in principle explore ways to assist. This could include assistance in planning, preparing and managing such programs and, in some cases, in mobilizing project finance. This would be a departure from the Bank's recent practice.

AREAS OF COOPERATION WITH IAEA

5. The IAEA wishes to continue and extend its cooperation with the Bank in the areas of power system planning and in training LDC power sector staff. Relationships between the two institutions at the working level are very good. The Bank is now using the WASP-III computer model, developed by the IAEA, to assist power sector borrowers in determining the least cost system development programs. Bank staff are working with the IAEA to improve this model. The IAEA has provided staff for a Bank energy planning mission to Jordan and a power sector appraisal in Turkey. These experiences have been satisfactory for our client countries as well as IAEA and the Bank. There is merit therefore, in further enhancing cooperation in sector work. Though IAEA is not expecting it, we should not envisage a formal cooperative program. Doing better what we are already doing about informing each other of our operational plans, both in power and sector work, however, is desirable. In Bank client countries where nuclear power is under consideration, assistance from the IAEA is essential, especially to cover sensitive areas such as fuel cycle monitoring, waste disposal regulation and safety, and manpower planning and certification. With regard to training, IAEA sponsors annual courses in LDCs covering general power system planning, finance, and economics and nuclear planning and safety. The Bank regularly provides lecturers in the areas of planning, economics and finance. We plan to continue this assistance in the future.

6. There was one recent IAEA activity where the Bank declined participation. In 1983 the IAEA invited the Bank to participate in the Small and Medium Power Reactor Study by having a representative on the steering committee and funding part of the costs. The study involved the review of designs and costs of small nuclear reactors, and without in-house expertise this was not feasible. Also, we did not see small reactors (300 mW) as economic. The study has been completed and its

findings have not convinced us that small scale nuclear power technology is at this time appropriate for LDCs.

FUTURE WORKING RELATIONS

7. In November, Messrs. Charpentier and Bennett of IAEA will visit the Bank to work out cooperative arrangements for power sector studies. As part of this program, they may propose the secondment of a Bank economist or financial analyst to the IAEA to assist with IAEA's general activities in power system planning and financial studies.

Energy Department
10/18/85

THE WORLD BANK

ROUTING SLIP

Date
Oct. 16, 1985

OFFICE OF THE PRESIDENT

Name		Room No.
Mr. Burki (Acting)		E-823
XX	To Handle	Note and File
	Appropriate Disposition	Prepare Reply
	Approval	Per Our Conversation
	Information	Recommendation

Remarks

Letter and background material for
appointment with Mr. Clausen on Friday,
October 25 at 11:00 a.m.

Sonia Benavides

From

INTERNATIONAL ATOMIC ENERGY AGENCY

THE DIRECTOR GENERAL

1238
10 October 1985

Dear Mr. Clausen,

I am looking forward to seeing you in Washington on 25 October at 11.00 as suggested by you.

Please find attached as background material for our discussion the note describing briefly the existing co-operation between the World Bank and the IAEA and suggesting directives for possible expansion of this co-operation.

With best regards,

Yours sincerely,



Hans Blix

Encl.

Mr. A.W. Clausen
President
The World Bank
Washington D.C. 20433

Notes on IAEA/IBRD Co-operation

A. STATUS OF CURRENT CO-OPERATION: ENERGY, ELECTRICITY AND NUCLEAR POWER PLANNING

1. A good working-level co-operation exists between the IAEA's programme on energy, electricity and nuclear power planning and the IBRD regional power projects Division. This co-operation focusses on matters related to energy demand analysis and electric power system expansion planning in individual countries.

This co-operation was initiated by requests from IBRD for IAEA participation in joint IBRD/IAEA electric power sector planning projects in Jordan (completed 1985) and Turkey (in progress). The IAEA's responsibility in these joint projects relates to:

- a) assessing and strengthening national capabilities for energy demand analysis and electric power system planning;
- b) providing proven methodologies (MAED and WASP)* for such planning studies;
- c) training local planning staff
- d) assisting with preparing long-term strategic plans for energy demand and electric supply.

In general, each organization has paid its own costs (e.g., for expert missions) in these joint projects, but the IBRD has covered costs for some IAEA expert missions, travel of country staff to IAEA Headquarters and participation of country trainees in IAEA training courses.

* MAED: Model for Analysis of Energy Demand

WASP: Wien (Vienna) Automatic System Planning

In addition to these two joint projects, there is an exchange of information and some co-operation and co-ordination in IAEA and IBRD projects in other countries, in particular with three IBRD regional Divisions:

- a) Europe, Middle East and North Africa (EMENA)
- b) South Asia
- c) East Asia and Pacific

Co-operation with other regional Divisions (e.g., Latin America) can be established as appropriate.

- 2) The IAEA has or expects to implement energy, electricity and nuclear power planning projects in the following countries:

- a) Projects currently in progress:

- China (training)
- Indonesia
- Thailand

- b) Projects planned to be implemented in 1986

- Bangladesh Tunisia
- Malaysia (MAED) Venezuela

We are aware that the IBRD also has some activities in these countries, the IAEA would be interested to establish joint projects following the pattern used in Jordan and Turkey, in particular in the cases of Bangladesh and Tunisia and possibly in other countries also.

3. The IAEA has developed a more comprehensive approach to planning for nuclear power introduction, which in addition to the above-mentioned energy and electricity demand analysis and electric power system expansion planning, also assesses manpower availability and organizational and industrial support infrastructures and formulates the necessary development programmes. This approach has been launched in Malaysia with a "Nuclear Power Option Study" completed in 1985, aiming at a programme decision by 1990-95. The approach will be implemented in other countries as appropriate, and could be implemented also in joint projects with IBRD.

4. The IAEA/IBRD co-operation in energy, electricity and nuclear power planning has worked well, and no significant changes are needed. It would be useful to broaden the co-operation and to undertake more joint projects like those in Jordan and Turkey. Such co-operation would be facilitated by:
 - a) frequent working-level co-ordination meetings to exchange information on current projects and to plan future projects (Messrs. Bennett and Charpentier will be meeting with IBRD counterparts during 11-15 November);

 - b) early identification of new countries in which joint IAEA/IBRD projects would be beneficial;

 - c) advance notification by each organization of missions in which participation by the other organization would be requested, for timely scheduling of manpower.

B. NEW AREAS FOR CO-OPERATION: ASSISTANCE TO SECURE FINANCING

1. In its General Conference and also in the Third NPT Review Conference (both in September 1985) the IAEA was urged to assist its developing Member States in solving problems related to securing financing for nuclear power projects. The usefulness of IAEA assistance in this domain was also recognized during the recent IAEA Seminar on Costs and Financing of Nuclear Power Programmes in Developing Countries [IBRD participation (Mr. A. Heron, Energy Department) was most constructive and well appreciated by all participants].
2. IAEA assistance related to nuclear power financing is likely to be centered on feasibility studies, carried out with IAEA guidance and review.

We would be interested in two points:

- What the IBRD would wish to see included in a feasibility study;
 - What could be the role of the IBRD in the feasibility study.
3. One possible approach would be to initiate co-operation to study the feasibility of nuclear power in 1 or 2 countries having serious intentions and some real possibilities to introduce nuclear power.

Benefits of co-operation:

- IAEA would improve its capabilities to assist developing Member States in nuclear power programme planning, in particular related to financial feasibility;
- IBRD would gain some confidence that the feasibility studies would contain all those aspects which are judged important for financial evaluation.

4. Possible countries for joint IAEA/IBRD study project:

Chile
Indonesia
Malaysia
Morocco

In Indonesia and Morocco, the IAEA already is involved in review of feasibility studies.

5. PROPOSAL FOR ACTIONS

The NPT Review Conference called upon the IAEA to initiate work of an expert group on financing of nuclear power programmes in developing countries. IBRD participation in such an expert group would be essential.

We would suggest arranging a senior level meeting at IBRD to explore details on what a general co-operation with IBRD could comprise, to meet the demands that IAEA take a more active role in matters related to nuclear power financing.

In this meeting, the IAEA could give a presentation on its approach to nuclear power planning (MAED, WASP, manpower, infrastructures, etc.), and IBRD could explain Bank policy for energy/power loans and how this policy would relate to nuclear projects, approach to risk assessment, financial viability, etc.

The outcome could be a general understanding of how IAEA and IBRD could co-operate, perhaps in a joint feasibility study, in comprehensive planning for nuclear power programmes in developing countries.

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IRDDR

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TEST NUMBER
(FOR CASHIER'S USE ONLY)

START
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MR. HANS BLIX, DIRECTOR GENERAL, INATOM, VIENNA, AUSTRIA.
REYURTLX ON VISIT TO WASHINGTON OCTOBER 25. I WOULD BE PLEASED TO
SEE YOU AND SUGGEST WE MEET HERE 11 A.M. THAT DATE. SENIOR STAFF
ENERGY DEPARTMENT ALSO LOOKING FORWARD TO SUGGESTED TALKS WITH YOU
FOLLOWING OUR MEETING. MEANWHILE WE WOULD APPRECIATE RECEIVING THE
BACKGROUND NOTE YOU SUGGEST. BEST REGARDS, A.W. CLAUSEN, PRESIDENT,
WORLD BANK.

END
OF
TEXT

PINK AREA TO BE LEFT BLANK AT ALL TIMES

INFORMATION BELOW NOT TO BE TRANSMITTED

CLASS OF SERVICE: TELEX	TELEX NO.: 1 12645	DATE: 9/6/85
SUBJECT: IAEA VISIT	DRAFTED BY: VJRiley:nncd	EXTENSION: 74455
CLEARANCES AND COPY DISTRIBUTION: Cleared in substance with 8 cc: Mr. Hume cc: Messrs. Dherse, Rovani, Southworth(log 1057)	AUTHORIZED BY (Name and Signature): A.W. Clausen	DEPARTMENT: President
SECTION BELOW FOR USE OF CABLE SECTION		
CHECKED FOR DISPATCH		

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EXC

REF : YCP FCA

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JWS0990 JIR338 IN 03/03:08 OUT 03/03:11

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STORED MESSAGE

B5-09-03 08:53

VIENNA

MR A W CLAUSEN
PRESIDENT
THE WORLD BANK
WASHINGTON (USA)

REF775707

PLANNING TO COME TO WASHINGTON ON 25 OCTOBER AFTER UN
CELEBRATIONS AND BEFORE ACC, WOULD YOU BE THERE AND HAVE
A MOMENT TO SEE ME. INTER ALIA WE MIGHT TOUCH ON IAEA AND
WORLD BANK CO-OPERATION IN ASSISTING DEVELOPING COUNTRIES
TO IMPROVE THEIR ENERGY PLANNING AND THE PROBLEM OF FINANCING
NUCLEAR POWER PROJECTS. I COULD SEND YOU IN ADVANCE A SHORT
NOTE ON AGENCY ACTIVITIES AND VIEWS IN THIS MATTER, INCLUDING THE
CONSIDERATION OF USE OF SMALL AND MEDIUM SIZED NUCLEAR POWER
REACTORS. A DISCUSSION BETWEEN YOU AND ME COULD BE FOLLOWED UP
BY SUBSEQUENT TALKS BETWEEN SENIOR STAFF. KINDEST REGARDS

HANS BLIX
DIRECTOR GENERAL
INATOM

112645Z ATOM A
112645Z ATOM A..

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ALT RTD FROM:EXCM

NNNN

RECEIVED
1985 SEP -3 PM 2:00
OFFICE OF THE PRESIDENT

FORM NO. 75
(6-83)

THE WORLD BANK/IFC

ROUTING SLIP		DATE: 9/6/85
NAME		ROOM NO.
Mr. Dherse		C 502
Mr. Rovani		D 530
Mr. Hume		D 522
cc: Mr. Southworth ✓		E 1227
APPROPRIATE DISPOSITION	NOTE AND RETURN	
APPROVAL	NOTE AND SEND ON	
CLEARANCE	PER OUR CONVERSATION	
COMMENT	PER YOUR REQUEST	
FOR ACTION	PREPARE REPLY	
INFORMATION	RECOMMENDATION	
INITIAL	SIGNATURE	
NOTE AND FILE	URGENT	
REMARKS: Mr. Southworth requests that EIS provide Mr. Clausen with a briefing note a few days before meeting and that someone from EIS participate in the meeting in Mr. Clausen's Office.		
FROM: <i>Vincent Riley</i> Vincent Riley	ROOM NO.: E 808	EXTENSION: 74455

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

A. W. CLAUSEN
President

September 25, 1985

Mr. David Morris
Institute for Local Self-Reliance
2425 18th Street, N.W.
Washington, D.C. 20009

Dear Mr. Morris:

Thank you for your stimulating letter of September 11.

I am often amused that one travels half way around the world to a meeting such as the S.I.D. meeting in Rome to meet someone, previously unknown, who is working on the same issue in one's own back yard. However, in this instance I am pleased to learn that there is already an ongoing relationship at the working level between several of the Bank's staff and your Institute on a number of topics of mutual interest.

You are well aware of the Bank's wish to become more involved in waste recovery, and I am pleased that you have been able to contribute toward the Annotated Bibliography of Recycling from Municipal Refuse. That report has been produced as part of the UNDP Resource Recovery Project for which the Bank is the Executing Agency. I understand that the project has been exploring with Mr. Seldman of your Institute ways in which your experience with specific recycling techniques, which have been adopted in the United States for such materials as glass and rubber, could be utilized in the major cities of the developing world. You may be less aware that the same project is also focusing on five other areas of resource recovery: co-composting of municipal solid waste and sewage sludge/night soil; reuse of liquid waste for irrigation and for aquaculture; production of biogas from anaerobic digestion of sewage and industrial wastes, and production of landfill gas.

In addition to the Bank's research effort with UNDP, a number of Bank investment projects have recycling components or address resource recovery. For instance, we have recently appraised a project in Egypt for which the major investment is the establishment of composting plants in order to replicate in several Egyptian cities the experience gained in an earlier Bank project that financed a composting plant in Cairo, that is now successfully in production.

I share your view that in the area of hazardous waste management there is also scope for our two institutions to cooperate, while bearing in mind that in the absence of the environmental controls in our borrowing countries there may be less incentive for enterprises to reduce hazardous waste. Two sets of initiatives are being taken. First, we encourage governments to adopt suitable legislation to avoid some of the environmental

*Legal copy
#1113*

Mr. David Morris

- 2 -

September 25, 1985

blunders for which we in the developed countries are now paying. Second, we do encourage the adoption of suitable clean industrial technologies. For instance, as noted in Dr. Lee's letter of September 11 to Mr. Seldman, we recently refused to finance a project which involved an expansion of a mercury-cell line for chlorine production, since the latest membrane technology eliminates hazardous wastes and is considerably safer to operate. Moreover, these modern technologies are also more profitable, particularly in developing countries due to the higher cost of importing chemical raw materials that can instead be conserved through recycling.

Your experience in "state of the art" industrial technology in the United States that maximizes waste recycling could be of particular value to us in advising our borrowers. I am therefore requesting our Industrial Projects, and Environmental Affairs and Resource Recovery Project staff with whom you already have contact to follow-up with you at the working level.

Sincerely,




A. W. Clausen
President



EQuicke/ACHurchill:phm

Cleared in substance with: Mr. J. A. Lee (PPDES)

cc: Messrs. E. Stern (SVPOP), S. Husain (OPSVP), R. Southworth (EXC)
A. Churchill, M. Cohen (WUD)



THE WORLD BANK

ROUTING SLIP

Date
Sept. 12, 1985

OFFICE OF THE PRESIDENT

Name

Room No.

Mr. Husain

E-1023

~~Mr. Churchill~~
Cohen

Mike - we need to reply -
shut it to the print -
recycling but at what cost?

To Handle

Note and File

Appropriate Disposition

XX

Prepare Reply

Approval

Per Our Conversation

Information

Recommendation

Remarks

Would you please prepare a reply for
Mr. Clausen's signature by Sept. 23?

Roy Southworth

From

1113

LOCAL SELF-RELIANCE

Common Sense Economic Development for Cities

11 September 1985

A. W. Clausen
President
World Bank
1818 H Street, NW
Washington, D.C. 20433

Dear Mr. Clausen,

I enjoyed meeting you at the Rome Society for International Development conference. I appreciate your congratulatory remarks to me after my address to the plenary session. You are right. We are both working on the same level. Both of our organizations work at the micro level to solve macro level problems.

The Institute for Local Self-Reliance (ILSR) works primarily with cities in the United States. However, we have worked in other countries and find that the dynamic that we stress here is applicable elsewhere even when the demographic and natural resource situations are quite distinct.

The Institute has worked with the World Bank before on the issue of solid waste. We worked in Columbia on a special waste management economic development mission to Medellin, and we researched worldwide solid waste recovery and processing technologies (published as Integrated Resource Recovery --Recycling from Municipal Refuse: A State-of-the-Art Review and Annotated Bibliography by the Bank in January 1985).

We approach communities by viewing them as nations, as theoretically closed systems. Our objective is to maximize system efficiency and extract the greatest amount of useful work from existing local resources. We emphasize prevention as opposed to treatment, and closed loop systems, where the wastes of one process become the raw materials of another, wherever feasible.

These principles can be applied across sectoral and national boundaries. Most recently, we have focussed on the growing problem of toxic and hazardous wastes. We have recently published a book including 49 case studies of industries which have reduced their toxic waste output by up to 99 percent while at the same time achieving a sufficient payback on the investment so that it could be deemed a corporate "profit center". Pollution prevention

A. W. Clausen
11 September 1985
Page Two

pays is the approach we take. We believe that business firms can be persuaded to undertake an investment when they have concrete information about those who have already done so and when the investment will generate a profit by reducing internal operating or capital costs.

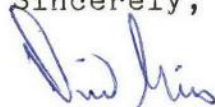
At a recent seminar we conducted on the issue, Bank representatives were present and expressed their admiration for the nuts and bolts work of the Institute. However, further discussions with them elicited the response that they believed the Bank's directive to them was to focus exclusively on disposal issues and not to embrace recycling and waste reduction techniques. I feel that this narrow focus is shortsighted. The Bank should be able to take advantage of the growing data base of economical waste reduction techniques by corporations throughout the world, and to disseminate that information to their clients. The pollution prevention pays program we have undertaken is a natural complement to the Bank's disposal program.

Waste is a sign of system inefficiency. It is a resource not yet harvested. Environmental awareness has led to environmental legislation in the developed nations which has significantly raised the cost of waste disposal, both toxic and non-toxic. This, in turn, has encouraged entrepreneurs and inventors to develop techniques and technologies that can reduce toxicity, recycle waste materials and process them to raise their value, and reduce the output of wastes by changing the internal production techniques.

Developing nations have not yet, for the most part, enacted environmental legislation that has raised the cost of disposal and encouraged this same technological dynamic. Our experience indicates that the new knowledge created in Japan, the United States, and Europe can be appropriately transferred to developing country businesses right now. Many of the techniques now used are so economical that they should be adopted even without a disposal penalty. As one corporation executive told us, "I'm sorry I wasn't forced to do this ten years ago."

I look forward to engaging in a dialogue with you and the members of your staff and hope the Institute can again work with the Bank on issues of mutual concern.

Sincerely,



David Morris

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1985 SEP 12 PM 12:47

OFFICE OF THE ATTORNEY GENERAL

STATE OF TEXAS

TO THE HONORABLE THE ATTORNEY GENERAL
FROM THE HONORABLE THE ATTORNEY GENERAL

RE: [Illegible text]

[Illegible text]

[Illegible text]

[Illegible text]

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NTT



KATSUMI IIDA

Director, Finance
Member of the Board

NIPPON TELEGRAPH AND TELEPHONE CORPORATION

Telephone +81 3 509-4010
1-6 Uchisaiwai-Cho 1-Chome
Chiyoda-Ku, Tokyo 100 Japan

OFFICE MEMORANDUM

DATE: September 5, 1985

TO: Mr. A. W. Clausen, President
(through Mr. Ernest Stern) *ES*

FROM: Jean-Loup Dherse, Vice President, EISVP *WD*

SUBJECT: Visit of Mr. Hisashi Shinto, President
Nippon Telegraph & Telephone (NTT)



1. Mr. Hisashi Shinto, President NTT is scheduled to meet you at 11.00 a.m. on Friday, September 20, 1985. Mr. Shinto's curriculum vitae is attached.

2. NTT have indicated that he would like to discuss "technical assistance for telecommunications to developing countries". Following its recent 'privatization', NTT, which was previously almost entirely domestically oriented in its focus, has begun to take an active interest in international business opportunities. In addition to the specific topic for discussion, NTT is thus also clearly anxious to familiarize itself with the activities of the Bank and to let us know that it intends to become active in telecommunications development in LDCs.

3. NTT has grown rapidly since the early 1950s at which time Japan had only about 2 million working lines. It now has about 40 million lines with 60 million subscribers. The lessons that it has learnt from its rapid expansion could be particularly valuable to some of the Bank's clients who are also contemplating similar rates of growth. NTT was 'privatized' on April 1, 1985. While 100% of NTT's stock is government owned, it has assumed an independent status and changes in its corporate strategy are already evident. There is increasing concern with cost control and attempts are being made to identify profit centers. The rapid introduction of new technologies, along with the organizational change require that NTT reduces its workforce by one-third. The difficulties of laying-off staff in Japan have resulted in inter alia a renewed emphasis on retraining schemes and an effort to identify new market opportunities including international business possibilities.

4. In recent months NTT has shown a keen interest in Bank projects. Their New York office is in regular contact with the Telecommunications Division and divisional staff also visited NTT, including its training facilities, last February. NTT has not yet bid on contracts for Bank projects but it is likely that they will in the near future.

5. With respect to NTT's specific interest you should mention that NTT is clearly well placed to provide technical assistance to our clients either under our own projects or bilateral aid. While they will always be relatively small in financial terms, the technical assistance components of our projects are assuming increasing significance as we and our clients

among others. We don't want to give the impression that they have an inside track.

give greater attention to institution building efforts and measures designed to improve operational performance and quality of service. Recently, approved projects in Kenya and Oman and the proposed operation in the Ivory Coast (which is about to be negotiated) all have substantial provision for technical assistance. The development of performance indicators, management and monitoring systems together with the associated technical and managerial training are particularly important for LDC telecommunications entities which typically operate as monopolies in an environment of substantial excess demand. Its typically not difficult for them to be profitable but quite another issue for them to be efficient. NTT's experience in such areas as training, management information and performance control systems and the design of tariff and billing systems make it well placed to provide the needed technical support.

6. You should also know that there have been some tentative discussions between NTT, the telecommunications division and the personnel department on the possibility of NTT seconding some 'trainees' to the Bank. NTT has had difficulty in identifying suitable candidates to work as telecommunications engineers and regular staff members for the Bank. However, suitably qualified 'trainees' seconded for one or two years could benefit both our own work by providing Bank staff access to the Japanese experience and give some international exposure to NTT's employees. Salary and subsistence expenses would be met by NTT; the Bank would meet mission travel expenses. The initiative is currently with NTT; we understand some specific proposals will be forthcoming in the near future.

7. Myself and Richard Stern, Chief, Telecommunications Division will join you for the meeting.

Cleared with & cc: Mr. Amnon Golan, Ms. M. Haug, INDDR
cc: Mr. Roy Southworth, EXC

RStern: ¹³cac

Attachment

Hisashi Shinto

Personal History

Mr. Hisashi Shinto was appointed President of NTT in January 1981, after serving two years as a Counsellor of Ishikawajima-Harima Heavy Industries Co., Ltd. (IHI), one of the largest shipbuilding companies in Japan. He has been actively engaged in the innovation of management of NTT.

He was born on July 2, 1910. He graduated from Kyushu Imperial University, Faculty of Engineering, and immediately entered Harima Shipbuilding & Engineering Co., Ltd. (the predecessor of IHI) in 1934. He was awarded a Ph.D. in technology (Shipbuilding) from Kyushu University in 1958. He became Executive Vice President of IHI in 1964, and President in 1972. He held an additional post of Director of Tokyo Shibaura (Toshiba) Electric Co., Ltd. in 1966. He was also awarded the Legion d'Honneur by the French Government.

Following the privatization of NTT Corporation on April 1, 1985, he became the first President and Chief Executive Officer of Nippon Telegraph & Telephone Corporation.

NIPPON TELEGRAPH & TELEPHONE PUBLIC CORPORATION

1983/1984 ANNUAL REPORT

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**Nippon Telegraph & Telephone
Public Corporation** (NTT) has served Japan for 32 years as a public monopoly dedicated to implementing, operating, and maintaining telecommunications services. NTT's success in fulfilling this responsibility is amply evident in the direct dialing telephone service available throughout Japan and in the speedy service enjoyed by customers in need of new equipment or repairs. Annual revenues have grown to ¥4.55 trillion, and NTT serves nearly 43 million subscriber telephone lines.

As in other industrialized nations, advances in electronics and systems engineering have opened the way to a multitude of new communications services that will change the fundamental parameters of the information industry in Japan. Fair competition among independent private businesses is a prerequisite for developing these new services to their full potential, and NTT will need to become a private-sector business to facilitate this competition. The Japanese Diet is expected to pass legislation in 1985 providing for this switch to private enterprise.

MESSAGE FROM THE PRESIDENT



Telecommunications systems are beginning to reap substantial benefits from the practical application of microelectronics and other electronics technologies. In fiscal 1983, NTT made important progress in two vital project areas, both of which exemplify the summit of technological attainment in telecommunications. We began introducing digital switching systems, and we continued work on an optical-fiber trunk line, scheduled for completion in fiscal 1984, which will run the length of Japan's main islands, from Hokkaido to Kyushu.

These projects are essential to NTT's plan to provide a nationwide digital communications network. We expect to offer digital-service options to subscribers in Tokyo, Nagoya, and Osaka by 1985 and to customers throughout the nation by 1988.

Digitization will vastly expand the capabilities of our nationwide telecommunications network, thus creating a need for more-sophisticated modes of use and more-diverse, higher-performance terminal equipment. Data communications, high-speed facsimiles, and several interactive media are some of the advanced services that will soon characterize telecommunications in Japan. To realize the full potential of these and other services, Japan needs to foster a market rich in service options.

The Japanese Diet is now considering two bills submitted by the government to facilitate these options. One, the Telecommunications Bill, prescribes guidelines and regulations for free competition in the telecommunications market. The second, the Nippon Telegraph & Telephone Co., Ltd., Bill, provides for transforming NTT into a private-sector corporation.

Both bills were passed by the lower house of the Diet in July 1984 and at this writing are being considered in the upper house. They are expected to receive upper house approval and to take effect as law by April 1985.

As laws, these bills will end NTT's monopoly on telecommunications services and open up every area of this market for competition by free-enterprise participants, including NTT. Converting NTT into a private enterprise and permitting free competition will improve efficiency in operating the telecommunications network and providing related services.

NTT continues to expand its vigorous research and development program and will also devote every effort to upgrading service to all NTT customers. Keenly aware of our social responsibility, we will strive to ensure that the upcoming changes in the structure of our industry are truly meaningful and optimally beneficial for everyone in Japan.

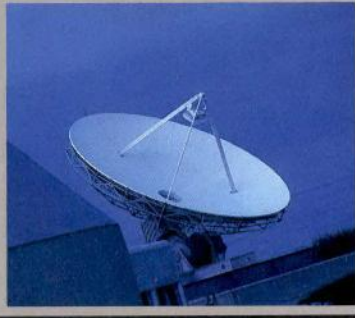
September 1984

Hisashi Shinto, President

A handwritten signature in black ink, appearing to read 'H. Shinto', written in a cursive style.

THE YEAR'S ACCOMPLISHMENTS





Large parabolic antennas are facilitating rapid growth in satellite-relayed communications, which enhance the capacity and efficiency of communications systems (above).

Management

Since NTT was established as a government monopoly in 1952, it has built and operated a vast telecommunications network. This has been an effective arrangement: by the end of fiscal 1978, direct dialing was available everywhere in Japan, and customers could have phones installed only a few days after ordering them.

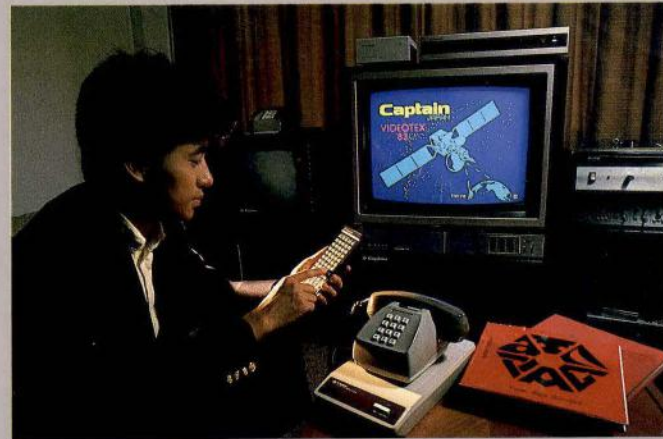
Social demands and expectations of telecommunications services, however, have grown and diversified tremendously. Facsimile and data transmissions have taken places alongside voice and telegraph messages as essential modes of communication. A consensus has evolved that opening up the telecommunications market to competition among private enterprises is the best way to ensure optimal service. The 102nd session of the Japanese Diet, scheduled to convene in December 1984, is expected to enact a law ending NTT's monopoly on telecommunications services as of April 1, 1985.

NTT will need to become a private corporation to facilitate genuine competition, and we are adjusting our internal organization and accounting methods in preparation for this business transition. We are confident a private and autonomous NTT will continue to offer the same high-quality service customers have come to expect from it as a public corporation.

New Telecommunications Services

NTT continues to develop new services to meet burgeoning and increasingly sophisticated demand for telecommunications.

Our CAPTAIN (Character and Pattern Telephone Access Information Network) videotex system will begin full-scale commercial service in November 1984, initially for customers in the vicinities of Tokyo and Osaka. CAPTAIN will enable customers to order data—anything from retail catalogs to information about community events—by computers at information centers for delivery over telephone lines and ultimate display as text and diagrams on their home television sets.



The go-ahead for commercial implementation of CAPTAIN came after joint testing by NTT and the Ministry of Posts and Telecommunications from December 1979 to July 1984 verified its technological and commercial viability. This testing benefited immensely from extensive cooperation by information suppliers and equipment manufacturers.

NTT will provide the communications network and information centers to support CAPTAIN service and has set up CAPTAIN Service Co., Ltd., to operate the system. We expect the simplicity of the CAPTAIN format—based on telephone lines and television—to attract a broad spectrum of users and thus bring the larger, Information Network System (INS) concept a full step closer to realization.

NTT launched another important new service in March 1984 with the inauguration of videoconference service in Tokyo, Nagoya, Osaka, and Kobe. This service enables companies to use videoconference facilities on their premises for a two-way exchange of audio and color video signals.

Digital videotex service is an important feature of the INS that conveys images and text for either display or hard-copy print-out and also handles voice communications (far right).

The "Howdy" series augmented NTT's telephone offerings in fiscal 1983 with new designs and functions (left).

A MODEL INSTALLATION OF THE INS



High-speed facsimile units (background) and multifunctional telephones at arm's reach are but two developments revolutionizing communications in homes, offices, and factories (left).

NTT continues to upgrade the functions and convenience of telephones for users in all sectors (below).



Sketch-phones add a visual dimension to telephone communications by allowing users to sketch drawings for display on each other's television sets (far right).

In August 1982, NTT issued a proposal for a nationwide telecommunications network to accommodate Japan's burgeoning information needs. We then began developing the technical and administrative capacity to install and operate this system. These efforts have produced a working model of our Information Network System, which began service in a suburban area of Tokyo in September 1984.

The INS will integrate communications services now divided between digital and analog systems into a single, digital network. This will greatly enhance the accessibility, variety, economy, and convenience of communications services in Japan.

Far more advanced and extensive than any communications system in service, the INS will exercise profound influence on Japanese society, obliging us to take a careful, long-term perspective at every stage of its design and implementation. The model system inaugurated in September is therefore immensely valuable as our first opportunity to verify the performance of the INS in the telecommunications market, in other words, in society.

Outline of the Model System

Installation of the model system began in September 1982 in the west-Tokyo suburbs of Mitaka and Musashino, not far from NTT's Musashino Electrical Communications Laboratory. Mitaka and Musashino present ideal conditions for testing the INS. Multifarious companies and factories operate in this area of Tokyo, also the home of numerous government and municipal offices; further, the population density is high, and many large housing projects and retailers are situated there. Because several companies in Mitaka and Musashino have head offices in Tokyo, we extended prototype INS service to parts of central Tokyo to verify its effectiveness in linking head and branch offices.

All the new equipment and facilities in the model system are for digital transmission, and analog-digital converters allow subscribers to tie their existing analog equipment into the digital service lines. Optical-fiber cable laid for these lines, which are the model system's framework, will accommodate a growing diversity of services.

Approximately 2,000 users in Mitaka and Musashino volunteered to participate as monitors in public trials of the system. Following a series of limited tests, participants use digital telephones, televisions, and other terminal devices to obtain information. About 360 businesses were recruited as information providers (IPs) to furnish service in the form of digital still pictures, video-response systems (VRS's), digital facsimile communications, and voice storage.

Services

Digital Telephones. A display mounted on the telephone through which a call is made continuously indicates charges for the call in progress. The telephone called, moreover, displays the caller's phone number, a feature that will reduce abusive and prank calls. Each dialed digit is displayed to the caller to help reduce





the incidence of wrong numbers. Another feature allows users to take advantage of voice-storage facilities in the telephone network to deliver voice messages automatically to as many specified telephone numbers as desired. Users can also record calls and respond to them with prerecorded messages.

Digital Facsimile. The INS permits much faster and higher-quality facsimile service than analog phone lines can provide. Facsimile service in the model system also interfaces with other facsimile networks, and beginning in March 1985 it will accommodate facsimile communications between IP centers and user terminals, facsimile mailboxes, and closed subsystems for exclusive use among specific users.

Digital Still Videotex. This digital version of NTT's CAPTAIN system has many features. It conveys color images of near-photographic clarity, voice signals, and text for display or hard-copy output. Sketch-phone transmission of handwritten text and diagrams is also possible, along with mailbox collection and storage of incoming messages. Digital still videotex offered through the model INS interfaces with analog telephone lines to provide users access to previously established CAPTAIN services.

Composite Communications Service for Multiple Offices. This raises the effectiveness of office automation systems by facilitating the composite use of telephone and nontelephone services (including facsimile and digital data transmission) among separate offices of a company.

Sketch-phone. Our sketch-phone service allows a person talking on the telephone to illustrate a point by sketching a diagram on a special pad for transmission and immediate display on the other party's television set.

Videoconference systems enable businesspeople to confer immediately whenever necessary without the bother of time-consuming and expensive business trips (left).



Videoconference. Videoconference service permits distant participants to confer via live color displays and high-quality voice transmission. This service is available to companies with their own videoconference equipment and to any user on a reservation basis at special public facilities.

Video Monitoring. Users of this service can manipulate the angle and zoom of a remote video camera to monitor anything they wish, from construction work to building security. Video transmissions also enable persons to observe trade shows, exhibitions, and other events they cannot attend.

Ultrahigh-speed and Color Facsimile. Ultrahigh-speed facsimile service via optical-fiber cable permits superior quality and unprecedented speed in transmitting text as fine as newspaper copy and graphic materials with intermediate shading, as in photographs. The model INS also offers color facsimile service.

VRS. VRS provides regularly scheduled moving-picture programs; users can also order moving-picture programs of their choice at any time. Further, they can order still-picture information for display, such as text, diagrams, or photographs. A composite function enables the insertion of moving pictures in still-picture programs.

Modes of Use

Home Shopping. Home shopping uses telephone, facsimile, CAPTAIN, and VRS service to allow persons to order goods and services without leaving their homes. A shopper can scan a department-store or supermarket catalog, for instance, and place an order from home by phone or facsimile. In home shopping by CAPTAIN or VRS, a shopper can obtain televised merchandise information from the CAPTAIN center or a retailer's host computer.

Home Banking. Home banking is another version of home shopping. Customers can access the Automatic Answer Network System for Electronic Request (ANSER) via telephone, facsimile, CAPTAIN, or another INS medium to transfer funds into or out of accounts and to obtain readouts on their balances outstanding.

Work at Home and at Satellite Offices. Employees working at home or in satellite offices near home will have little or no commuting and be better able to concentrate their energies on work. Personal computers, word processors, data-base terminals, high-speed facsimile machines, and other equipment of this kind linked to the company via the INS will permit employees to work as effectively as if they were at the main office. Work-at-home systems will help bring housewives and elderly and disabled persons into the social and economic mainstreams.

Public Use. The INS will contribute to medical service, public administration, and other community functions, providing ready access to such official documents as birth and marriage certificates and to information on public services and community events.



Digitization in the INS will extend to public telephones, such as this one in the model INS in Tokyo (above).

NTT's VRS comprises a full range of services for still and moving pictures (far right).

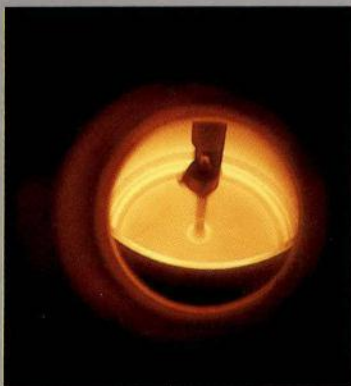
RESEARCH AND DEVELOPMENT



Underground tunnels beneath the city house the cables that link millions of users to one other via advanced communications networks (left).

Much of NTT's R&D program is devoted to semiconductors and highly integrated electronic circuitry, crucial to the distributed-processing functions that will make advanced telecommunications a truly ubiquitous presence in daily life (far right).

NTT participates in many facets of R&D on the satellite systems that are giving real meaning to the concept of instantaneous global communications (below).



NTT invests approximately 2% of annual operating revenues in research and development to continue providing users with superior telecommunications service. R&D investment in fiscal 1983 totaled about ¥94 billion. Current efforts focus on meeting our society's burgeoning demands for increasingly advanced telecommunications.

Since first proposing the INS in 1982, NTT has been steadily putting this sophisticated network into place. Already in service are numerous digital exchanges, a framework for large-capacity optical-fiber communications, and the CS-2a communications satellite.

Technology for enhancing our capacity to implement and operate the INS was our central R&D theme in fiscal 1983 at the electrical communications laboratories in Musashino, Yokosuka, Ibaraki, and Atsugi. These laboratories are all within an hour or two by train from NTT's head office, in Tokyo, from where their activities are efficiently coordinated by the Research and Development Bureau. Important aspects of these activities are described on the following pages.



Digital Network Technology

A digital communications network will be the essential framework of a workable nationwide INS. Technology for implementing this network remains the chief preoccupation of R&D at NTT, with particular attention being given to facsimile, videotex, and digital data services. Extensive study covers service parameters, network functions, interfacing with user equipment, network engineering, technical standards, numbering formats, signal formats, rate schedules, protocols, and means of integrating, improving, and expanding existing networks.

CAPTAIN systems scheduled to begin commercial operation in the vicinities of Tokyo and Osaka in November 1984 will give positive form to achievements to date. Vigorous work will continue in digital communications, yielding important contributions to the formulation of a new basic plan for nationwide telecommunications infrastructure.

Digital Switching Technology

Developing effective switching systems is crucial to implementing digital communications networks. Commercial testing of our D60 switching systems, which began in the previous year, ended in fiscal 1983, and preparations began for full-scale implementation of these systems in large-volume relaying. Operational testing of our D70 switching systems for interfacing with digital subscriber lines continued in the INS model system. The D70 systems will undergo commercial testing at the Tsukuba Expo in the spring of 1985. We also continued in fiscal 1984 with the

refinement of remote-controlled switching systems to interface with digital subscriber lines and thereby facilitate economic digital communications in small service areas.

Digital Transmission Technology

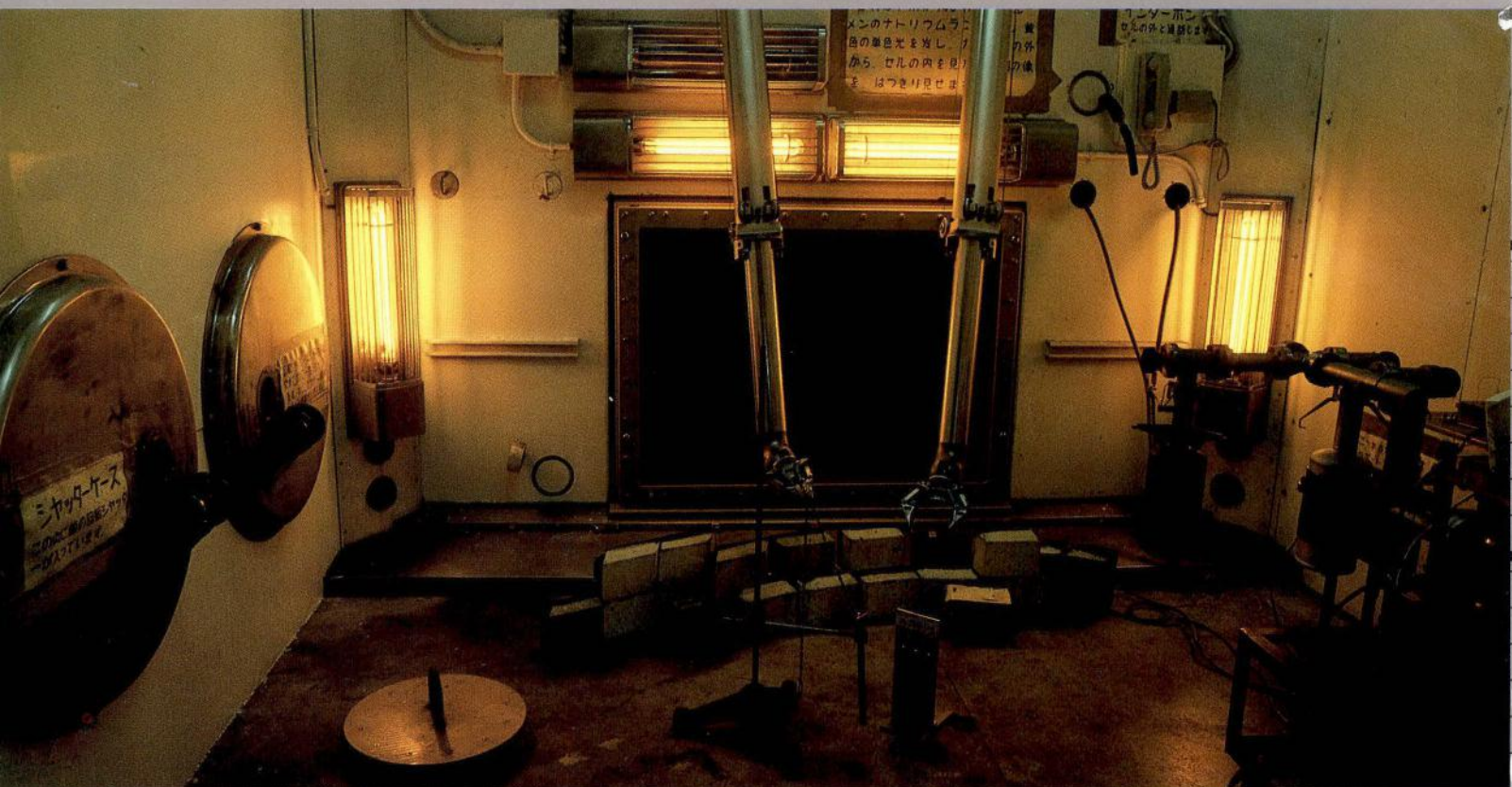
NTT is studying technologies for high-speed digital transmission, including optical fiber, coaxial metallic cable, and microwaves and quasi-millimetric waves.

We seek the earliest possible digitization of subscriber lines and have included test installations for time-divided transmission over paired cables in the model INS.

In large-capacity wireless transmission, microwave and quasi-millimetric wave technologies promise to help us provide subscribers with efficient, economical service via satellites and other mainstays of wireless communications. We have begun commercial testing of intraframe and interframe coding systems based on large-scale integration (LSI) that will lower costs and raise quality in the transmission of images.

Optical fiber is functionally far superior to metallic cable, offering less attenuation, wider bands, no induced noise, and a transmission capacity several 10,000 times the capacity of metallic cable of a comparable diameter. To increase the economy and capacity of long-distance trunk lines, we are developing ultralarge-capacity technology to transmit 1.6 gigabits per second over an optical-fiber cable.

NTT contributed to the dissemination of knowledge and information on optical-fiber communications by convening an international symposium on this subject in April 1984.





R&D work at NTT extends to production technology, as in this apparatus, which fuses joints in five optical fibers simultaneously (above).

Satellites

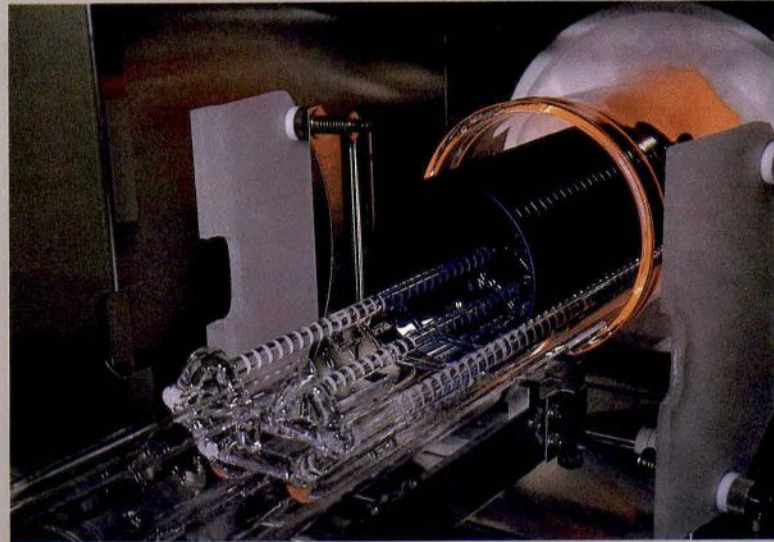
An N-II rocket launched by Japan's National Space Development Agency in February 1983 carried aloft a CS-2a satellite, the first working communications satellite ever put into orbit by Japan. Designed for domestic communications, the CS-2a enables direct dialing between Japan's main islands and the Ogasawara Islands, far to the south. We have begun installing stationary and mobile earth stations that enable us to use satellites to restore communications by microwaves and quasi-millimetric waves should they be interrupted by a natural disaster.

Our plans call for greatly expanding satellite communications capacity, and we are planning the instrumentation for another communications satellite, the CS-3, scheduled for launch in 1987. We expect to operate 10,000 communications circuits via satellite by 1988 and 100,000 by 1995. NTT engineers and researchers are studying multibeam and satellite-switching systems for operating these circuits.

Data Processing

The growth of data processing poses mounting demand for systems to facilitate communications among differing kinds of computers. In collaboration with computer manufacturers, NTT issued the first version of its Data Communications Network Architecture (DCNA) in 1977. A system of protocols needed for the INS services was issued in 1983 as the fifth version of the DCNA. To facilitate efficient communications in Japan and with other nations, these protocols include parts selected from the Open Systems Interconnection (OSI) being promoted by the International Standards Organization (ISO) and the International Telegraph and Telephone Consultative Committee (CCITT). Future versions of the DCNA will conform even more closely with the OSI.

We have also facilitated data processing by easing access to our digital data exchange (DDX) network and by increasing transmission capacity and safety on the network with a control function that permits multiple links between units of equipment.



NTT's VLSI manufacturing expertise features state-of-the-art process technology for oxidation and all other stages of the production sequence (far right).

Robotic arms facilitate experimentation programs at NTT's laboratories (left).



The development of hardware has featured continuing improvement of our Denden Kosha (the shortened Japanese name for NTT) Information Processing System. Since the introduction of DIPS-1 in 1972, we have repeatedly broadened the applicability of these computer systems by upgrading their functions, performance, and cost-effectiveness. The DIPS-11/5 Model 45, which entered commercial testing in 1982, is one of the most sophisticated general-purpose mainframes of its kind in the world.

We are developing a series of compact DIPS computers. The broadening use of distributed processing increases the need for small information processing systems, even as expanding networks heighten demand for advanced systems able to interface with diverse equipment. Extensive use of very large-scale integration (VLSI) technology will enable us to concentrate much of the performance capability of the DIPS-11/5 systems in smaller computers. The new DIPS series will begin commercial operation in March 1985 and is scheduled for use in the model INS.

Small rooftop antennas gather voice, image, and text signals relayed by satellite to optimize communications capacity and efficiency (left).

This advanced apparatus for molecular beam epitaxy evinces NTT's leading-edge R&D on semiconductor devices (below).



Optical-fiber systems are crucial to plans for upgrading communications networks in Japan, and this visible-spectrum laser and other equipment developed by NTT will enhance the effectiveness of those systems (right).

Video Communications

Nowhere is demand for telecommunications service rising faster than in video communications. NTT inaugurated public videoconference service between Tokyo and Osaka in 1976 and began offering videoconference subscriber service over specific lines in March 1984. In related work, we are developing a picture-conference system to enable economical teleconferencing and plan to put this system into commercial service soon.

In another application of video technology, during the past fiscal year we created an experimental system for referencing maps and aerial photographs in a video data base.

User-premises Equipment

NTT has made full use of electronics in developing an array of telephones sized and styled for use in home and office.

We have also created advanced, economical customer-premises equipment for data communications and standard input-output formats to facilitate its general use.

Facsimile machines, ideally suited to transmitting Japanese-language texts, are another important theme in our creation of equipment for use on customer premises. NTT has developed small, high-speed machines to make facsimile service economically available to ordinary users by allocating functions between the networks and terminals.

Office automation, meanwhile, presents rising demand for more advanced and integrated communications functions. To meet this demand, we are establishing systems for office buildings that offer a full range of functions for telephone and nontelephone communications and for processing these communications.

VLSI

NTT has achieved many advances in logic and memory devices featuring large-scale integration since beginning research in 1965 on integrated-circuit (IC) logic for solid-state switching systems. VLSI development is essential if the INS is to achieve the speed and volume of communications we envision. This is why we opened the Atsugi Electrical Communications Laboratory in April 1983 to pursue research on semiconductor circuitry.

Silicon remains a prime focus of our semiconductor research, and during the fiscal year we developed technology for smoothing silicon VLSI chips in a way that permits higher integration.



Other research focuses on using silicon wafers whole, without dicing them into chips. In the past fiscal year our researchers succeeded in storing one full display of 64-color graphic data on a 4-inch, 1.5-megabit wafer and a natural-color display on four of these wafers.

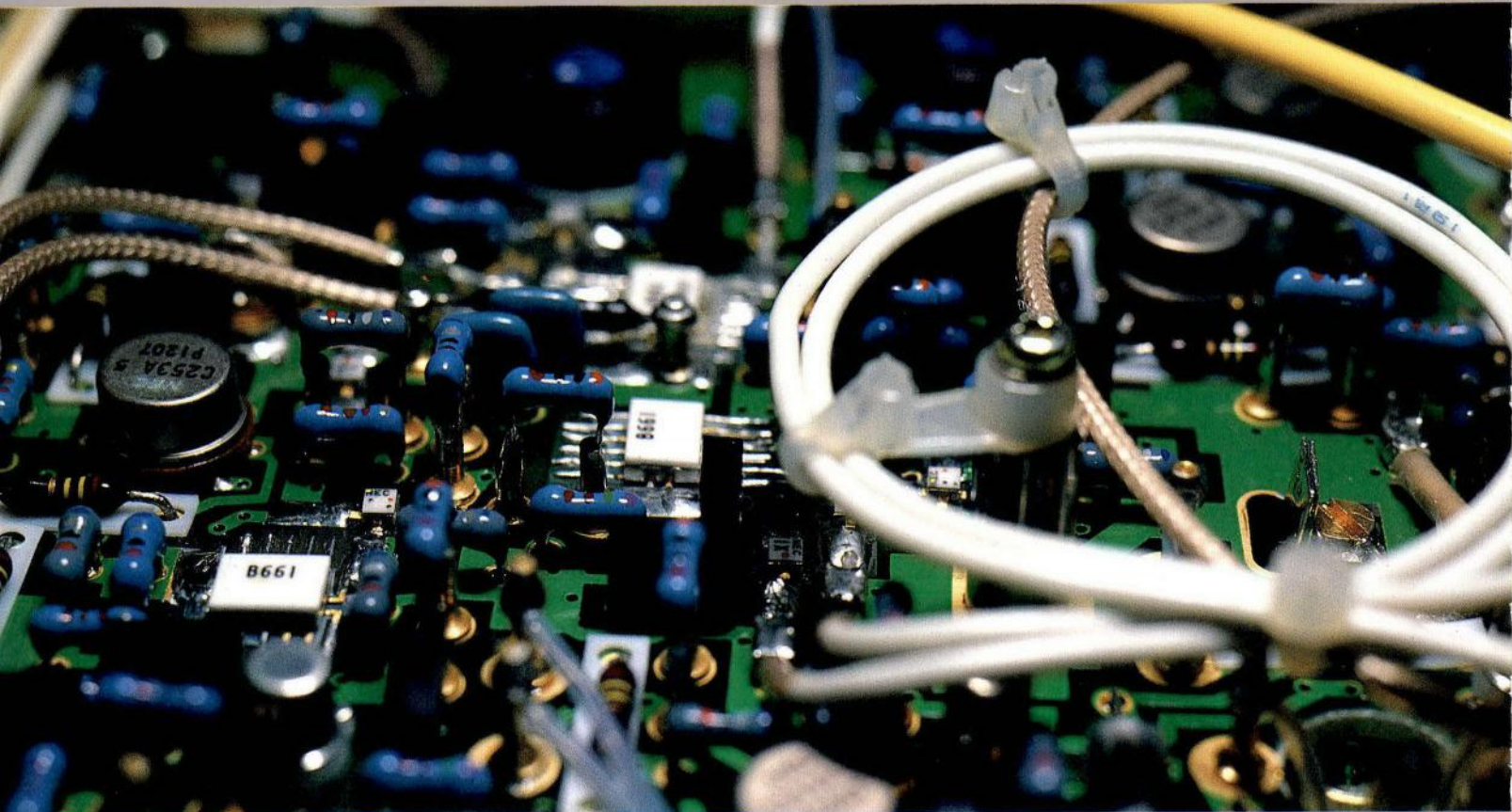
In superconductors, we are studying the action of solitons in Josephson junctions as part of our efforts to develop electronic devices with new functions and minimal energy consumption.

Basic Technology

Although NTT does not manufacture its own systems and equipment, scientists at NTT laboratories conduct vigorous research on basic and manufacturing technology to support the implementation of telecommunications networks. Fiscal 1983 saw important progress in these areas.

During the year, NTT scientists successfully developed a solid-state laser that oscillates in the visible light spectrum. This kind of laser is ideally suited as a light source for transmissions through plastic optical fiber and for high-density optical storage and retrieval of data.

Our efforts to develop ways to mass-produce optical fiber economically have also met with notable success. Our vapor-phase axial deposition method for drawing optical fiber produces fiber of stable characteristics in less than a fifth the time required by earlier methods.





Portable car-telephone units symbolize NTT's efforts to enhance the convenience and flexibility of telephone service for users in any situation requiring access to communications networks (above).

Technology for automating LSI design is another area where NTT researchers achieved progress in fiscal 1983. They extended a computer language to adapt it for use in designing circuit functions. Scientists at NTT also improved our computer-aided-design hardware, wiring programs, and simulation techniques.

We used this design technology in developing VLSI microprocessors for electronic switching equipment and DIPS computers, VLSIs for processing protocol signals in packet networks, memory LSIs, and LSIs for processing analog signals.

Ultrahigh speed and density were central themes in our fiscal 1983 research on processes and equipment for manufacturing semiconductors.

Our work on processes led to the successful development of our SS7 optical process for ultrafast production of LSIs.

We also succeeded in experiments using electron-beam

etching of submicron precision to produce metal-oxide-semiconductor (MOS) memories with megabit capacity.

In microfabrication hardware for manufacturing LSIs, we developed electron-beam etching equipment and a sophisticated new kind of plasma-deposition apparatus. Seeking to facilitate even finer precision, we began work on hardware setups using synchrotron optical radiation to form patterns precise to less than half a micron.

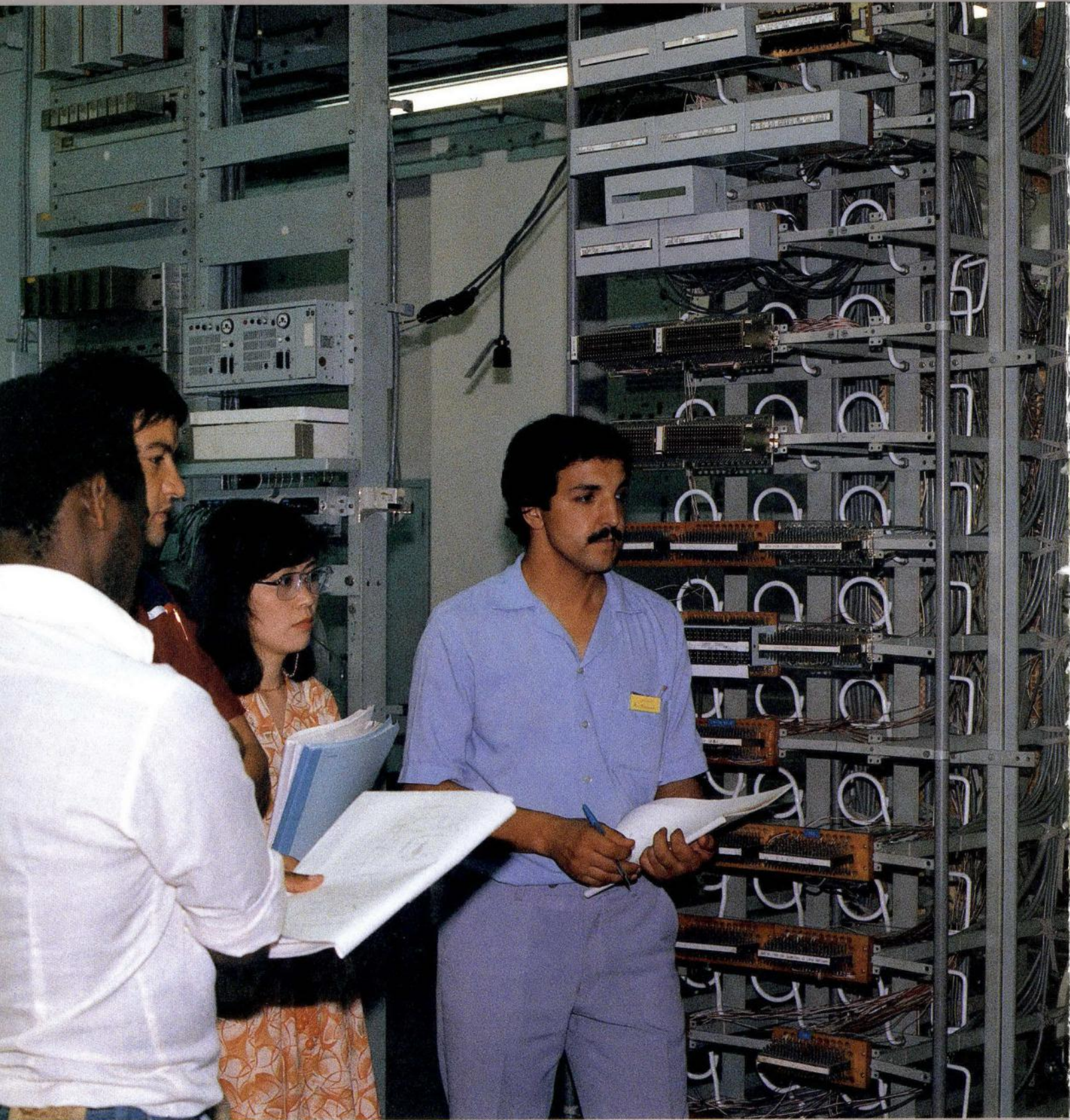
We continue working to improve reliability in LSIs, and in fiscal 1983 we achieved highly reliable performance with LSIs packaged in plastic, which is much less expensive than ceramic packaging.



This shield-tunneling machine leaves a sheath of concrete in place in the underground passage it bores for the cables of a municipal communications grid (far right).

Repeaters like this one are installed at regular intervals in submarine optical-fiber cables to relay messages across the oceans at the speed of light (left).

INTERNATIONAL COOPERATION





NTT has worked since its founding to contribute to telecommunications around the world.

We have furnished technology to developing nations.

We have exchanged expertise with other developed countries.

We have participated regularly in international conferences.

In these and other ways we have striven consistently to advance the cause of efficient telecommunications at every level.

NTT was a leading participant at the TELECOM 83 exposition, held in Geneva in October. In Japan we hosted the First NTT International Symposium in July 1983, followed by the second in April 1984, to present the course of R&D at NTT.

Cooperation with Developing Nations

NTT's international involvement is deepening annually. In fiscal 1983 we dispatched 399 personnel to developing nations, the most we have ever sent and more than twice as many as five years ago. We received 177 technical trainees from overseas, also the most ever and 25% more than five years ago.

This stepped-up activity has responded to a growing number of requests from developing nations for technological assistance from NTT. Our international assistance programs have benefited from the Japanese government's five-year plan, implemented in 1980, to double Japan's official development aid to developing nations. We are involved in overseas work in many of these countries, including consulting activity in collaboration with Japan Telecommunications Engineering and Consulting (JTEC) and projects we have undertaken directly.

Our technical exchange with the Chinese Ministry of Posts and Telecommunications has grown steadily since it began with the signing of a memorandum in 1980. We continued trading ideas and opinions in fiscal 1983 as 36 NTT personnel traveled to the People's Republic of China and 42 Chinese postal personnel visited Japan. A seven-member NTT delegation led by then-Executive

Vice President Kanjiro Koshi traveled to China in October 1983 and held discussions at four postal administration offices during a two-week visit.

In March 1984 we signed a memorandum on technical exchange with Sri Lanka's Telecommunications Department. Technological exchanges are proceeding well with the Telephone Organization of Thailand and the Jabatan Telekom Malaysia and, as reported in last year's annual report, with the Communications Authority of Thailand and the Korea Telephone Authority of the Republic of Korea.



A vigorous program of accepting technical trainees is one way NTT shares its technological accomplishments with developing nations and other countries (far right).

Exchange with Developed Countries

Technical exchange between NTT and enterprises in developed nations is raising the quality of telecommunications around the globe. This exchange continued in fiscal 1983, including the interchange of personnel, and in May 1984 we signed an agreement to exchange trainees with the Deutsche Bundespost in the Federal Republic of Germany.

Countries to which NTT Sent Technical Experts in Fiscal 1983



Our participation in TELECOM 83 was a vital facet of our technical exchange with other developed countries. At FORUM '83, the Telecom symposium on policy, financing, and economic aspects of NTT, Senior Executive Vice President Yasusada Kitahara delivered an address on advanced telecommunications in the information society. NTT personnel presented seven papers at the symposium on technology, covering topics from basic technology to nontelephone services. The NTT exhibit at TELECOM 83 was three times larger than at the previous TELECOM, held four years earlier, and the 50 personnel sent to run it represented a sixfold increase. "Business," "community," and "home" corners set up by NTT at the TELECOM sessions effectively demonstrated the convenience, breadth, and economy of INS services.

International Conferences

We continue to participate actively in the CCITT, the International Radio Consultative Committee (CCIR), and other organs of the International Telecommunication Union (ITU) and in the ISO, the International Electrotechnical Commission (IEC), and similar international organizations. During fiscal 1983 approximately 200 NTT personnel participated in conferences held by these organizations.

*Speakers and exhibits
the Second NTT Inter-
national Symposium
described the course of
R&D at NTT (below).*



International Procurement of Equipment

NTT has been given the responsibility of providing the Japanese public with reliable, high-quality telecommunications services at reasonable prices. To fulfill this obligation, advanced equipment that is both cost-effective and highly reliable must be used for NTT's telecommunications networks, including the Information Network System (INS) now being constructed.

In January 1981, NTT introduced new procurement procedures in compliance with the GATT Code on Government Procurement and the Japan-U.S. Agreement. These procedures fully reflect the requirements and characteristics of telecommunications equipment and are well suited to its procurement. Their adoption successfully expanded the source of equipment supply to companies in the international market on a fair and nondiscriminatory basis. The Japan-U.S. Agreement expired in December 1983 and was extended from January 1984 to the end of 1986.

NTT has endeavored to implement the new procedures to their full potential and encouraged the participation of foreign companies in NTT's market. NTT has held or participated in seminars and orientations for foreign manufacturers to promote a clear understanding of its procurement policy and procedures as well as of Japan's customer-provided equipment market.

In March 1984, for example, an NTT delegation of lecturers participated in a seminar on "Opportunities for Canadian Industries in Japan's Telecommunications Market," sponsored by the Canadian government in both Ottawa and Vancouver. Representatives were also sent to Atlanta, Georgia, to attend the Southwestern Telecommunications Showcase sponsored by the United States Telecommunications Suppliers Association (USTSA) and the United States Telephone Association (USTA).

Furthermore, the Second NTT International Symposium was held in April 1984 on NTT's ongoing and prospective research and development programs, attracting 74 persons from overseas among the 460 participants. Devoted primarily to optical-fiber transmission technology, the two-day symposium followed NTT's initial symposium of this kind, held in July 1983, which covered high-capacity land mobile communications systems.

Other measures taken by NTT to encourage foreign participation in its market include issuing English-language guidebooks and materials about NTT procurement, accepting applications in English, and accepting applications at overseas NTT offices. Also, a California office was opened in June 1984 as a base from which NTT consults with West Coast companies and accepts applications from them.

The *NTT Telecommunications Bulletin*, delivered quarterly to about 400 foreign suppliers, is yet another way NTT keeps companies up to date on its procurement activities.

The sincere desire and intention of NTT is that these measures will promote increased participation in NTT's market by foreign suppliers offering high-quality, cost-competitive products.

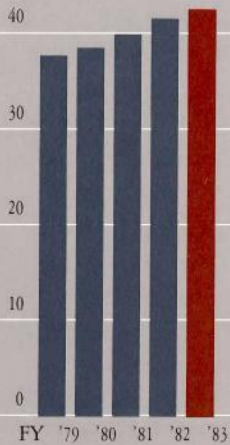


*NTT participated in the
Southeastern Telecom-
munications Showcase in
Atlanta, Georgia, in May
1984 to promote partici-
pation by foreign manu-
facturers in the Japanese
telecommunications
market (far right).*

REVIEW OF OPERATIONS

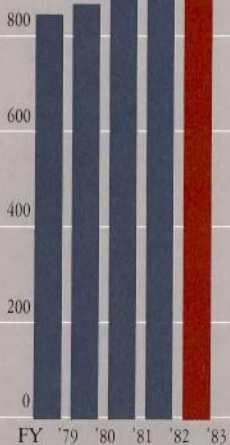
Number of Telephone Subscriptions

(Millions)



Number of Public Telephones

(Thousands)



Operating revenues amounted to ¥4,499.4 billion in fiscal 1983. In a pattern that has continued for several years, 97.5% of these revenues originated in three main areas: telephone, telegraph, and leased-circuit services.

Japan's 42 million telephone subscriptions serve nearly every home and office in the nation, and telephone-service revenues are growing at a modest, yet stable, pace. Similarly, annual expansion in our telegraph business remains slight. On the other hand, revenues from leased-circuit services, including data and facsimile communications, have increased 50% in the past five years, reflecting growth approaching 70% in data-communications business.

Telephone Service

Telephone service yielded 88.5% of our operating revenues in fiscal 1983. At ¥3,984 billion, telephone-service revenues were up 4.7% over the previous year.

The number of subscriber lines in service rose 3.3%, to 42,879,000. Approximately 42,455,000 of the subscriber lines we serve, also up 3.3%, are general telephones assigned a single dialing number for communicating with external lines via NTT exchanges. We serve 400,000 group subscriber lines. These lines, which increased 6.8% in fiscal 1983, are the systems that businesses and other organizations install to facilitate internal communications and to tie into NTT exchanges by way of multiple dialing numbers.

Every 1,000 people in Japan were served by 358 subscriber lines as of fiscal 1983 year-end, up from 349 a year earlier. There were 534 telephones per 1,000 persons. The market is therefore mature, but rising demand for telephone systems in office buildings is a positive factor that promises to help sustain stable growth in telephone subscriptions. At the same time, we continue striving to offer users the lowest possible rates, and in July 1983 we lowered the charges for long-distance calls.

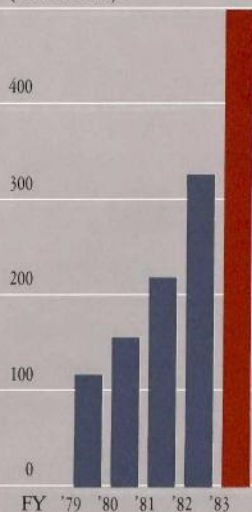
Vigorous development of telephone terminals answers mounting demand for convenience, capacity, and additional functions. Besides a full range of functions and configurations for home-telephone systems, we offer a comprehensive line of telephone systems for businesses. Topping this line of business systems are our private branch exchanges (PBX's), augmented in fiscal 1983 with a new digital system small-volume operation. We also provide telephone facsimile terminals and different telephone services for disabled customers and other special users.

Several supplementary services enhance the convenience and value of telephones to users. NTT provides Silver Phone services that help the elderly and disabled live fuller, more-rewarding lives with peace of mind. The Anshin telephone enables an elderly person living alone to summon emergency help simply by pushing a button. Our Meiryu telephone amplifies a voice for the hearing-disabled listener. For the totally deaf, the Hibiki telephone transmits acoustic waves directly to the skull. Silver Bell telephones use low-frequency signals to notify hard-of-hearing customers of incoming calls.

Severely disabled customers can use their breath, foot, or elbow to operate the Fureai telephone, available since October 1982. Other equipment furnished by NTT enables the transmission of electrocardiograms and heart pacemaker signals to clinics and hospitals for evaluation. Since 1982 we have offered all these services and other special equipment to elderly persons living alone and to disabled persons at half the rate charged for ordinary telephone service.

Number of Facsimile Subscriptions*

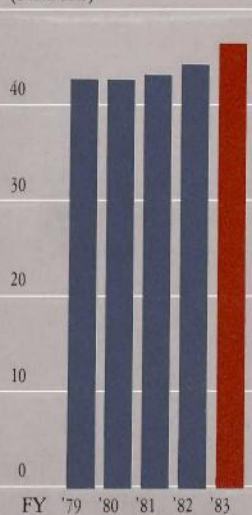
(Thousands)



FY '79 '80 '81 '82 '83
*Excluding facsimile network users

Number of Telegrams

(Millions)



FY '79 '80 '81 '82 '83

A catch-phones allow a person talking on the phone to answer an incoming call without disconnecting the first party. Our automatic answering machines play prerecorded outgoing messages and record incoming messages. Another service enables users to have calls transferred automatically to another number. A multi-number service offered by NTT helps subscribers avoid abusive and misdialed calls by assigning them different confidential numbers for different days. Credit calling is available on a contract basis, and we have offered collect-calling service since 1981. Collect calling increased 30% in fiscal 1983, to 170,000 calls per day.

Approximately 931,000 public telephones were in service in Japan at fiscal 1983 year-end, up 0.3% from a year before and representing 78 public phones per 10,000 residents. We have taken several steps to make these telephones more convenient, particularly in regard to long-distance calling. The installation of more phones that accept ¥10 and ¥100 coins and of public phones that accept prepaid, magnetic service cards has helped in this area. The number of card phones in service, including many by which direct-dialed overseas calls may be made, increased more than tenfold in fiscal 1983. Seeking to best serve the calling needs of people away from home and office, we are reviewing the placement of all our public telephones.

NTT's mobile telephone service connects ship and car phones and public phones on trains to stationary subscriber phones anywhere in Japan.

We are broadening the range of car-telephone service, and in fiscal 1983 we extended it to Shizuoka and other cities, bringing to 329 the number of cities where car-telephone service is available. As of March 1984, drivers can use their car phones to call numbers anywhere in Japan. Car-telephone subscriptions increased nearly 40% during fiscal 1983, to 27,000.

We have long offered public-telephone service on the Tokaido and Sanyo sections of Japan's high-speed Shinkansen railroad, and in 1982 we extended this service to the newly opened Tohoku and Joetsu sections.

The use of pocket pagers continued rapid growth, expanding 15.1%, to 1.65 million subscriptions.

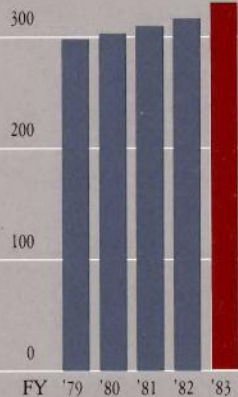
NTT's public facsimile service, inaugurated in fiscal 1982, permits customers to use facsimile machines installed at telephone offices and other places to transmit documents and diagrams to other facsimile terminals, public or private. The use of this service more than quadrupled in fiscal 1983, to 250,000 sheets in 85,000 transmissions.

Telegraph Service

Telegraph service, comprising telegram and telex services, yielded ¥57.8 billion in revenues in fiscal 1983. This total represented about 1% of total operating revenues and a 2% decline from the previous year. Telegram transmissions, of which approximately 77% were messages of congratulations or condolence, edged up 3%, to 44,530,000, consistent with a pattern of slight annual growth that has continued since 1978. Telex subscriptions declined 12%, to 41,000, as users continued to shift to facsimile, data circuits, and other more-advanced formats.

Number of Leased Circuits

(Thousands)



Leased-circuit and Data-communications Services

Leased-circuit and data-communications services produced ¥342.9 billion in revenues in fiscal 1983, an increase of 8.6%. These accounted for 7.6% of total operating revenues.

We realized 3% growth in circuits leased for through telephones and radio and television relays, which increased to 320,000 circuits.

In a continuing trend, faster growth was seen in data communications: circuit, facility, and digital exchange services.

Data-circuit users have a choice of specific-use circuits and public-network service over subscriber telephone and telegraph networks.

The number of specific-use circuits increased 11.2% in fiscal 1982, to 146,000. Municipal and government agencies accounted for 30% of demand, followed by service industries (e.g., property security and information processing) at 27%, and banking, insurance, manufacturing, wholesaling and retailing, transportation, warehousing, and others.

Public-network circuits displayed 33% growth, to 77,000. A growing majority of these use telephone networks, a share that reached 95% in fiscal 1983.

An October 1982 liberalization eliminated most remaining restrictions on data-communications circuits. For all of fiscal 1983, therefore, customers could make joint use of data circuits, establish third-party ties into two-way links between computers and input-output devices, and set up data processing interfaces between specific-use and public circuits. The liberalization package also freed small and medium-sized companies to make use of value-added networks (VANs). VANs are a valuable mode of communications that will soon become available to large enterprises as well.

NTT's facility services for data communications comprise two basic kinds: established public systems for joint use by any and all interested customers and custom systems designed and provided in accordance with requests from specific users.

Our DEMOS-E service for technological and managerial calculations and DRESS service for sales and inventory management formerly were our main public facility services for data communications. In fiscal 1983 we merged these two services into a new, comprehensive service that also offers customers the use of huge memory facilities for the inexpensive storage of data. Consolidating these services has greatly enhanced our response to the increasingly sophisticated and diverse data processing needs of customers. The new system had served 4,048 users by fiscal 1983 year-end, about 7% more than the combined total of DEMOS-E and DRESS users a year earlier. More than 10,400 terminals are tied into the system.

Our array of custom facility services for data communications grew to 73 in fiscal 1983 with the introduction of nine new systems, including an extensive one for Japan's National Tax Agency. Of these 73 custom systems—which handle a range of material from medical information to banking and credit data and even news-agency dispatches—32 are for public administration and 41 for business and industry.

In March 1984 we completed a foreign-exchange and deposit system we had been preparing for Japan's Ministry of Posts and Telecommunications since 1978. This automated system went into service in March 1984 at 19,000 post offices nationwide.

We launched our DDX service in 1979 as the Data Network Service. DDX rates are based on bit volume, and it provides fast, high-quality service with both circuit and packet switching. The time-division, multiple-access transmission used with the circuit-switching service is well suited to long messages, high-density data communications, and digital-facsimile communications.

The number of circuits served by the Data Network Service doubled in fiscal 1983, to 1,595, and in a trend we expect to continue, the number of service areas increased 55%, to 107.

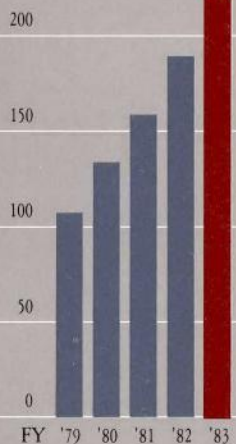
Packet-switching service, which NTT inaugurated in fiscal 1980, consists of catching transmitted data at the DDX and transferring it to the intended receiver in quantized packets. With short messages and low-density data communications, this is an effective way to facilitate communications between terminals of differing transmission speeds and protocols and to enable simultaneous communications among several parties over a single circuit. The subscription volume for our packet-switching service tripled in fiscal 1983, to 3,007 circuits. The number of service areas rose to 206, from 129 in the previous year.

Our facsimile network comprises data-accumulating switches and digital lines exclusively for facsimile transmissions. This network offers automatic reception, multiaddress calling, and other useful services at affordable prices. Begun in fiscal 1981, the network boasted 9,551 contract customers as of March 31, 1984, a 270% increase over the previous year, and service areas had increased to 21.

Service over telephone lines is also an important pillar of our facsimile operations. The market for telephone facsimile machines is expanding rapidly, spawning intense competition among manufacturers and a steady stream of new products. Minifacsimile units made an especially large contribution as the cumulative number of telephone facsimile machines installed by NTT increased to 86,000 by the end of fiscal 1983, 48% more than at fiscal 1982 year-end.

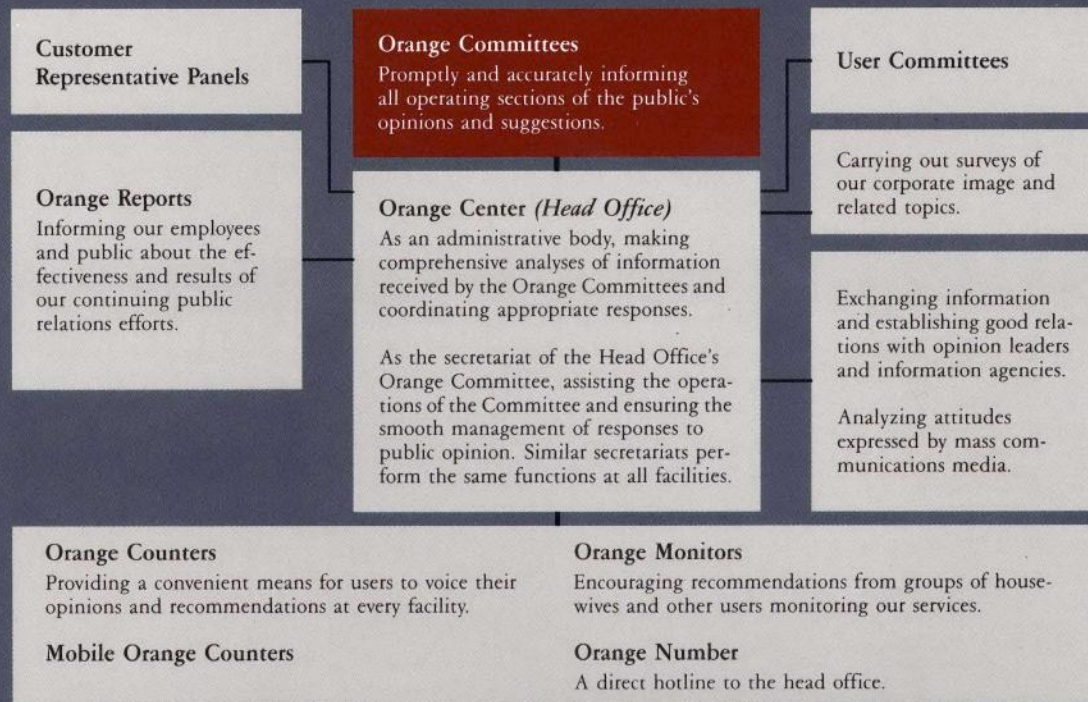
A videoconference service went into operation in March 1984, augmenting our array of nontelephone services. By the end of fiscal 1983 we had concluded contracts to furnish video teleconference service to three companies. Videoconference setups on their own premises enable these businesses to maintain close internal communications through two-way conferencing in full color as the geographical scope of their activities broadens.

Number of Leased
Data Communications
Circuits
(Thousands)



ORANGE ACTIVITIES FOR CLOSER CUSTOMER RELATIONS

NTT's Orange Line Public Relations Plan



We realize that listening to our customers is essential to mutual understanding and effective service. Thus in fiscal 1982 we inaugurated the Orange Line campaign to become more responsive to customers' opinions and desires. This campaign encourages our 330,000 employees to take special care in their daily work to foster good relations with the people we serve.

As a channel for customer input, Orange Line has already yielded more than 80,000 customer opinions and comments—50,000 in fiscal 1983—and half received immediate response. We have set up and staffed Orange Counters at 1,700 local NTT offices to discuss problems with customers. To enable customers to convey comments and complaints to our head office and 11 telecommunications bureaus, we have established Orange Centers of telephone banks and service personnel.

Customer comments and inquiries range from billing and payment to product improvement and public telephone placement. A system of Orange Committees, set up at each level of our organization under the overall supervision of the president, devoted special study to about 600 of the comments received from customers in fiscal 1983.

To improve communications further between NTT and the community, we have organized customer panels at a growing number of our local offices. Comprising members from all sectors of society, these panels are an excellent vehicle for incorporating customer views into NTT policy and for explaining NTT policy to the public.

FINANCIAL SECTION

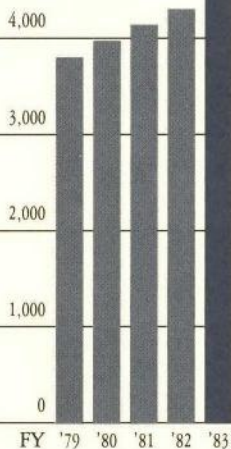
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FINANCIAL REVIEW

Total Revenues

(Billion ¥)



Total revenues in fiscal 1983 amounted to ¥4,552.4 billion, a 4.8% increase over the previous year. This reflected gains in telephone and leased-circuit (including data and facsimile communications) revenues. Telephone business, which contributed 87.5% of total revenues, grew 4.7% in fiscal 1983, continuing a pattern of stable growth maintained for the past five years. Leased-circuit business accounted for a much smaller share of total revenues, 7.5%, but it expanded 8.6% in fiscal 1983 and has grown 76% in the past five years, more than compensating for the decline in telegraph revenues.

At ¥4,168.4 billion, expenses were up 4.9% over fiscal 1982. Expenses thus rose slightly faster than revenues, despite the Corporation's success in reducing financing costs and improving operational efficiency. This was primarily because of higher expenditure on retirement allowances and property removal.

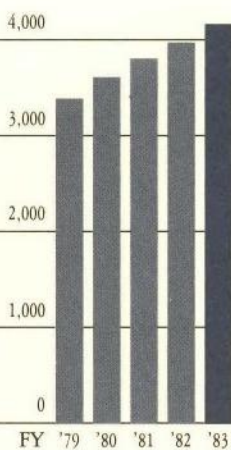
Net earnings therefore totaled ¥384 billion, a 3.9% increase over the previous year.

Expenditures on capital investment declined 3.5% from fiscal 1982, to ¥1,682.1 billion.

To help reduce Japan's fiscal deficit, a 1981 law obliged NTT to pay the government approximately ¥120 billion annually for four years, up to and including fiscal 1984. In fiscal 1983, however, NTT made a double installment of ¥240 billion, fulfilling its obligation to the government a year early.

Total Expenses

(Billion ¥)



Operating Revenues

Operating revenues, which accounted for 98.8% of total revenues, advanced 4.9% in fiscal 1983, to ¥4,499.4 billion.

Revenues from dialing charges, representing the bulk of telephone service revenues, rose 4.5% despite a July 1983 reduction in long-distance rates. A surge in sales of automobile telephones and pocket pagers also contributed substantially to the 4.7% rise in telephone revenues.

Revenues from telegraph service slipped 2%, to ¥57.8 billion, down 17.7% from five years ago. Telegram service posted a 5.8% gain, reflecting increased volume and higher rates. Telex service, however, registered a decline of 13.9%.

Revenues from leased-circuit services (including data communications and facsimile) continued their solid growth of recent years, rising 8.6%, to ¥342.9 billion. A 10.8% increase in data communications services was the largest factor in this rise.

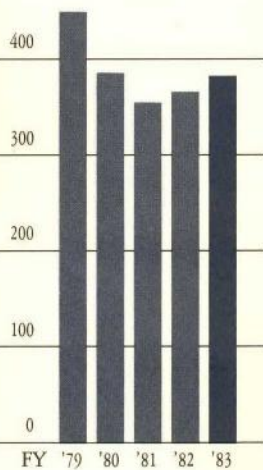
Revenues from Principal Services

(Billions of Yen)

	Telephone	Telegram	Telex	Leased Circuit	Data Communications	
					Circuit Services	Facility Services
FY 1983	¥4,089.2	¥38.7	¥21.0	¥103.1	¥138.8	¥122.8
FY 1982	3,905.2	36.6	24.1	101.1	124.3	113.4

Net Earnings

(Billion ¥)



Operating Expenses

Operating expenses rose 3.8% over the previous year, to ¥3,983.4 billion.

Direct expenses accounted for more than half this total, rising 5.4%, to ¥2,108.3 billion. Approximately 70% of these direct expenses were personnel costs, which rose to 5.8% above fiscal 1982 because of higher expenditure on retirement allowances.

Capital expenses, the other main component of operating expenses, edged up only 1.8%, to ¥1,670 billion. At 40.1% of operating expenses, capital expenses lost 1.2 percentage points from their share in the previous year. This occurred as reduced building investment kept depreciation costs to a 3.4% increase over the previous year, at ¥1,268.8 billion, and as financing costs declined.

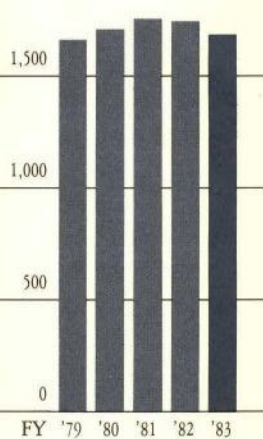
Total Expenses Incurred by Principal Services

(Billions of Yen)

	Telephone	Telegram	Telex	Leased Circuit	Data Communications	
					Circuit Services	Facility Services
FY 1983	¥3,514.5	¥162.6	¥28.1	¥64.9	¥84.9	¥142.5
FY 1982	3,382.9	156.6	25.9	63.5	81.3	139.7

Capital Investment

(Billion ¥)



Earnings

Net income increased 3.9%, to ¥384 billion. NTT will pay ¥200 billion of this total to the national treasury by March 1985 and apply the remaining ¥184 billion to expanding and improving services.

Capital Investment

At ¥1,682.1 billion, capital investment in fiscal 1983 was 3.5% less than in fiscal 1982. The amount of total capital investment has changed little over the past five years, but expenditure on the purchase and installation of communications equipment showed a notable increase in fiscal 1983.

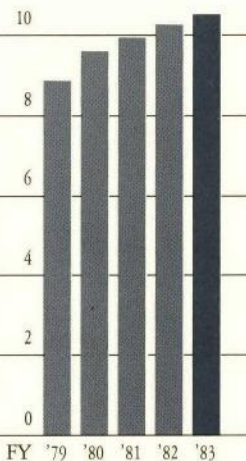
Assets

Fixed assets edged up 2.7%, to ¥9,787.1 billion. Telephones, switching equipment, lines, and other telecommunications hardware accounted for approximately 70% of fixed assets, although growth in these and other tangible assets has slowed in recent years. The completion during the fiscal year of a telecommunications satellite and a large building in Tokyo was responsible for a 13.7% decline in the total for unfinished facilities, to ¥389.2 billion.

Intangible fixed assets, including software, joint-use rights, and rights-of-way, are calculated at their depreciated value. At ¥253.9 billion, the total for intangible fixed assets was 12% higher than in the previous year, largely because of a 19% rise in the value of software assets, which account for 60% of this total.

Total Assets

(Trillion ¥)



Liabilities and Capital

A surge in accounts payable was responsible for a 36% increase in current liabilities in fiscal 1983, to ¥443.2 billion. Fixed liabilities showed little change, slipping 2.6%, to ¥5,156 billion, although notable growth occurred in the relative weight of loans.

Total capital amounted to ¥4,922.6 billion as of March 31, 1984, a 6.7% increase over the previous year. The capital surplus rose 7.0% in fiscal 1983, to ¥2,548.8 billion, mainly because of growth in user installation fees for equipment and cables. Retained earnings rose 6.5%, to ¥2,355 billion, despite the Corporation's remission of ¥240 billion to the Japanese government.

Funding

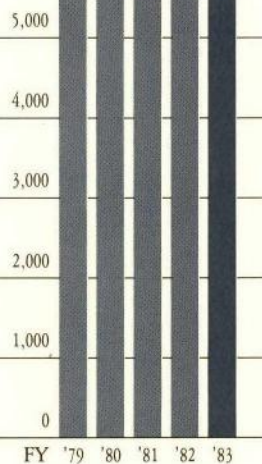
NTT raises funds through the issuance of telegraph and telephone bonds and through borrowing. The Corporation stopped issuing subscriber bonds on March 30, 1983, which diminished issuances of telegraph and telephone bonds 29.6% in fiscal 1983, to ¥432.2 billion. Telegraph and telephone bonds outstanding as of March 31, 1984, totaled ¥5,094.9 billion, down 3.4% from the previous year and for the first time less than half—48.4%—of total liabilities.

The Corporation made three issuances of foreign-currency bonds in fiscal 1983. Two of these were denominated in Swiss francs and one in Eurodollars; the three raised a total of ¥51.1 billion.

Borrowings increased ¥39.3 billion in fiscal 1983, to ¥59.3 billion. NTT obtained approximately ¥40 billion of these loans from private banks.

Total Liabilities

(Billion ¥)



Five-year Breakdown of Funding

(Billions of Yen; Index FY 1979 = 100)

	FY 1979	1980	1981	1982	1983
Sources of funds					
Operating revenues	¥3,784.3 100	¥3,952.8 104	¥4,097.5 108	¥4,290.6 113	¥4,499.4 119
Installation charges	164.1 100	162.5 99	152.6 93	155.0 94	165.7 101
Revenue from issuance of bonds	525.0 100	553.2 105	638.5 122	601.2 115	413.8 79
Loans	—	10.0	10.0	—	40.0
Changes in receivables	(0.6)	0.5	(11.5)	0.1	(9.3)
Temporary receipts	1.8	5.1	6.5	(4.4)	19.0
Total funds	4,474.6 100	4,684.2 105	4,893.5 109	5,042.5 113	5,128.6 115
Balance at end of year	222.6 100	295.7 133	258.0 116	205.0 92	159.3 72

FIVE-YEAR FINANCIAL SUMMARY

	Billions of Yen				
	FY 1979	1980	1981	1982	1983
For the fiscal year:					
Revenues					
Telephone revenues	¥3,395.0	¥3,525.7	¥3,639.8	¥ 3,806.9	¥ 3,984.0
Telegraph revenues	67.4	64.0	61.5	59.0	57.8
Leased circuit and data communications services revenues	223.4	251.5	284.0	315.8	342.9
Miscellaneous operating revenues	98.5	111.6	112.2	109.0	114.7
Total operating revenues	3,784.3	3,952.8	4,097.5	4,290.6	4,499.4
Nonoperating revenues	71.3	53.5	69.7	53.7	53.0
Total revenues	3,855.6	4,006.3	4,167.1	4,344.3	4,552.4
Expenses					
Operating expenses	1,650.3	1,795.5	1,904.8	2,001.1	2,108.3
Charges for subcontracting telegraph and telephone service	104.5	116.1	124.6	137.4	144.5
Interest and other financial expenses	409.1	406.5	417.7	413.4	401.1
Depreciation	1,084.3	1,135.9	1,188.4	1,226.9	1,268.8
Taxes and duties	46.7	50.9	53.9	57.1	60.6
Total operating expenses	3,294.9	3,504.9	3,689.5	3,835.8	3,983.4
Property removal expenses and others	107.7	113.3	121.9	138.9	185.1
Total expenses	3,402.7	3,618.3	3,811.4	3,974.6	4,168.4
Net income for the year	452.9	388.1	355.8	369.6	384.0
Capital investment	1,666.4	1,709.0	1,752.3	1,743.2	1,682.1
Research and development expenses	69.2	75.5	80.2	88.5	93.9
At year-end:					
Total current assets	¥ 694.3	¥ 780.7	¥ 741.5	¥ 657.8	¥ 649.8
Total fixed assets	8,070.2	8,589.5	9,087.0	9,530.6	9,787.1
Total assets	8,874.1	9,459.1	9,900.7	10,248.8	10,521.9
Total current liabilities	335.0	326.3	351.5	325.9	443.2
Total fixed liabilities	5,262.1	5,305.9	5,331.9	5,295.5	5,156.0
Total liabilities	5,604.9	5,639.3	5,692.5	5,635.9	5,599.3
Total capital	3,269.2	3,819.9	4,208.3	4,612.9	4,922.6

BALANCE SHEET

ASSETS	March 31, 1984		March 31, 1983
	(Millions of Yen)	(Thousands of U.S. Dollars)	(Millions of Yen)
Current assets			
Cash	¥ 225,254	\$ 1,002,466	¥ 265,992
Accounts receivable	164,605	732,555	155,271
Suspense payments	70,033	311,673	71,050
Materials and supplies (Note 1)	189,888	845,073	165,452
Total current assets	649,780	2,891,767	657,765
Fixed assets (Note 2)			
Telecommunications equipment	3,393,999	15,104,579	3,238,206
Outside plant	3,645,824	16,225,296	3,600,348
Land and buildings	1,991,777	8,864,161	1,920,670
Other plant and equipment	112,375	500,111	93,732
Telecommunications plant under construction	389,216	1,732,158	450,790
Intangible fixed assets	253,941	1,130,134	226,860
Total fixed assets	9,787,132	43,556,440	9,530,605
Deferred charges (Note 3)			
Discount on long-term debt — securities	44,472	197,917	39,577
Other assets (Note 4)	40,531	180,378	20,876
Total assets	¥10,521,916	\$46,826,506	¥10,248,824

Notes: 1. U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥224.70 = US\$1.00, the approximate exchange rate on March 30, 1984.

2. See Notes to Financial Statements.

LIABILITIES AND CAPITAL	March 31, 1984		March 31, 1983
	(Millions of Yen)	(Thousands of U.S. Dollars)	(Millions of Yen)
Current liabilities			
Accounts payable (Note 5)	¥ 365,882	\$ 1,628,313	¥ 267,536
Suspense receipts	77,363	344,295	58,358
Total current liabilities	443,245	1,972,608	325,893
Long-term liabilities			
Telegraph and telephone bonds (Note 6)	5,094,943	22,674,424	5,273,775
Loans and others (Note 7)	61,079	271,824	21,739
Total long-term liabilities	5,156,023	22,946,253	5,295,514
Other liabilities	3	13	14,508
Total liabilities	5,599,271	24,918,874	5,635,916
Capital	18,848	83,881	18,848
Capital surplus (Note 8)	2,548,795	11,343,102	2,383,074
Retained earnings	2,355,002	10,480,650	2,210,987
Total capital	4,922,645	21,907,632	4,612,908
Total liabilities and capital	¥10,521,916	\$46,826,506	¥10,248,824

STATEMENT OF INCOME

	Year ended March 31, 1984		Year ended	Year ended
	(Millions of Yen)	(Thousands of U.S. Dollars)	March 31, 1983	March 31, 1982
			(Millions of Yen)	(Millions of Yen)
Revenues				
Telephone revenues	¥3,983,989	\$17,730,258	¥3,806,851	¥3,639,778
Telegraph revenues	57,795	257,210	58,981	61,467
Leased circuit and data communications services revenues	342,931	1,526,173	315,817	284,004
Miscellaneous operating revenues	114,733	510,605	108,966	112,224
Total operating revenues	4,499,449	20,024,250	4,290,615	4,097,473
Nonoperating revenues	52,984	235,799	53,652	69,665
Total revenues	¥4,552,433	\$20,260,049	¥4,344,267	¥4,167,137
Expenses				
Operating expenses	¥2,108,279	\$ 9,382,639	¥2,001,082	¥1,904,823
Charges for subcontracting telegraph and telephone service	144,506	643,106	137,373	124,613
Interest and other financial expenses	401,141	1,785,229	413,388	417,685
Depreciation	1,268,820	5,646,729	1,226,867	1,188,435
Taxes and duties	60,606	269,720	57,066	53,894
Total operating expenses	3,983,352	17,727,423	3,835,777	3,689,450
Property removal expenses and others	185,065	823,609	138,855	121,918
Total expenses	¥4,168,418	\$18,551,037	¥3,974,632	¥3,811,369
Net income for the year	¥ 384,016	\$ 1,709,016	¥ 369,635	¥ 355,769

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

- 1 New materials and supplies are carried at estimated cost, which approximates actual average cost. Second-hand materials are carried at estimated market value.
- 2 Fixed assets are stated at cost or subsequent revaluation, net of depreciation. Tangible fixed assets, except buildings and other structures, are depreciated over their estimated useful lives by applying the declining balance method with a residual value of 10% of original cost. Buildings and other structures are depreciated over their estimated useful lives by applying the straight-line method with a residual value of 10% of original cost or subsequent revaluation. Intangible fixed assets are amortized using the straight-line method without residual value.
- 3 The amount shown is the difference between the face value of discount bonds issued to subscribers and the issue price of 50% and is amortized on a straight-line basis over the life of the bonds.
- 4 The major portion of this amount is noninterest bearing guaranty deposits and a special fund for possible purchase of NTT bonds in the secondary market. It also includes investments in related companies and organizations of which the most important as of March 31, 1984, are shown below:

Name	Capital (Millions of Yen)	NTT's Interest (%)
Kokusai Denshin Denwa Co., Ltd.	¥33,920	10
Telecommunications Satellite Corporation of Japan	6,765	17
Japan Marine Telecommunication Co., Ltd.	1,300	52

- 5 Accounts payable include liabilities incurred in the normal course of business and also accrued interest.

6 Telegraph and telephone bonds comprise:

	(Millions of Yen)	(Thousands of U.S. Dollars)
Bonds issued to subscribers:		
6.2%—9.0% coupon bonds due 1984—1993	¥2,012,458	\$ 8,956,199
6.2%—9.0% discount bonds due 1984—1992	175,105	779,283
Total bonds issued to subscribers	2,187,563	9,735,483
Bonds issued to the government: 6.2%—8.8% bonds due 1984—1994	743,189	3,307,472
Bonds issued to the public: 6.2%—9.0% bonds due 1984—1994	1,137,797	5,063,627
Bonds privately placed: 6.2%—9.2% bonds due 1984—1994	803,650	3,576,547
Government-guaranteed foreign currency bonds:		
7 3/4%—11 3/8% dollar bonds due 1984—1990 (\$350 million)	89,508	398,344
5 1/2% DM bonds due 1987 (DM100 million)	10,711	47,668
4 1/4%—7 1/8% SFr bonds due 1984—1993 (SFr1,025 million)	122,525	545,283
Total government-guaranteed foreign currency bonds	222,744	991,295
Total	¥5,094,943	\$22,674,424

The foregoing includes bonds maturing within one year.

Foreign currency bonds are shown at the yen equivalent translated at the rates of exchange at which the proceeds were converted into yen.

7 Loans and others comprise:

	(Millions of Yen)	(Thousands of U.S. Dollars)
Long-term indebtedness to banks		
5.5%—8.8% loans due 1984—1994	¥38,801	\$172,679
Floating rate loans due 1984—1994	20,540	91,411
Refundable construction and installation charges to subscribers	1,739	7,739
Total	¥61,079	\$271,825

Refundable construction and installation charges to subscribers are those that, by special arrangement, will be returned to certain subscribers on the cancellation of their subscriptions.

8 Capital surplus mainly comprises installation charges paid by new subscribers, the surplus arising from the revaluation of fixed assets on April 1, 1954, and fixed assets transferred to NTT by subscribers.

AUDITORS' REPORT

We have audited the financial statements for the year ended March 31, 1984, complying with the auditing criteria which are generally accepted as fair and appropriate, under those procedures which we have recognized as necessary.

In our opinion, the Corporation's accounting principles and procedures are in conformity with the provisions of the related laws and ordinances and also have followed the accounting principles which are generally accepted as fair and appropriate, and such principles and procedures have been, on a consistent basis, applied to this fiscal year, and the form of presentation of the financial statements is in conformity with the provisions of the related laws and ordinances.

Hence, in our opinion, the financial statements for the fiscal year ended March 31, 1984, present fairly the Corporation's financial position at the end of the fiscal year ended March 31, 1984, and its business achievements during the fiscal year ended March 31, 1984.

September 1, 1984



Kyoichiro Matsuo



Tsuneo Kitano

BUDGET

REVENUES AND EXPENSES	1984 Budget	
	(Billions of Yen)	(Millions of U.S. Dollars)
Revenues		
Telegraph revenues	¥ 55	\$ 245
Telephone revenues	3,992	17,766
Monthly telephone rentals	1,174	5,225
Telephone call revenues	2,501	11,130
Public telephone revenues	156	694
Other revenues	163	725
Leased circuit and on-line computer services revenues	371	1,651
Miscellaneous operating revenues	115	512
Total	4,533	20,174
Expenses		
Personnel expenses	1,563	6,956
Material expenses	803	3,574
Expenses for entrustment	146	650
Interest	442	1,967
Depreciation	1,325	5,897
Amortization of discount on bonds	15	67
Reserved fund	60	267
Subtotal	4,353	19,372
Net income	179	797
Total	¥4,533	\$20,174

SOURCES AND USES OF FUNDS	1984 Budget	
	(Billions of Yen)	(Millions of U.S. Dollars)
Sources of funds		
Internal funds	¥1,520	\$ 6,765
Depreciation and amortization of discount on bonds	1,340	5,964
Net income	179	797
External funds	1,051	4,677
Installation charges	146	650
Corporate bonds and loans	835	3,716
Bonds issued to government	70	312
Total	¥2,571	\$11,442
Uses of Funds		
Construction expenditure	¥1,710	\$ 7,610
Debt retirement	661	2,942
Payment to the national treasury	200	890
Total	¥2,571	\$11,442

Note: Items of revenues and expenses on a budgetary basis do not correspond to those of an income statement.

CONSTRUCTION PROGRAM

1984 Budget

(Billions of Yen) (Millions of U.S. Dollars)

Expenditures

Telephone service		
Terminal equipment	¥ 284	\$1,264
Buildings and plant	471	2,096
Expenditure for disaster prevention	43	191
Maintenance and replacement	406	1,807
Others	—	—
Subtotal	1,205	5,363
Data-communications circuit and on-line computer services	108	481
Others	397	1,767
Total	¥1,710	\$7,610

Major projects

Telephone service	
Terminal equipment	
Subscriber telephone lines	1,100,000 Subscribers
Push-button telephones	1,100,000 Units
Public telephones	70,000 Units
Facsimile machines	47,000 Units
Telephones for the handicapped	46,200 Units
Buildings and plant	
New telephone exchange offices	67 Offices
Optical-fiber cable	246 Sections
Microwave	169 Sections
Digital switcher	84 Units
Facsimile network service	262 Cities
DDX service	120 Cities
Data-communications service	
Data-communications circuits	52,000 Circuits
On-line computer services	32 Systems

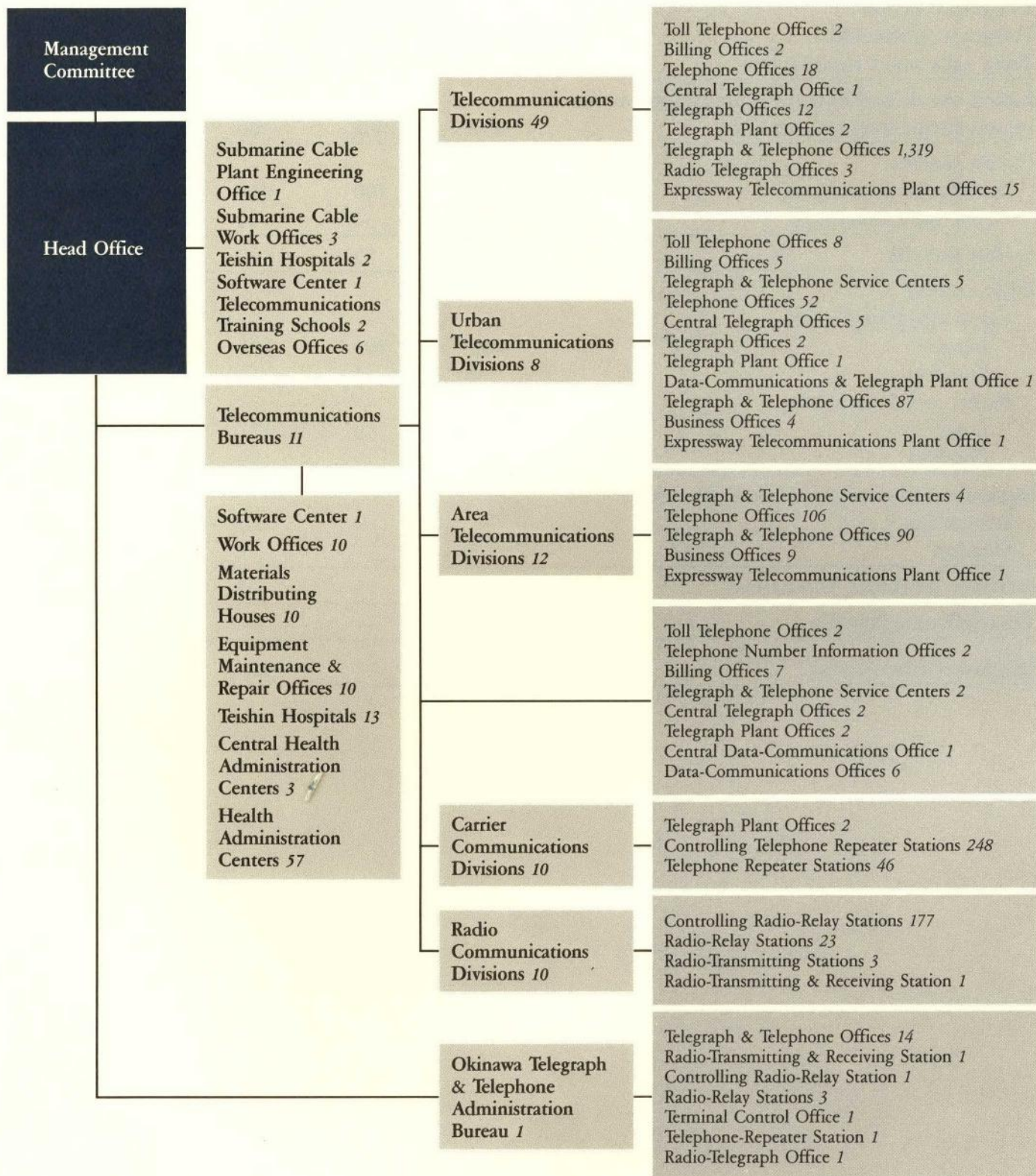
SELECTED STATISTICAL DATA

	FY 1979	1980	1981	1982	1983
Telephone services					
Telephone subscriber lines in service (thousands)	37,761	39,052	40,276	41,501	42,879
Telephone subscriber lines per 100 persons	32.4	33.3	34.1	34.9	35.8
Telephone sets (thousands)	53,634	56,284	58,678	61,208	63,976
Public telephones (thousands)	850	882	914	928	931
Public telephones per 100 persons	7.3	7.5	7.7	7.8	7.8
Mobile telephone services					
Automobile telephone service					
Subscribers	1,557	6,406	13,275	19,804	27,198
Districts	1	86	149	203	329
Pocket bell pager subscribers (thousands)	950	1,089	1,241	1,431	1,643
Push-button telephone sets (thousands)	2,855	3,287	3,718	4,523	5,744
Home telephone sets (thousands)	793	954	1,120	1,269	1,435
Business telephone sets (thousands)	3,804	4,008	4,139	4,114	4,088
Private branch exchange sets (thousands)	106	109	112	114	114
Building telephone subscribers	759	857	951	1,070	1,245

	FY 1979	1980	1981	1982	1983
Telegraph services					
Telegrams (thousands)	41,050	41,036	41,961	43,306	44,529
Telex subscribers (thousands)	63	58	52	47	41
Leased circuit and data-communications services					
Leased circuit lines (thousands)	298	302	309	317	327
Circuit services					
Specific use (thousands)	84	100	115	131	146
Public use (thousands)	24	34	44	58	77
Facility services	52	55	60	65	73
DDX services					
Circuit-switching service					
Lines	69	106	391	770	1,595
Districts	4	4	19	69	107
Packet-switching service					
Lines	—	59	171	758	3,007
Districts	—	7	30	129	206
Facsimile communications network services					
Subscribers	—	—	790	2,603	9,551
Districts	—	—	5	13	21
Facsimile terminals (thousands)	12	15	30	58	85
Teleconference services	—	—	—	—	7
Employees (thousands)	329	327	327	323	318

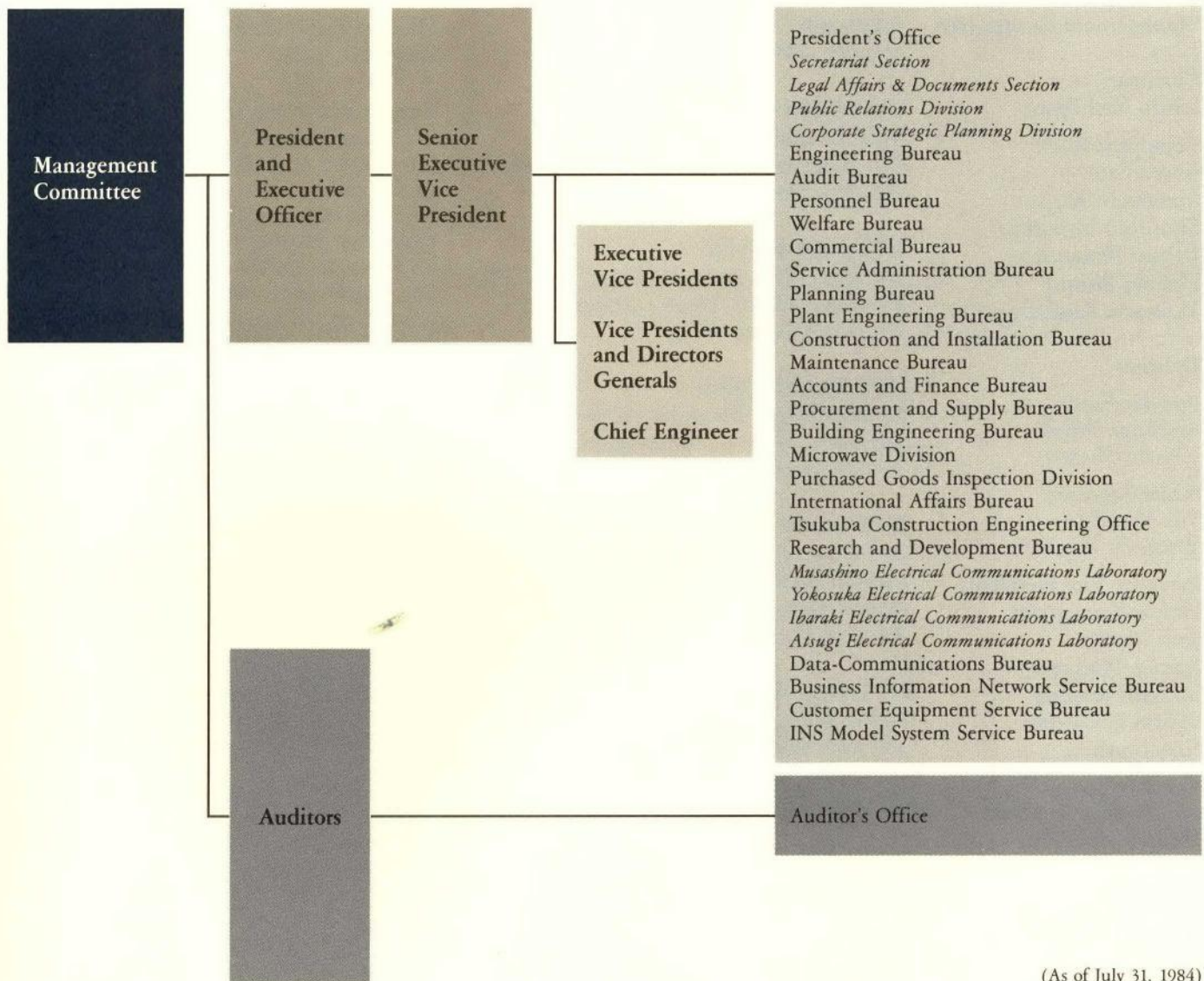
NTT'S ORGANIZATION

Corporate Organization



Note: Figures in italics indicate the number of independent facilities

Head-Office Organization



(As of July 31, 1984)

CORPORATE DIRECTORY

PRINCIPALS

Management Committee

Chairman

Ichiro Yoshikuni

Commissioners

Keizo Saji

Masakichi Matsui

Shojiro Nishikawa

Fumio Watanabe

Hisashi Shinto

Yasusada Kitahara

Officers

President and
Executive Officer
Hisashi Shinto

Senior Executive

Vice President

Yasusada Kitahara

Executive Vice Presidents

Haruo Yamaguchi

Koji Maeda

Sumio Terajima

Masashi Kojima

Reijiro Fukutomi

Ken Iwashita

Vice Presidents

and Director Generals

Tatsunobu Sekiya

Osamu Murakami

Auditors

Tsuneo Kitano

Kyoichiro Matsuo

(As of September 1, 1984)

HEAD OFFICE

1-6, Uchisaiwaicho 1-chome, Chiyoda-ku,
Tokyo 100

Tel: (03) 509-5111

OVERSEAS OFFICES

NTT Bangkok Office

P.O. Box No. 1327, Bangkok, Thailand

Tel: 233-4763

NTT Jakarta Office

7th Floor, Nusantara Building, JL. M.H.

Thamrin No. 59, Jakarta, Indonesia

Tel: 333909 (ext. 2170)

NTT Genève Office

30 Chemin du Pommier, 1218 Grand-
Saconnex, Geneva, Switzerland

Tel: 98-3840

NTT London Office

2nd Floor, Adelaide House,
London Bridge, London, EC4R 9BU,
United Kingdom

Tel: 623-8340

NTT New York Office

Room 2905, Pan American Building,
200 Park Avenue, New York,
NY 10166, U.S.A.

Tel: 867-1511

NTT California Office

4962 El Camino Real, Suite 230
Los Altos, CA 94022, U.S.A.

Tel: 940-1414

NTT Brasilia Office

Ed Baracat Salas 603-604, SCS Bloco G,
CEP 70309, Brasilia D.F., Brazil

Tel: 224-1579

CORPORATE DATA

Date of Establishment

August 1, 1952

Purposes of Establishment

NTT was formed to establish a system for rational and efficient management of the public telecommunications enterprise, to expedite the consolidation and expansion of public telecommunications facilities, to ensure the delivery of effective, convenient telecommunications services to the public, and thereby to promote the welfare of the public.

Number of Employees

318,000

(As of March 31, 1984)



Nippon Telegraph & Telephone Public Corporation
1-6, Uchisaiwaicho 1-chome, Chiyoda-ku, Tokyo 100

OFFICE MEMORANDUM

DATE: September 6, 1985

TO: Mr. A. W. Clausen, President

FROM: A. David Knox, Vice President, LAC *AK*

THROUGH: Mr. Ernest Stern, SVPOP *ES*

EXT.: 73237

SUBJECT: Bank/OAS Collaboration

1. Since your meeting in September 1984 with the Secretary General of the OAS, Joao Clemente Baena Soares, a series of consultations were held with OAS staff to ascertain areas of mutual interest and, hence, potential joint activities. Mr. Baena Soares and several of his colleagues addressed our Senior Staff Meeting. A frank and open dialogue followed where both the possibilities and potential problems of collaboration were discussed. In a subsequent letter to Mr. Baena Soares the administrative framework and terms of reimbursement for various modes of collaboration were set forth and subsequently accepted.

2. Several joint activities have been undertaken thus far in CY85. Mr. Sakamoto, Chief of the OAS Economic Affairs Department and their liaison with us, is presently in Argentina on a six-week assignment to assist in the preparation of the budgetary reform component of the proposed Technical Assistance Loan to Argentina. The OAS financed participant travel to an EDI course on National Economic Management at the Graduate School of Business Administration (ESAN) in Lima, Peru in July. An OAS staff member, Guido Serano, lectured at the EDI course on General Project Planning and Implementation in San Jose, Costa Rica in May.

3. Moreover, while since the early 1970s cooperation between the Bank and the OAS has been limited, in recent years there have been several joint initiatives: (1) staff of a good OAS team of tax experts in Washington and Buenos Aires (at their Center for Tax Studies) have participated in our economic and TAL appraisal missions in Peru, Dominican Republic and Costa Rica; (2) they participate in the Steering Committee of the Caribbean Group for Cooperation in Economic Development, which is the key organization in channeling aid in the Caribbean; (3) they provide the services of an economist/statistician to the UNDP/Bank sponsored Inter-Agency Resident Mission in Antigua which deals with special needs of the mini-states of the Eastern Caribbean. We hope they will agree to extend the services of this expert for one year beyond the present termination date of December 31, 1985; (4) Dr. Vladimir Yackovlev, Director of the OAS Department of Scientific and Technological Affairs, participated in the appraisal of the Brazil sector loan for science and technology in 1984; and (5) they

financed participant travel to a General Project Planning and Implementation Course given at the Central American Institute for Public Administration (INCAP) in San Jose, Costa Rica in 1984.

4. As you will recall from your last meeting Mr. Baena Soares is particularly interested in reviving US-Latin American dialogue on issues of international trade and finance. In a series of recent press interviews and speeches, Mr. Baena Soares has indicated that the Organization of American States is the ideal forum to discuss the debt problems of Latin American countries. Mr. Baena Soares has also been instrumental in reviving the (CECON) Economic Committee of Consultations. This Committee provides a negotiating framework to discuss trade issues between the United States and Latin American countries. The Committee has been very active, and in some instances very successful in discussing the problem of access to the US market of copper, steel, textiles, sugar and shoes. These discussions have been effective in providing the present US Administration with a mechanism to resist protectionist pressures from various industries.

5. Mr. Baena Soares is also likely to bring to your attention the forthcoming meeting of the Inter-American Economic and Social Council (CIES), on 23-26 September. Our understanding is that Mr. Baena Soares is trying to upgrade the meeting to a ministerial level. Recently he has made various visits to Latin America to enquire about the possibility of the Ministers of Economy and Finance attending the meeting. Knowing that the Ministers won't come unless there is a high level representation from the US government, he has held conversations with Secretary Schultz, Mr. Baker and Mr. Volcker to see if Mr. Volcker or Mr. Baker could attend the meeting. Although he has indicated that the proper forum to discuss the debt issues are the IMF and the World Bank, he has also indicated that this meeting could serve as an excellent platform to begin a dialogue with US authorities on debt and trade issues affecting Latin American countries.

OFFICE MEMORANDUM

DATE: December 30, 1985

TO: Mr. A. W. Clausen

THROUGH: Mr. Ernest Stern *ES*

FROM: S.M.L. van der Meer, Acting RVP *SM*

EXTENSION: 75906

SUBJECT: Briefing for your Meeting on January 2, 1986,
with Messrs. David Rockefeller and George Landau

The purpose of the visit of Mr. David Rockefeller and Ambassador George Landau, President of the Americas Society, is to discuss and review with you the Bank's view on the economic situation in Argentina, Brazil and Uruguay. Messrs. Rockefeller and Landau will be visiting those countries during the next days and they will be meeting with government officials and prominent business leaders. The following are short briefs for each of the countries.

Argentina

1. As you will recall from your recent trip to Argentina, the principal problems are (a) to sustain the current stabilization program based on the Plan Austral, (b) move towards growth and a restoration of some of the economic losses suffered by most groups in recent years without reigniting inflationary pressures, (c) to restore creditworthiness of the country, (d) to devise appropriate incentives to stimulate private investment, export growth, and privatization, (e) improve the efficiency of the public sector; and (f) revitalize the industrial sector by ensuring adequate credit at appropriate cost and devising appropriate strategy to handle the rising number of bankruptcies. This will be part of an overall reform of the financial sector.
2. The main outcome of your visit was that you were generally in agreement with the intentions of the economic team but there are some difficulties in seeing how they will be able to put these into practice.
3. Recent estimates suggest that the overall public sector deficit will be 3% of GDP for 1986 and that the deficit of the current account of the balance of payments would be in the range of US\$2-2.5 billion, but closer to US\$2 billion.
4. Problems are:
 - (a) Pressure from the unions are mounting, the Government is trying to restrict wage increases to productivity gains and not pass them through to prices;
 - (b) Some public sector expenditures such as those of the provincial governments are not yet adequately disciplined;
 - (c) Export markets, especially for agriculture are difficult.

5. Argentina has, however, the potential to reverse the current trends in economic activity and gradually achieve respectable growth rates while reducing its debt to exports ratio. Our lending program has been very modest in the past few years; however, if significant policy measures and actions continue to take place, our lending program could reach about US\$900 million in FY88, compared with US\$180 million in FY85, and an estimated US\$440 million for FY86.

6. Loan disbursements to Argentina have risen from US\$75 million in FY84 to US\$131 million in FY85, and are estimated to reach as high as US\$300 million in FY86 if the proposed Agriculture Sector Loan is approved in early calendar year 1986.

Brazil

1. The pace of economic recovery in 1985 has been substantial, with GDP growing between 7% and 8% and accompanied by increases in employment and real wages. Brazil's balance of payments position for the year is comfortable, even without financial support from the IMF or "new money" from commercial banks. Its 1985 trade surplus is expected to be over US\$12 billion with gross foreign exchange reserves, about US\$11 billion, equal to about 8 months of imports. Inflation, however, is expected to remain at about 220%, the 1984 level. Real interest rates also remain high, although they have fallen in recent months.

2. For 1986 and beyond, Brazil has the capability to maintain a modest GDP growth rate of about 5% per year and trade surpluses of US\$12-15 billion per year, with current policies and relatively low levels of net new foreign borrowing. It has taken important steps--to increase its exports, reduce its fiscal deficit, and control Government spending--in order to adjust to the changed external environment of recent years. However, the country suffered a large drop in per capita income and employment during the severe recession of the early 1980s. To overcome the negative effects of the recession and to continue to improve living standards, a higher GDP growth, closer to 7% per year, would be needed. To achieve such growth on a sustainable basis, a medium-term program of further structural reforms, supported by net new lending from the World Bank, commercial banks, and other private and international entities, would be required.

3. We believe that the Government is ready to undertake such a program of reform. Its 1986 Economic Program already envisages a large reduction in the operational public sector deficit--from 2.8% of GDP in 1985 to 0.5% in 1986--and our present lending program contains several loans to support major changes in agricultural commercial policy and in the financial system and to assist the Government in improving public sector planning and management. A medium-term program would need to be directed toward increasing efficiency and competitiveness of Brazilian production; toward rationalizing public investment, promoting private investment, and encouraging savings; toward further improvements in the fiscal and financial systems, and toward stabilization. The Government should be encouraged to continue to move in this direction.

Regrettably Brazil has decided to postpone action on trade liberalization, which we believe central to improvements in efficiency and competitiveness. The Government should be encouraged to reconsider its timetable on trade liberalization.

4. Our lending program has been about US\$1.5 billion p.a. Some future increase is feasible if there is a satisfactory macroeconomic framework, rescheduling discussions are satisfactory, and other lenders will join.

5. Disbursements in FY84 almost doubled from the level of the previous fiscal year reaching US\$1.4 billion. In FY85 they were US\$1.1 billion and are estimated to be somewhat less than US\$1 billion in FY86.

Uruguay

1. The Government confronts a delicate economic situation. The economic recession is now in its fifth year, with real GDP declining by about 16% since 1981, unemployment stands at 13% of the labor force, and the rate of inflation is about 70%. Short-term prospects for a reactivation of the economy are not favorable because of: (i) its heavy debt burden, and (ii) deteriorating external markets for Uruguayan livestock exports resulting from low international prices and increased competition from EEC's subsidized products. However, if the Government continues with its stabilization and structural adjustment programs, growth rates of 3% are possible during 1987-90.

2. You may wish to inform Mr. Rockefeller of the results of your recent visit to Uruguay, particularly with respect to:

- The quality of the Government's economic team and its commitment to sound economic policies with minimum intervention in free market operations.
- The actions already taken by the Government, which are:
 - (i) preparation of a stabilization policy package, which is supported by a stand-by arrangement with the IMF;
 - (ii) negotiations with the commercial banks for a multiyear rescheduling and US\$45 million in fresh voluntary financing;
 - (iii) reaffirmation of the Government's commitment to the process of structural reforms, which Uruguay initiated in the early 1970s. (For this purpose, a working group has been organized recently to prepare the reform package);
 - (iv) approval of the law establishing the framework for restructuring private sector firms now heavily indebted.

3. With respect to the Bank assistance to Uruguay, you may inform Mr. Rockefeller that the Bank is planning to:

- Start negotiations for guaranteeing part of the US\$45 million in fresh money to be provided by the commercial banks in a cofinancing arrangement within the context of the recently approved Power Sector Rehabilitation Project. The main issues to be resolved refer to subrogation of Bank claims in case of default, and cross-default clauses. We expect to conclude such negotiations in early 1986 and have the first disbursement under this package available in the first quarter of 1986.
- Consider a structural adjustment loan in support of the Government's economic program. Details of this proposal are now being worked out with the Minister of Economy.
- Support the Government's efforts in financial rehabilitation of the industrial sector. The Bank could provide funds needed for working capital and fresh investment for overindebted industrial companies, accompanied by rescheduling of their existing debt. We are planning to work out the specific details during an upcoming mission in the first quarter of 1986.
- Continue its support for infrastructure projects, with the next operations scheduled for the petroleum sector (refinery modernization for the National Petroleum Company - ANCAP) and the water supply sector.

4. Loan disbursements to Uruguay have risen from just over US\$22 million in FY84 to US\$55 million in FY85, and are estimated to reach US\$65 million in 1986.

Attachments

cc: Messrs. Knox, o/r
Gué, o/r
Scherer
Gonzalez Cofiño

CNQuijano:ts

COUNTRY: ARGENTINA
 FY86-FY90 PROPOSED LENDING PROGRAM - PROJECT DETAIL
 NOVEMBER 27, 1985

High Case

MANAGING UNIT	PROJECT / STATUS	PLAN/ACT. APPRAISAL		US\$ Million	
		DEPARTURE		BANK	
<u>FY86</u>					
LC2PB	PA041-TAI-B	L	11/85		20.0
LCPWS	PA025-Water Supply-B	L	02/85		60.0
LCPAC	PA036-Agric. Sector-C	L	05/85		350.0
LCPEN	PA042-Power Eng.-B	M	11/85		10.0
FY86 Totals: Lending Amount					440.0
Number of Projects					<u>3</u>
<u>FY87</u>					
LCPT1	PA024-Bahia Blanca I-C	S	12/84		40.0
LC2PB	PA050-Trade Policy-C	L	06/86		350.0
EGYD2	PA047-Refinery Supp Ln-S	M	11/85		110.0
LCPI2	PA046-Sm. & Me. Ind. B	L	06/86		100.0
EGYD2	PAO -Oil & Gas Private D	L	06/86		100.0
FY87 Totals: Lending					700.0
Number of Projects					<u>4</u>
<u>FY88</u>					
LCPI2	PAO -Financial Sector D	S	06/86		350.0
LCPEN	PA051-Power Distrib. D	L	09/86		150.0
LCPI2	PA046-Export Promotion C	S	06/86		200.0
EGYD2	PAO-Gas Pipeline D	L	09/86		200.0
FY88 Totals: Lending Amount					900.0
Number of Projects					<u>4</u>
<u>FY89</u>					
LCPI2	PA027-Industrial Cr.III-D	S	03/87		150.0
LCPI2	PAO-Financial Sector II D	L	07/87		350.0
EGYD2	PA028-Oil & Gas Infrast.D	S	06/87		100.0
LCPI2	PAO -Trade Policy II D	L	06/87		350.0
FY89 Totals: Lending Amount					950.0
Number of Projects					<u>4</u>
<u>FY90</u>					
INDD3	PAO -SOMISA Restruct. -D	S	06/87		50.0
LCPEN	PA051-SEGBA V C	S	06/88		150.0
LCPWS	PAO Water Supply D	L	06/89		80.0
LCPI2	PA053-Export Promot. II-D	S	06/88		100.0
LCPURB	PAO Housing D	L	06/89		75.0
LCPURB	PAO Market Town Impr.-D	L	05/88		75.0
LCPTR	PAO Transp. Sector II-D	L	06/89		350.0
FY90 Totals: Lending Amount					880.0
Number of Projects					<u>7</u>
TOTAL LENDING AMOUNT					3,870.0
NUMBER OF PROJECTS					<u>22</u>

Reserve Projects:

<u>FY87</u>					
LCPAC	PAO -Agric. Sector II C	L	09/86		350.0
<u>FY88</u>					
LCPTR	PAO -Bahia Blanca II C	L	09/86		160.0
LCPEN	PAO -Yacyreta	C	09/86		200.0
<u>FY89</u>					
LCPTR	PAO -Transport Sect. I-D	S	06/86		350.0
LCPI2	PAO -Financial Restruc.D	L	06/87		100.0
<u>FY90</u>					
INDD4	PA055-ENTEL Restruct. -D	S	06/88		150.0

RUN DATE: 12/06/85

COUNTRY: BRAZIL
 FY86-FY90 - LENDING PROGRAM - PROJECT DETAIL
 AS OF END NOVEMBER 1985

MANAGING UNIT	PROJECT / STATUS	PLAN/ACT. APPRAISAL DEPARTURE	US \$ MILLION		
			BANK	IDA	IDAS
FY86					
LCPAB	PA131-AGR SECTOR II-D	L 04/23/84 A	400.0	.0	.0
LCPAB	PA138-NE RURAL DEVT III-A	L 11/25/84 A	171.0	.0	.0
LCPAB	PA148-AGRICULTURAL CREDIT	L 10/08/85 A	150.0	.0	.0
LCPAB	PA149-UP&HDLR SAO FRNCO IR	L 06/26/85 A	56.0	.0	.0
LCPAB	PA156-NE RURAL DEVT IV-B	L 10/21/85 A	185.0	.0	.0
LCPAB	PA159-AGR EXTENSION II-B	L 08/26/85 A	155.0	.0	.0
LCPEN	PA137-ELEC PWR SEC (COFIN)	M 08/12/84 A	.0	.0	.0
LCPUR	PA151-SALVADOR METRO DEVT-	L 06/21/85 A	49.0	.0	.0
LCPUR	PA185-STA CATARINA TOWNS-A	L 12/03/84 A	24.5	.0	.0
LCPUR	PA204-NE URBAN RECON (FL'D)	L 07/08/85 A	100.0	.0	.0
INDD2	PA141-ALCOHOL DEVT II-B	L 10/23/84 A	175.0	.0	.0
FY86 TOTALS: LENDING AMOUNT			1465.5	.0	.0
NUMBER OF PROJECTS			10	0	0
FY87					
LC2BR	PA181-PUB SECTOR MGMT-B	M 10/01/85 A	25.0	.0	.0
LCPAB	PA207-NE RURAL DEVT V-A	L 11/09/85 A	200.0	.0	.0
LCPAB	PA208-IRRIG ENGINEERING-C	S 09/30/85 A	45.0	.0	.0
LCPED	PA210-NE EDUC POLICY TA-C	M 01/20/86	10.0	.0	.0
LCPTR	PA197-STATE HWY SCTR MAIN-	L 06/00/86	100.0	.0	.0
LCPEN	PA143-RURAL ELECTR II-B	L 06/02/86	175.0	.0	.0
LCPEN	PA205-ELEC POWER SEC LN-B	S 12/09/85	400.0	.0	.0
LCPEN	PA211-ELEC PWER SCTOR II-C	L 06/00/86	200.0	.0	.0
LCPI1	PA140-EXPORT DEVT II-D	S 01/13/86	200.0	.0	.0
LCPUR	PA153-URBAN TRANSPRT IV-A	L 05/00/86	100.0	.0	.0
PHND3	PA152-NE HEALTH-PRIMARY-B	L 10/14/85 A	50.0	.0	.0
FY87 TOTALS: LENDING AMOUNT			1505.0	.0	.0
NUMBER OF PROJECTS			9	0	0
FY88					
LCPAB	PA179-LVSTK DISEASE CONT-B	S 05/00/86	50.0	.0	.0
LCPAB	PA212-NE RURAL DEVT VI-C	L 11/00/86	100.0	.0	.0
LCPAB	PA213-NE RURAL DEVT VII	L	100.0	.0	.0
LCPTR	PA184-CERRADO TRANSPORT-C	L 03/00/87	100.0	.0	.0
LCPTR	PA203-FEPASA RAILWAYS II-C	L 08/00/86	100.0	.0	.0
LCPEN	PA191-POWER DISTRIBUTN II-	S 04/00/86	300.0	.0	.0
LCPI1	PA142-FINANCIAL REFORM I-C	L	225.0	.0	.0
LCPI1	PA170-INDUS RESTRUCTURING	L 03/00/87	300.0	.0	.0
LCPI1	PA186-NE SMALL & MED INDUS-	S 06/00/86	200.0	.0	.0
INDD4	PA202-RURAL TELECOM-C	L	100.0	.0	.0
FY88 TOTALS: LENDING AMOUNT			1575.0	.0	.0
NUMBER OF PROJECTS			10	0	0
FY89					
LC2BR	PA183-FINANC REFORM II	S 09/00/86	200.0	.0	.0
LCPAB	PA157-NE IRRIGATION	S	125.0	.0	.0
LCPED	PA151-EDUCATION SECTOR	L	150.0	.0	.0
LCPTR	PA165-FEEDER ROADS IV	S	150.0	.0	.0
LCPTR	PA192-TRANSPORT SECTOR	L 09/01/86	225.0	.0	.0
LCPWS	PA166-RURAL WATER & SANITA	S	100.0	.0	.0
LCPI1	PA196-NW SMALL & MED INDUS	L	150.0	.0	.0
LCPI1	PA217-INDUS RESTRUC III-C	L	300.0	.0	.0
INDD4	PA189-TECHNOLOGY DEVT	S	100.0	.0	.0
FY89 TOTALS: LENDING AMOUNT			1500.0	.0	.0
NUMBER OF PROJECTS			9	0	0

COUNTRY: BRAZIL
 FY86-FY90 - LENDING PROGRAM - PROJECT DETAIL
 AS OF END NOVEMBER 1985

MANAGING UNIT	PROJECT / STATUS	PLAN/ACT. APPRAISAL DEPARTURE	US \$ MILLION		
			BANK	IDA	IDAS
FY90					
LCPAB	PA198-OIL PALM DEVT	S	100.0	.0	.0
LCPAB	PA206-AGRICULTURAL CREDIT	S	300.0	.0	.0
LCPWS	PA155-WATER & SEWERAGE SEC	S	200.0	.0	.0
LCPEN	PA161-RURAL ELECTRIFICATIO	S	200.0	.0	.0
LCPI1	PA195-DEVT BANKING IV	S	200.0	.0	.0
LCPUR	PA171-MEDIUM CITIES URBAN	S	50.0	.0	.0
EGYD2	PA187-GAS EXPL/DEVT	S	200.0	.0	.0
INDD1	PA188-GRANDE CARAJAS DEVT	S	250.0	.0	.0
FY90 TOTALS: LENDING AMOUNT			1500.0	.0	.0
NUMBER OF PROJECTS			8	0	0
TOTAL LENDING AMOUNT:			7545.5	.0	.0
NUMBER OF PROJECTS:			46	0	0

COUNTRY: URUGUAY
 FY86-FY90 - LENDING PROGRAM - PROJECT DETAIL
 AS OF END OCTOBER 1985

MANAGING UNIT	PROJECT / STATUS	PLAN/ACT. APPRAISAL DEPARTURE	US \$ MILLION			SECTOR	LENDING INSTRUMENT TYPE
			BANK	IDA	IDAS		
FY86							
LCPEN	PA027-POWER PLANT REHAB-A	L 05/28/85 A	45.2	.0	.0	PY	SIL
FY86 TOTALS: LENDING AMOUNT			45.2	.0	.0		
NUMBER OF PROJECTS			1	0	0		
FY87							
LC2PB	PA034-STRUCTURAL ADJUSTMEN	L 05/00/86	80.0	.0	.0	MY	SAL
LCPMS	PA030-WATER AND SEWERAGE R	M 05/01/86	9.0	.0	.0	WU	SIL
EGYB2	PA024-REF MOB/GAS CONV-B	L 04/00/86	35.0	.0	.0	GY	SIL
FY87 TOTALS: LENDING AMOUNT			124.0	.0	.0		
NUMBER OF PROJECTS			2	0	0		
FY88							
LCPTR	PA035-HIGHWAY IV	L	65.0	.0	.0	TH	SIL
LCPI2	PA026-INDUSTRIAL CREDIT-D	S 06/00/86	60.0	.0	.0	DD	FIL
FY88 TOTALS: LENDING AMOUNT			125.0	.0	.0		
NUMBER OF PROJECTS			2	0	0		
FY89							
LC2PB	PA037-SAL II	L	30.0	.0	.0	MY	SAL
LCPAC	PA025-CROP DIVERS-B	S 10/00/86	30.0	.0	.0	AC	FIL
LCFED	PA033-VOC TRAINING	S	15.0	.0	.0	EE	SIL
FY89 TOTALS: LENDING AMOUNT			125.0	.0	.0		
NUMBER OF PROJECTS			3	0	0		
FY90							
LCPED	PA038-POWER VI	L	50.0	.0	.0	PP	SIL
LCPTR	PA028-RAILWAYS	S	20.0	.0	.0	TR	SIL
FY90 TOTALS: LENDING AMOUNT			70.0	.0	.0		
NUMBER OF PROJECTS			2	0	0		
TOTAL LENDING AMOUNT:			489.2	.0	.0		
NUMBER OF PROJECTS:			10	0	0		

COUNTRY: URUGUAY
 FY86-FY90 - LENDING PROGRAM - PROJECT DETAIL
 AS OF END OCTOBER 1985

(RESERVE PROJECTS)

MANAGING UNIT	PROJECT / STATUS	PLAN/ACT. APPRAISAL DEPARTURE	US \$ MILLION			SECTOR	LENDING INSTRUMENT TYPE
			BANK	IDA	IDAS		
FY88							
LCPMS	PA036-WATER SUPPLY	R	25.0	.0	.0	WU	SIL
	FY88 TOTALS: LENDING AMOUNT		25.0	.0	.0		
	NUMBER OF PROJECTS		1	0	0		
	TOTAL LENDING AMOUNT:		25.0	.0	.0		
	NUMBER OF PROJECTS:		1	0	0		

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

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rd*

December 19, 1985

Mr. Robin Hanbury-Tenison
President
Survival International
29 Craven Street
London WC2N 5NT
England

Dear Mr. Hanbury-Tenison:

Please refer to Mr. Ecevit's letter of October 25, 1985, in which we promised to respond to the concerns expressed in your letter of September 21, as well as previous correspondence, regarding resettlement and rehabilitation (R&R) of the oustees of the Sardar Sarovar Dam and Power Project in India. We regret our delay in responding. This delay has been due principally to the need for us to await the return of, and be fully briefed by, a Bank mission which was in the field reviewing the status of project implementation at the time your letters arrived.

*OK
VAB
12-29-85*

With regard to the issues raised in your letters, we wish to bring to your attention the following facts.

1. There is essential agreement in the terms of the International Labour Organisation's (ILO) Convention 107 relating to Tribal and Indigenous Populations and our own guidelines regarding both resettlement and rehabilitation, and tribal peoples. The monitoring which the Bank conducts of project implementation is to ensure the borrower's compliance with the Bank's covenants which are based on the Bank's guidelines and policies. It is only if the borrower is in violation of these covenants that appropriate remedial action can be taken by the Bank. Concerns you might have regarding failure by India, if any, to comply with other international agreements must be addressed to the signatory parties or such legal bodies which have jurisdiction over such agreements.
2. On October 6, 1969, the Government of India established the Narmada Water Disputes Tribunal to adjudicate among the States of Gujarat, Madhya Pradesh, Maharashtra and Rajasthan the benefits and cost-sharing of the waters of the Narmada River. On December 12, 1979, this Tribunal rendered its Final Order. This Final Order, in addition to provisions relating to benefits and cost-sharing, included provisions for the resettlement of land owner oustees in the States of Madhya Pradesh and Maharashtra. Specifically, it required that irrigable land of equal size to that owned by the oustee be provided to each family having legal title to land, with a minimum of 2 ha per family.

3. The R&R component of the project in question includes the above-specified provisions of the Final Order relating to R&R. In addition, the Final Order's requirements have been enhanced in essentially two ways in accordance with the Bank's policies and objectives for the R&R of persons displaced by development projects financed by us. First, through the legal documents (the Agreements) for the Sardar Sarovar Project, entered into by the Bank, GOI, and the participating States on May 10, 1985, the provisions of the Final Order relating to landed oustees of Madhya Pradesh and Maharashtra were extended to the oustees of Gujarat. Second, the overall R&R program under the project provides for full rehabilitation of all oustees, landed or landless, tribal or otherwise, of Madhya Pradesh, Maharashtra and Gujarat by requiring under the Agreements the restoration, at a minimum, of the standard of living they were enjoying prior to their displacement. The oustees are in addition to be relocated as tribes, village units, village sections or families in accordance with their preference. Such rehabilitation is to go beyond the mere provision of land and will include vocational training programs, alternative employment opportunities, social and physical infrastructure and community services, taking into account the traditions and cultural backgrounds, and with the informed consent, of the oustee groups. With regard to lands occupied by people without legal title, the Agreements specifically provide that in order to increase or at least regain their standard of livelihood, landless oustees will be rehabilitated in the agricultural and non-agricultural sector in ways which ensure that the landless, most of whom are tribal peoples normally reluctant to adopt fixed abodes and agricultural activities as a livelihood, have their standards of living protected at a minimum. I should stress that the emphasis on rehabilitation rather than land-for-land per se under the agreed R&R program was a conscious and deliberate decision on the part of the Bank, as we believe that true rehabilitation rather than only land compensation constitutes a much more solid foundation on which to base a concrete and monitorable program in accordance with the Bank's guidelines for addressing the problems of involuntary resettlement and thus to ensure the protection of all project oustees.
4. The terms of the Agreements relating to R&R under the project establish the framework and broad principles under which the agreed R&R program will be carried out over the ten-year implementation period. These principles, which provide for a stable means of livelihood and full rehabilitation of all oustees, will remain constant; but numerous operational details of R&R activities, required to give effect to the principles, will have to be formulated during the course of the ten-year development program. In this regard, it is important to note that the Agreements also provide for semi-annual and annual reviews of the progress of R&R

activities. Through such reviews, the R&R activities will be updated and revised as changing situations warrant, so that the activities can be adjusted annually in order to meet the evolving needs of the oustee population, which will inevitably occur. We are confident that this dynamic and flexible approach, which will allow the changing needs of the oustees to be addressed as they arise, is the most suitable approach for achieving the successful rehabilitation of all project oustees.

5. The Agreements include comprehensive arrangements for monitoring and evaluation of the implementation of the R&R program. The program will be closely monitored and evaluated by the Government of India through the Narmada Control Authority, an Interstate entity established by the Final Order, which is being strengthened under the project specifically in the area of R&R; independent research institutions to be employed by each State in accordance with terms of reference satisfactory to the Bank; and committees, established by the participating States, with adequate representation of the oustees. The GOI and the States concerned will report to the Bank periodically on the progress of the R&R program. In addition to these safeguards, the Bank will also monitor the progress of the R&R program during our regular semi-annual project supervision missions, which will include anthropologist/sociologist expertise and consultant assistance as required.

With regard to the points raised in Paragraphs 1-6, Pages 2-3, of your letter of September 21, we wish to note the following:

- (a) In accordance with the Bank's policy explained above, the Agreements reached with India and the participating States relating to R&R are not limited to tribals but embrace each and all of the persons to be displaced from their usual habitat as a result of the project, thus in this regard enhancing the provisions of the ILO Convention.
- (b) We do not agree with your view that the development of tribal people is not being given "high priority" under the project. The Governments of India, the participating States and the Bank are endeavoring to protect and in fact improve the standard of living of all persons to be relocated as a result of the project, both tribal and non-tribal oustees. The agreed R&R program constitutes a separate project component, thus giving it singular focus and attention. In addition, there are numerous safeguards to ensure the full implementation of each aspect of the agreed program, as well as comprehensive procedures for the evaluation and monitoring of required actions (see Point 5 above). Lastly, I would like to point to the willingness of the Governments of India and the par-

ticipating States to agree under this project to comprehensive programs for resettlement and full rehabilitation of oustees enhancing the provisions of the Final Order relating to R&R, which already go far beyond their previous standards for the treatment of oustees in India. Granted, even all these safeguards and intentions do not preclude the occurrence of some problems in the process. Such a possibility is probably unavoidable, but the plans and mechanisms developed do provide a very substantial basis to minimize its likelihood and extent, to identify and resolve more quickly and satisfactorily those which do occur, and generally to protect and improve the long run livelihoods of the people affected.

- (c) With regard to resettlement of tribals in forested zones please note that out of the 37,000 ha to be submerged, 11,600 ha are recorded as forest land, (4,500 ha in Gujarat, 2,700 ha in Madhya Pradesh, and 4,400 ha in Maharashtra). However, satellite photographs of the area indicate that only a small portion of the 11,600 ha designated as forest land actually has some tree cover. Nevertheless, in order to establish compensatory forested areas, the participating States have informed the Bank that they plan to afforest alternative land in lieu of the amount of the entire land recorded as forest land which is to be submerged, irrespective of whether or not that land is now tree-covered. Therefore, there is expected to be a net gain of truly forested area as a result of the project.

ILO Convention 107 and our own guidelines on displaced people are wholly compatible while at the same time our Agreements with India essentially follow our own guidelines on R&R and on tribal people, and the Bank will monitor compliance with the agreements including those aspects related to tribals set forth in our policies, such as: (a) the recognition, demarcation and protection of tribal areas containing those resources required to sustain the tribal people's traditional means of livelihood; (b) appropriate social services that are consonant with the tribe's acculturation status, including, especially, protection against diseases and the maintenance of health; (c) the maintenance, to the extent desired by the tribe, of its cultural integrity and embodiments thereof; (d) a forum for the participation of the tribal people in decisions affecting them, and providing for adjudication and redress of grievances. Moreover, our policy is in no way inconsistent with, nor does it fall short of, the provisions of the ILO Convention. On the contrary, it coincides on the mutual objectives, and complements and enhances ILO provisions by extending their area of application to all member countries of the Bank where we are supporting projects which require involuntary resettlement, and not exclusively the signatories of the ILO Convention.

As regards the Vadgam village aspects referred to in your letter, we are in no position to comment as the issues are still sub-judice in India.

We believe we have dealt openly with you and other interested organizations and individuals with regard to the R&R activities under the project in accordance with our established procedures.

I am sending copies of this letter to representatives of the Government of India and the participating States for their information.

Yours sincerely,



C.L. Robless
Chief, ~~India~~ Division
South Asia Programs Department

cc w/inc.: Mr. A. W. Clausen

Mr. K. Rao-Sahib
Executive Director for India
The World Bank
Washington, D.C.

Mr. J.L. Bajaj
Joint Secretary
Department of Economic Affairs
Ministry of Finance
New Delhi, India

Chief Secretary
Government of Gujarat
Gandhinagar

Chief Secretary
Government of Madhya Pradesh
Vallabh Bhavan
Bhopal

Chief Secretary
Government of Maharashtra
Mantralaya
Bombay



SURVIVAL INTERNATIONAL

FOR THE RIGHTS OF THREATENED TRIBAL PEOPLES

JG/LS/ZE

A.W. Clausen Esq.
President
The World Bank
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Washington DC 20433
USA

29 CRAVEN STREET
LONDON WC2N 5NT
ENGLAND

TELEPHONE: 01-839 3267
TELEX: 268992 GARDEN-G

25 September 1985

PRESIDENT:

ROBIN HANBURY-TENISON OBE

DIRECTOR:

STEPHEN CORY

Dear Mr. Clausen,

I enclose copies of the correspondence that we are engaged in with Mr. Robless and Mr. Brigish of the South Asia Programmes Department concerning the Sardar Sarovar Dam and Power project in India.

As you will note from this correspondence, in spite of repeatedly making queries to the Bank staff on whether the Resettlement and Rehabilitation (R&R) agreement accords with the stipulations of International Law, we have received no satisfactory replies to our questions.

The futures of the 60,000 tribal peoples to be relocated to make way for this project depend on this R&R programme and there is understandable international concern that the present Bank policy is harmful to the best interests of the tribals on whose lands the dam is to be made.

From the information available (barely any of which has been provided by the Bank), it is clear that the current loan agreement signed between the Bank and the Governments of India and the participating States of Gujarat, Madhya Pradesh and Maharashtra neither conforms to international law nor to the guidelines of the World Bank itself.

We urge that you look most carefully into this matter and that, until effective guarantees are made that the programme conforms with international law, you suspend transfer of the IBRD loan of US\$ 200 million and the IDA credit of US\$ 100 million, allocated to the project.

We look forward to an early reply as to how you plan to deal with this matter and also ask that you ensure that substantive replies are made to the queries made in our letters,

yours sincerely

Robin Hanbury-Tenison
President.





SURVIVAL INTERNATIONAL

FOR THE RIGHTS OF THREATENED TRIBAL PEOPLES

C.L. Robless
Chief, India Division
South Asia Programmes Department
The World Bank
1818 H Street NW
Washington DC 20433
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29 CRAVEN STREET
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TELEPHONE: 01-839 3267
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PRESIDENT:
ROBIN HANBURY-TENISON OBE

DIRECTOR:
STEPHEN CORRY

21 September 1985

Dear Mr. Robless,

Thank you for your letter of September 12, replying to mine of May 28, 1985, and to those of May 23, 1985, to Mr Wicks and Mr Munzberg.

We are very pleased to note that the Bank appears to be taking its responsibilities regarding the resettlement and rehabilitation (R&R) of the tribal peoples to be displaced by the project seriously. Nevertheless we remain extremely concerned about the details of this process.

Unfortunately your reply of September 12, has still failed to address itself to our particular concern, raised in our letters of January 28, 1985, and again in those referred to above, regarding whether the R&R programme, agreed to between the Bank and the Government of India and participating states, includes provisions for compensating tribals for the loss of all their traditional lands, rather than merely providing them with compensation for the lands to which they have managed to secure legal title.

In our previous letters we have expressly drawn your attention to the terms of the International Labour Organisation's Convention 107, relating to Tribal and Indigenous Populations, which has been signed by India. In particular, we asked you to note Article 11 and 12 of the Convention, which read, in part:

Article 11.

The right of ownership, collective or individual, of the members of the populations concerned over the lands which these populations traditionally occupy shall be recognised. (Emphasis added).

Article 12.

- 2.- When in such cases removal of these populations is necessary as an exceptional measure, they shall be provided with lands of quality at least equal to that of the lands previously **occupied** by them, suitable for their present needs and future development. (Emphasis added).

We would also like to draw your attention to Article 6 of the same convention which reads,

Article 6.

The improvement of the conditions of life and work and level of education of the populations concerned shall be given **high priority** in plans for the over-all economic development of areas inhabited by these populations. Special projects for the economic development of the areas in question shall also be designed as to promote such improvement. (Emphasis added).

As we also noted in our previous letters, there is clear evidence that the Governments of India and the participating States are not prepared to recognise these principles, even though India is a signatory of the convention.

We greatly regret that the Bank is unable to release a copy of the agreed R&R programme. It reflects poorly on the whole operation of the Bank that it cannot deal openly with these matters. Such lack of accountability inevitably raises suspicions about the contents of the agreement and the degree to which the Bank is prepared to ensure that it is being fulfilled. It also raises the much more serious question as to the extent to which the Bank has involved the tribal peoples concerned, and their legal representatives, in the drafting of the agreement.

From an examination of a partial copy of the agreement with the Governments of India and the States of Gujarat, Madhya Pradesh and Maharashtra, which we have managed to acquire by independent means, we have been dismayed to note that the agreement falls far short of the legal provisions of ILO Convention 107, noted above. According to our interpretation of the agreement, we note that it suffers the following major deficiencies (refer especially to pp. 70-71 of agreement, being pp. 1 and 2 of Schedule A):

1. It does not recognise the rights of the tribal inhabitants to the **collective** ownership of their **traditional** lands. Indeed, the agreement only recognises as "landed" those individual tribals who have managed to secure title to certain of their cultivated plots.
2. It considers all other tribals, regardless of whether they are cultivating plots or not and regardless of their traditional forms of land use and ownership, as "landless".

3. It makes no provisions for compensating the tribals for the loss of the uncultivated parts of their traditional lands, which they use for hunting and fishing and for collecting minor forest produce and firewood.
4. It makes inadequate provisions for compensating the tribals with lands that are equal in quality to the traditional areas that they will lose. Inadequate provisions exist in the agreement for resettling the tribals in forested zones, such as those which presently cover some 35% of their area.
5. Whereas compensatory land holdings are to be allotted to "landed" tribals only, no guarantees are made for providing the so-called "landless" tribals with land.
6. Contrary to the terms of Article 6 of ILO Convention 107, noted above, the minimal objective of the R&R programme is only to retain the standard of living of those displaced. There is no evidence that the development of the tribal peoples themselves is to be given a "high priority" in the over-all scheme.

In sum, the agreement as it stands between the World Bank and the Government's of India and the three participating states does not conform to the stipulations of international law. Moreover, even were this agreement to be fully upheld during the actual implementation of the R&R programme, it will nevertheless lead to serious problems for the tribals. The justification for this statement is outlined below.

Land Ownership in the Sardar Sarovar Area

The agreement signed between the World Bank and the Governments of India, Gujarat, Madhya Pradesh and Maharashtra regarding the R&R programme for resettling tribals in the Sardar Sarovar Dam and Power Project, makes a clear distinction between "landed" tribals, who will receive compensation for the loss of their lands and "landless" tribals who are only offered the rather vague assurance that they will be "rehabilitated in the agricultural and nonagricultural sectors, as the case may be, and shall be entitled to stable means of livelihood..".

Any evaluation of the likely effects of such an R&R programme must, therefore, take as it's starting point the actual pattern of land ownership in the area in question, as the criterion of "owning" land is critical in determining the likely fate of each individual tribal.

Unfortunately, the Indian legal system does not make special provisions for the land rights of members of the Scheduled Tribes. On the contrary it is a well documented fact that legislation relating to land tenure in India has proved extremely prejudicial to tribal peoples. Traditional concepts of land ownership are not taken into account by Indian laws and, with the exception of certain areas in NE India, the only special provisions in Indian law regarding tribal land relate to the transfer of tribal lands to non-tribals.

In general, tribal peoples in India can only gain freehold title to their land as individuals, by registering their cultivated plots with the village level representatives of the fiscal administration (patwari). This system of land holding is entirely unsuited to tribal peoples who traditionally practice shifting cultivation or subsist from the gathering of minor forest produce and is also incompatible with traditional concepts of collective land ownership. For many tribal peoples in India the concepts of private land ownership and the idea of treating land as a negotiable commodity are entirely foreign to them. Consequently, when tribal peoples' areas are subject to outside pressure and land speculation, they are often easily dispossessed of their traditional lands.

The insecure position of tribal peoples with regard to land ownership is compounded by the numerous forestry laws which have been applied to their traditional lands. Vast areas of tribal territory have been arrogated to the state as 'forest reserves' in which tribal peoples have minimal rights. Since they are in fact completely dependent on these areas for their survival, this legislation exposes them to the corrupt offices of forestry officials who selectively apply the forestry laws to suit their own pockets.

These generalisations apply accurately to the situation of the tribals in the area to be affected by the Sardar Sarovar scheme. The pattern of cultivation in the village of Vadgam is typical. Legally, there are only 124 land holdings, totalling 629 acres, in Vadgam, though there are 464 families dependent on these holdings. 17 farmers have no rights at all to private land. Since these holdings are inadequate for the tribals' subsistence, the tribals also cultivate 453 acres of Kharaba (traverse) land and 452 acres of Forest land. The tribals have not been able to acquire legal title to these cultivations, which are treated as "illegal encroachments" on State land. Many of the tribals have paid penalties to the various authorities for their "illegal" use of this land.

Taking the 19 villages in Gujarat to be affected by the Sardar Sarovar Project together, it can be noted that of the 2394 families inhabiting these villages only 1973 have access to private land, these latter having to share only 633 actual holdings. In some villages more than 80% of the families have no rights to private lands. Depending on how the criteria of the R&R agreement are applied to the displaced tribal people in Gujarat, it seems that as few as 26% of the families (633/2394) will be treated as "landed" and thus liable to compensation in land.

Implementation of Agreement

Aside from the fact that the R&R agreement is in any case inadequate, being liable to result in serious problems for the displaced tribals and not conforming with international law, there is the open question of whether the local authorities will satisfactorily uphold the agreement,

We have been encouraged to learn that the Bank has recently sent a supervisory mission to the area to verify that the terms of the loan are being met prior to the first disbursement, which, we understand, is planned for November 1985.

According to information that we have received from legal representatives of the tribals in India, there is clear evidence that the terms of the agreement are not being upheld. We hope, for example, that the Bank will pay close attention to the problems being encountered by the tribals in the Vadgam area, where the process of land dispossession of inadequately compensated tribals has been pursued not only since the signing of the Bank's R&R agreement but also after the Supreme Court of India had issued a court order halting the process. These kinds of problems can be expected to intensify as the damming project advances.

We look forward to receiving a detailed reply to these points. We also urge that the terms of the loans to the Sardar Sarovar scheme and the Narmada Programme as a whole are redefined to accord with the stipulations on ILO Convention 107 and to coincide with the Bank's own guidelines on the development of tribal areas. We strongly urge that until these conditions are met the Bank withholds its funding for these projects.

yours sincerely

Robin Hanbury-Tenison
President.



December 3, 1985

Dear Elmer:

Thank you for your note of November 12. I'm sorry for the late reply--my staff was slow in bringing it to my attention.

As you probably already know, I have been in touch with Charles Bowsher and Kenneth Dye. We plan to continue our efforts to improve the effectiveness of Auditors-General, both at the international and regional levels through collaboration with INTOSAI. We will also continue our work to strengthen the audit function at the country level through our lending operations. Maurice Mould from our Projects Policy Department will keep in touch with Kenneth and Charles to facilitate an ongoing exchange of information and views.

It was good to see you at Brookings and hope our path cross again in the not so distant future.

Thanks again for writing, Elmer.

Warm regards.

Sincerely,



A. W. Clausen

Mr. Elmer B. Staats
5011 Overlook Road, N.W.
Washington, D.C. 20016

bcc: Mr. M. Mould

SBP:VRS

(Log #1394)

1394

ELMER B. STAATS
5011 OVERLOOK ROAD, N.W.
WASHINGTON, D.C. 20016

November 12, 1985

The Honorable A. W. Clausen
President
The World Bank
1818 H Street, NW - Room 1227
Washington, DC 20433

Dear Tom:

It was good seeing you at Brookings the other evening and having a chance for a brief visit.

As I indicated, Bowsher and Dye planned to write you with respect to the followup on our meeting, soliciting your help in connection with an expanded training effort by the International Organization of Supreme Audit Institutions to train financial managers in the developing countries. As I indicated, the prime reason for my involving the United States was to see what we could do to strengthen the financial management--accounting, auditing, and so forth--in the developing countries. Canada has been a part of this effort from the very beginning, going back to 1968, and I am pleased that both Ken Dye and Chuck Bowsher have carried forward and emphasized this objective.

It seems to me there are several ways in which The World Bank might be of assistance in this effort. I do think that it is a most worthwhile objective and one which fits well into the program of The World Bank. The payoff for a modest investment would be substantial.

This note is simply to express the personal hope that you will find some way to help out. In case their letter has not reached you personally, I enclose a copy.

Sincerely,



Enclosure

OFFICE OF THE ASSISTANT SECRETARY

NOV 17 1985

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OFFICE OF THE PRESIDENT

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

A. W. CLAUSEN
President

November 18, 1985

Dear Messrs. Bowsher and Dye:

It was indeed a pleasure to meet with you and Elmer Staats in September. We are interested in IDI, as in all initiatives designed to improve accounting and auditing in developing countries.

Please be assured that we intend to continue our efforts to improve the effectiveness of Auditors-General--at international and regional levels through collaboration with INTOSAI and its affiliates--and at country level through lending operations for strengthening audit functions.

Should INTOSAI, in its development of IDI, formulate an activity which you feel the Bank could support by its financing mechanisms, please do not hesitate to contact us. Similarly we intend to approach INTOSAI whenever we have a concern or issue on which that organization may be able to advise.

I have asked Maurice Mould, the Financial Adviser in the Projects Policy Department, to keep in touch with you for exchange of information and views. However, please feel free to contact me whenever you think I can be of further assistance.

Sincerely,



Mr. Charles A. Bowsher
Comptroller General
U.S. General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Mr. Kenneth M. Dye
Auditor General of Canada
240 Sparks Street
Ottawa, Canada K1A 0G6

THE WORLD BANK/IFC
MESSAGES

DATE 8/14

TIME 10:30

TO _____

FROM Gledy Rigobey

DEPT./OFFICE Sec.

PHONE App. EXTENSION _____

- | | |
|---|---|
| <input type="checkbox"/> CALLED | <input type="checkbox"/> CALL BACK |
| <input type="checkbox"/> CAME TO SEE YOU | <input type="checkbox"/> WILL CALL AGAIN |
| <input type="checkbox"/> RETURNED YOUR CALL | <input type="checkbox"/> REQUESTS APPOINTMENT |
| <input type="checkbox"/> URGENT | |

REMARKS Aug 8

Leones Starts

Home 966-8137

→ tel. 395-4831

(part time) RECEIVED BY _____

Stern's office

Says to get

after Sept 2

They are preparing
budget - Stern
wants to be in or
Nissan -

8-82
8/13/85

ROUTING SLIP

Date
August 13, 1985

OFFICE OF THE PRESIDENT

Name

Room No.

Mr. Stern ✓

E-1227

cc: Mr. Husain

Mr. Rajagopalan

To Handle

Note and File

Appropriate Disposition

Prepare Reply

Approval

Per Our Conversation

Information

XX

Recommendation

Remarks

What do you recommend?

AWC ✓
IF Tom has no objection
this would be OK. Otherwise
Shahid can see them.
Let me know, and we'll prepare
a brief. Roy Southworth
I'll join meeting or, if I'm
not available, call on Shahid
or Rajagopalan.

From

8-15-85

Staats secretary phoned before we had the chance to check on the letter with Mr. Stern. She knows you are away.

On the assumption you will see Staats, I have asked for a briefing. However, I have not called the secretary to set a date until you see this and agree.

HH

More from Mr. Stern: Suggests we set date for early Sept. since he will be away and also Husain.

OK - set in set it up! A

AUDITOR GENERAL OF CANADA
240 Sparks Street
Ottawa, Canada K1A 0G6

U.S. COMPTROLLER GENERAL
441 G Street, N.W.
Washington, D.C. 20548

November 6, 1985

Mr. A.W. Clausen
President
The World Bank

Dear Mr. Clausen:

Thank you for receiving Elmer Staats and us to discuss the INTOSAI Development Initiative (IDI). We appreciate having had a few moments of your valuable time.

IDI is taking conceptual shape. We enclose a background memorandum and tentative budget, so that you can appreciate some of the history, objectives and financial implications.

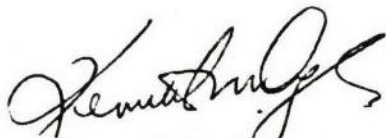
We would like to take this initiative to the INTOSAI Governing Board when the Auditors General hold their triennial Congress next April in Sydney, Australia. We would put before them a plan which will clearly state the objectives of IDI, set out an action plan and provide funding for it. To make this approach, we need to plan resources, financial and human. We believe the need is real and we have a good plan to meet it. The latter item, resources, is obviously why we're writing this letter.

We ask you to give serious thought to ways and means whereby the World Bank can help Auditors General of the world, particularly in developing nations, to be more effective. During our meeting, we had the impression that the Bank might finance well-defined development assistance projects.

We ask you to consider active Bank participation in developing IDI, particularly as it identifies specific programs in which the Bank may find it beneficial to be involved. These could include training needs analyses or training program evaluations, and would be in addition to funding of specific projects which may be defined for the Bank's member countries through IDI activities. If the Bank decides to associate itself with IDI, INTOSAI will regularly inform your staff on its development, particularly on activities which we believe the Bank could consider supporting. Similarly, we hope you would encourage Bank staff to help identify and develop programs and projects which may be appropriate for Bank funding.

Again, many thanks for seeing us. We hope that you can help us get on with these important and effective initiatives.

Cordially yours,



Kenneth M. Dye
Auditor General of Canada



Charles A. Bowsher
Comptroller General

cc: Mr. Staats

ACTION

ELMER B. STAATS
5011 OVERLOOK ROAD, N.W.
WASHINGTON, D.C. 20016

August 8, 1985

The Honorable A. W. Clausen
President
The World Bank
1818 H Street, NW - Room 1227
Washington, DC 20433

973

Dear Tom:

Chuck Bowsher, the current Comptroller General, and I would like to visit with you to obtain your ideas and possible assistance in increasing the level of training in the developing countries in the area of accounting and auditing. I will call you within a few days to see if we can arrange for a brief time on your calendar.

We will explain in greater detail what we have in mind when we see you. When I served as Comptroller General, I was a member of the Governing Board of an international organization of some 130 countries made up of comptrollers general or comparable positions. It was perfectly obvious that much more needed to be done by way of strengthening the financial accounting capabilities of the governments of the developing countries who were receiving aid from a variety of sources, including The World Bank. I established within GAO a fellowship program for the developing countries and the Canadian Auditor General developed a similar program. The German Foundation for International Development has a small program. But these efforts, frankly, have only scratched the surface in relation to the need.

The Governing Board of the International Organization of Supreme Audit Institutions (INTOSAI) has now asked the United States and Canada to develop a program to enlarge the training of nationals in the developing countries. Kenneth Dye, the Canadian Auditor General, and Bowsher asked me recently to join them for a discussion of the subject. Also invited was Maurice Mould, Financial Advisor at The World Bank. I have agreed to give such help as I can although I am no longer a government official or connected directly with INTOSAI.

M.B.

In any event, I hope we can have a visit within the near future and get your advice as to the program which is being proposed.

The enclosed report, prepared by the GAO, has recently come to my attention. The Summary states fairly, I believe, the concerns which GAO has expressed over many years on this subject.

Best wishes.

Sincerely,


Elmer B. Staats

Enclosure

RECEIVED

1985 AUG 12 PM 5:51

OFFICE OF THE PRESIDENT

Handwritten signature

9-9-55
A

ACCOUNTING AND AUDITING DEVELOPMENT
THROUGH BANK-FINANCED PROJECTS

Messrs. Elmer Staats and Charles Bowsher, the past and present Comptrollers-General of the U.S. General Accounting Office (GAO) respectively, who are seeking a meeting with the President, probably may wish to informally discuss the development plans of the international body of government auditors (INTOSAI). It is known that these plans include proposals for a major international training program for government auditors in developing countries. However, precise details have not been released to INTOSAI or made public until its proposers (the U.S. Comptroller-General and Canadian Auditor-General) have a firm plan, including in particular, the funding of such a program.

The Bank has maintained useful and constructive contacts with this body over the past 10 years. Two principal concerns have emerged during this relationship:

- (a) the inability of the Bank to directly provide financial assistance to support training and allied programs of regional and international accounting and auditing organizations which represent national accounting/auditing bodies. The Bank supports some of the latter through its projects through lending to the member governments, but does not have the facility to lend to multinational organizations. This would require multiple government guarantees. This can be resolved by aiding individual governments and organizations which participate in an acceptable multinational program; and
- (b) a considerable disparity in professional capabilities exists in INTOSAI between government auditors of the developed countries (e.g., GAO) and the auditors from a number of developing countries. Many of the latter do not have a comparable status within their governments. There may also be reluctance in some countries to strengthen the capabilities of these auditors. Their training may be awarded a lesser priority in some country plans for accounting and auditing development until public (and private) sector accounting standards and practices are substantially improved. Nevertheless, the Bank has found certain government auditing training programs to be suitable for financing.

The Bank consistently has stressed the need for its borrowers to develop and maintain improved accounting and auditing standards and practices. Its Articles require the Bank to ensure that loans are used with due attention to economy and efficiency and only for the stated

purpose. Therefore, it has consistently tried to help its borrowers to adopt adequate accounting and auditing practices, inter alia, to sustain its own accountability.

Assurances are sought in each lending operation that borrowers will establish an appropriate accounting system and records, consistently maintained in accordance with sound accounting principles and practices to monitor and report on the progress of the project, particularly its costs and benefits; to identify and to disclose the use of the goods and services financed out of the proceeds of the loan; and to reflect and record, as appropriate, the operations and financial condition of the borrower or beneficiary entities. These records primarily are intended as a management tool for the borrowers' own benefit, not solely to fulfill the Bank's accountability. However, the provision of audited annual financial statements by borrowers had not been required in some projects, particularly those in which the Bank has been able to rely on procurement and disbursement documentation to account for the use of its funds and the financial status of the entity such as a highway department or an Education Ministry was not of primary concern to the Bank.

As the project mix and scope of Bank financing changed over the years, for example, greater emphasis on poverty alleviation increased the use of local currency financing including recurrent cost financing, the Bank could not rely on procurement and disbursement documentation alone to ensure the proper use of its funds. From FY82, the Bank began to require financial reporting and auditing of project related accounts for all projects financed by it. Simultaneously, the Bank also expanded its assistance to borrowers to help in the design and financing of project components (accounting and auditing systems, staff training), to establish adequate accounting and auditing arrangements in implementing entities.

In addition, since 1982, the Bank has conducted surveys in some 45 developing countries to ascertain their accounting and auditing capabilities in general. The surveys ranged from in-depth investigations, undertaken at the request of the governments concerned (e.g., Ethiopia, Haiti, Indonesia, Zaire) to desk and field studies prepared by Bank staff using their experience of operating for several years in the selected countries. The surveys indicate that wide disparities exist in accounting and auditing facilities and standards between countries within a region, e.g., West Africa, and between regions.

As a result of the surveys, a few initiatives developed prior to FY81 are now being expanded into a substantial program of assistance. From the first initiative in FY73 to assist Yugoslavia to form and train a national audit service using Bank technical assistance to design the program, assist in consultants' selection and in their subsequent supervision over several years, the Bank now has a program of improvements in about 20 countries.

The program includes components, typically in technical assistance and education projects, to improve accounting education, modernize government accounting systems, train government auditors and to

help establish professional accounting bodies. In addition, free standing projects are typically being designed to support legislation to establish accounting standards, establish accounting training centers, train the national audit institution, and develop professional accounting and auditing bodies and local management consulting firms. This type of project is under implementation in Madagascar.

In Indonesia, the government advised by Bank staff during several missions in FY84 and 85, have established a national accounting coordinating committee, led by the Finance Minister. This committee is working with a Bank staff member who is assigned full time to supervise four ongoing accounting and auditing components of projects and to prepare a free-standing project. This project is likely to form the first major step in a long-term coordinated accounting development plan for this large country which currently has only about 300 accountants and an inadequate supply of support personnel. In China, considerable advice and assistance is being provided to the State Audit Agency since its formation two years ago. Here also the prospects for an accounting education project may materialize.

Recently, the Public Sector Management Unit in OPS has been assisting the regions in promoting financial management improvements in the public sector of various countries such as budgeting in Sudan, debt management in Brazil and the public corporate sector reforms in the Philippines.

The Financial Intermediation Paper recently approved by the Board in July stressed the need to promote improved financial management, accounting and auditing in the financial sector, particularly in development finance institutions. Future projects to support financial sectors, where appropriate, will include suitable components to address financial management of major institutions and provide effective reporting and auditing throughout the sector.

In FY85 the Bank, with the International Federation of Accountants and the Asian Development Bank sponsored the Asia and Pacific Accounting Education Conference in Manila as part of its program to promote accounting development. The participants at the Conference pointed to the need for much greater coordination between lenders, donors and governments in the planning and delivery of accounting development assistance. They concluded that the ad hoc assistance provided to universities, some government entities, etc. by donors has not been effective or lasting in the absence of a country-wide approach to organizing accounting and auditing development.

The Bank's ongoing programs in Indonesia and Madagascar are designed to address such concerns in these countries, as is the preparation work for the Ethiopia and Philippines projects. Further free-standing projects or specific components of other projects are likely to be prepared to bring about nationwide improvements in accounting and auditing in the near future. However, the time horizon for achieving measurable improvements in many countries is probably 15 years or more.

ELMER B. STAATS
5011 OVERLOOK ROAD, N.W.
WASHINGTON, D.C. 20016

Action

brief
List action.

August 8, 1985

973
The Honorable A. W. Clausen
President
The World Bank
1818 H Street, NW - Room 1227
Washington, DC 20433

Dear Tom:

Chuck Bowsher, the current Comptroller General, and I would like to visit with you to obtain your ideas and possible assistance in increasing the level of training in the developing countries in the area of accounting and auditing. I will call you within a few days to see if we can arrange for a brief time on your calendar.

We will explain in greater detail what we have in mind when we see you. When I served as Comptroller General, I was a member of the Governing Board of an international organization of some 130 countries made up of comptrollers general or comparable positions. It was perfectly obvious that much more needed to be done by way of strengthening the financial accounting capabilities of the governments of the developing countries who were receiving aid from a variety of sources, including The World Bank. I established within GAO a fellowship program for the developing countries and the Canadian Auditor General developed a similar program. The German Foundation for International Development has a small program. But these efforts, frankly, have only scratched the surface in relation to the need.

The Governing Board of the International Organization of Supreme Audit Institutions (INTOSAI) has now asked the United States and Canada to develop a program to enlarge the training of nationals in the developing countries. Kenneth Dye, the Canadian Auditor General, and Bowsher asked me recently to join them for a discussion of the subject. Also invited was Maurice Mould, Financial Advisor at The World Bank. I have agreed to give such help as I can although I am no longer a government official or connected directly with INTOSAI.

In any event, I hope we can have a visit within the near future and get your advice as to the program which is being proposed.

The enclosed report, prepared by the GAO, has recently come to my attention. The Summary states fairly, I believe, the concerns which GAO has expressed over many years on this subject.

Best wishes.

Sincerely,



Elmer B. Staats

Enclosure

EDI

October 25, 1985

Mr. Robin Hanbury-Tenison
President
Survival International
29 Craven Street
London WC2N 5NT
England

Dear Mr. Hanbury-Tenison:


This is to acknowledge receipt of your letter of September 25, 1985 to Mr. Clausen and your letter of September 21, 1985 to Mr. Robless regarding resettlement issues under the Narmada Gujarat Project in India.

We are considering the issues raised in these letters and will respond to you further on this matter shortly.

Sincerely,

Zafer Ecevit
Acting Chief
India Division
South Asia Programs Department

bcc w/inc.: Mr. Lerdau (ASP)
Mr. Southworth (EXC)


LMSunderland:br

#1371
logged out

OFFICIAL FILE COPY

October 25, 1985

Lynn Sunderland called regarding the Survival Int. letter. Mr. Robless was going to have a meeting on the subject, because Mr. Hanbury-Tenison has written to EDs on this project. She says that he has some valid points but the Bank also has some and also some mistakes. Previously they wrote to him to take up this matter directly with the government of India but he doesn't want to do that but the Bank to respond to him.

They will write a polite acknowledgment letter to him and the Region doesn't think that it would be proper for top management to get involved on this matter.

sonia

OK

ROUTING SLIP

Date
Oct. 8, 1985

OFFICE OF THE PRESIDENT

Name

Room No.

Mr.Lerdau (Acting)

H-5-177

XX

To Handle

Note and File

Appropriate Disposition

Prepare Reply

Approval

Per Our Conversation

Information

Recommendation

Remarks

Sonia Benavides

From



SURVIVAL INTERNATIONAL

FOR THE RIGHTS OF THREATENED TRIBAL PEOPLES

1371
A.W. Clausen Esq.
President
The World Bank
1818 H Street NW
Washington DC 20433
USA

29 CRAVEN STREET
LONDON WC2N 5NT
ENGLAND

TELEPHONE: 01-839 3267
TELEX: 268992 GARDEN-G

25 September 1985

Dear Mr. Clausen,

PRESIDENT:
ROBIN HANBURY-TENISON OBE

DIRECTOR:
STEPHEN CORRY

I enclose copies of the correspondence that we are engaged in with Mr. Robless and Mr. Brigish of the South Asia Programmes Department concerning the Sardar Sarovar Dam and Power project in India.

As you will note from this correspondence, in spite of repeatedly making queries to the Bank staff on whether the Resettlement and Rehabilitation (R&R) agreement accords with the stipulations of International Law, we have received no satisfactory replies to our questions.

The futures of the 60,000 tribal peoples to be relocated to make way for this project depend on this R&R programme and there is understandable international concern that the present Bank policy is harmful to the best interests of the tribals on whose lands the dam is to be made.

From the information available (barely any of which has been provided by the Bank), it is clear that the current loan agreement signed between the Bank and the Governments of India and the participating States of Gujarat, Madhya Pradesh and Maharashtra neither conforms to international law nor to the guidelines of the World Bank itself.

We urge that you look most carefully into this matter and that, until effective guarantees are made that the programme conforms with international law, you suspend transfer of the IBRD loan of US\$ 200 million and the IDA credit of US\$ 100 million, allocated to the project.

We look forward to an early reply as to how you plan to deal with this matter and also ask that you ensure that substantive replies are made to the queries made in our letters,

yours sincerely

Robin Hanbury-Tenison
President.

September 20, 1985

Dear Mr. Senghor:

Thank you for sending me a copy of the foreword you have written for the Independent Commission on International Humanitarian Issues' work on famine. I appreciate your kind words of tribute to the work The World Bank is trying to do in Africa.

Let me assure you that that continent will continue to have our strongest support and concern. And it is with the efforts and counsel of statesmen such as yourself that we will be able to make further inroads into the poverty that afflicts the people of Africa.

Warm regards.

Sincerely,



A. W. Clausen

His Excellency
Leopold Sedar Senghor
1 Square de Tacqueville
75017 Paris
France

MH

#1023
Leopold Senghor

STANDARD CHARTERED BANK PLC
(Cofinancing Brief)

Standard Chartered Bank has cofinanced five World Bank operations with a total participation of \$36.7 million. In cofinancing volume, it has contributed 14% of the total participation from UK banks and ranks third after Lloyds Bank International and Midland Bank.

The most recent two of the five operations have been the dollar B-loan for Colombia and the second dollar B-loan for Hungary. Standard Chartered Bank has expressed interest in supporting and are closely monitoring, the next 2-3 B-loans in the pipeline.

STANDARD CHARTERED BANK PLC COFINANCING

<u>FY</u>	<u>Country</u>	<u>Project</u>	<u>Role</u>	<u>Amount</u>
<u>Parallel Loans</u>				
75	Brazil	Steel-CSN II	Participant	2.0
77	Argentina	DFC-Ind. Cred. I	"	2.0
80	Yugoslavia	Highways XI	"	5.0
<u>B-Loans</u>				
84	Colombia	FEN Power	Manager	8.3
85	Hungary	Industry & Petr.	Lead Manager	19.4
			Total	<u>36.7</u>

Standard Chartered Bank is now eligible to join the UK clearing system and will join the Town Clearing, CHAPS, and the supervisory body - (Citibank will join too). It is the fifth largest British bank, with total assets (less contra accounts) of \$42 billion.

Standard Chartered Bank has recently taken over the international risk asset portfolio of their subsidiary, the Union Bank of California.

Mr. M. McWilliam, Managing Director, visited you at the time of the 1984 Joint Annual Meetings, in the company of Mr. M. Benjenk, whom he has recruited as a consultant on lending to countries around the Mediterranean.

Mr. Brian Fitzgerald, who may be accompanying him on March 13, is his E.V.P. in charge of their New York branch, which keeps in close touch with us on cofinancing operations on a regular basis. He has been a guest speaker, presenting a commercial/merchant banker's viewpoint, at an East Asia and Pacific regional cofinancing seminar, about a year ago.

THE WORLD BANK

ROUTING SLIP

Date
Dec. 17, 1985

OFFICE OF THE PRESIDENT

Name	Room No.
Mr. Husain	E-1023
cc: Mr. Botafogo	

XX	To Handle	Note and File
	Appropriate Disposition	Prepare Reply
	Approval	Per Our Conversation
	Information	Recommendation

Remarks

Please send us copy of reply.

Roy Southworth

From



UNIVERSAL POSTAL UNION
INTERNATIONAL BUREAU

Berne, 3 December 1985

Our reference

7590 (F) 2133

Translation from French

By airmail - Registered

Mr A W Clausen
President
International Bank for Reconstruction
and Development
1818 H. Street, N.W.

WASHINGTON, D.C. 20433

U S A

Subject

Financing of postal projects in developing countries

Dear Sir

In a letter dated 8 November 1985, I expressed to you my extreme satisfaction and gratitude for the kind welcome you extended to me at the headquarters of the Organization of which you are President.

I mentioned in that letter that the UPU International Bureau planned to submit to you proposals about the possibility of cooperation between our two agencies in the field of technical cooperation on behalf of developing countries.

Following the details you gave me about the sectors in which the World Bank operated, I considered it advisable to indicate to you, in general terms, the fields in which postal administrations might seek the assistance of your agency.

It would be a matter specifically of obtaining loans or gifts:

- to improve the management and operation of national sorting centres and mail transit centres, in particular by providing equipment for the ones newly established or reorganized;
- to modernize the management tools of the postal financial centres (giro, savings bank, etc) by computerizing the operations of these services;
- to promote access to the postal services by people living in rural areas, by establishing the appropriate infrastructures and providing adequate equipment.

1 Equipment for mail sorting centres

The provision of modern equipment for improving the operation of sorting centres requires the import of technology for which the countries often need external investment in the form of loans. The funds needed for this purpose may account for 20 percent of the total cost of setting up such a centre.

Postal address	Headquarters	Telephone	Telegraphic address	Telex	Postal giro account	Current bank accounts
Case postale 3000 BERNE 15 SWITZERLAND	Weltpoststrasse 4 BERNE SWITZERLAND	+4131 432211	UPU Berne	32842 UPU CH	30-820-4 (Berne)	1911 Banque Populaire Suisse 90-208452 Société de Banque Suisse

IS

1508

For instance, for the construction and equipping of a modular, expandable sorting centre, which received loans from a Regional Bank in Africa, the total cost was 818 million CFA francs (ie approximately two million dollars), while the cost of supplying the equipment amounted to 150 million CFA francs (18 percent of the total).

2 Computerizing financial centres

Postal money orders and more especially giro and the savings bank provide States with a means of acting on currency circulation and control. Most of the young nations are seeking ways of integrating the so-called modern monetary sector into the rest of the national economy. However, the postal financial centres in the developing countries suffer from under-equipment which hampers the smooth running of those services.

The acquisition of computerized equipment would promote the modernization of work methods and the expansion of the money order, giro and savings bank service in the interior of the countries. By providing access to a reliable system of monetary transfer for people earning their living from agriculture, hoarding would be reduced if not eliminated.

3 Developing postal services in rural areas

Most of the people in developing countries live in rural areas. For these people, a journey of several kilometres is needed to reach the nearest post office.

The establishment and equipping of multi-purpose centres in the rural areas of the least developed countries (LDC) would help to reduce imbalances which hamper the general development of the countries.

It would be useful to know whether the financing, in the form of technical assistance, of such a project came within the field of operation of the Bank.

The support sought from the World Bank for such an experiment would cover the supply of operational equipment.

*

*

*

As regards the idea of the possible establishment of an appraisal unit in your agency specifically for considering postal projects, I can confirm my proposal for provisionally including the postal sector in the appraisal unit responsible for telecommunications. If, in future, the size of the projects justified it, a separate service could be established for studying postal projects. Since the postal and telecommunications services often share the same building at national level, joint projects might even be submitted.

With regard to the loans for financing equipment, the postal administrations of the countries concerned are in a position to repay such loans, using certain procedures, out of the resources they derive from international exchanges in the form of offsetting revenue.

In any event, I sincerely want our services to study the modalities of active cooperation so that the World Bank and the UPU can take joint action on behalf of the postal services of the developing countries.

Once again my most sincere thanks.

Yours faithfully,

(signed) A C BOTTO DE BARROS

Director-General

155
UNION POSTALE UNIVERSELLE

Le Directeur général du Bureau international

Weltpoststrasse 4
3000 BERNE 15
SUISSE/SWITZERLAND
Tél. +41 31 43 22 11

UNIVERSAL POSTAL UNION

Director-General of the International Bureau

Translation from French

8 November 1985

cc: Mr. Botafogo
Mr. Hussein

By airmail

Mr A W Clausen
President

International Bank for Reconstruction
and Development

1818 H Street, N.W.

WASHINGTON, D.C. 20433

USA

11-19-85
△

Dear Sir

Now that I am back from my mission to the United States of America, I should like to express my sincere gratitude for the kind welcome you extended to me at the headquarters of your organization in Washington.

I was highly satisfied with our conversation and most interested to hear certain details about the procedures for the granting of financial support by the World Bank. Thank you also for the understanding you showed for our concerns in the field of technical cooperation. We, for our part, shall reflect on the possibilities of cooperation between our two organizations and shall not fail to submit proposals in this connection to you in due course.

I was pleased to note your decision to have the World Bank represented at the consultative technical meeting devoted to postal projects of the Transport and Communications Decade in Africa, to be held at Brazzaville from 20 to 23 November 1985.

Once again, many thanks for your cooperation.

Yours faithfully,

(signed) A C BOTTO DE BARROS

ROY 12/17

Sonia please
hold on
for Hawaii's
reply

EO 1508
then file together
Thanks

UNION POSTALE UNIVERSELLE

Le Directeur général du Bureau international

3000 Berne 15

Weltpoststrasse 4
Téléphone 43 22 11

8 novembre 1985

1551
By Air Mail

Mr A.W. Clausen
President

International Bank for Reconstruction
and Development

1818 H Street, N.W.

WASHINGTON, D.C. 20433

USA

Monsieur le Président,

De retour de ma mission aux Etats-Unis d'Amérique, je tiens à vous exprimer ma vive gratitude pour l'aimable accueil que vous m'avez réservé au siège de l'Organisation que vous présidez à Washington.

J'aimerais vous faire part de mon sentiment de grande satisfaction au sujet de l'entretien que nous avons eu. C'est avec grand intérêt que j'ai pris connaissance de certaines précisions concernant les modalités d'octroi d'un appui financier de la part de la Banque mondiale et je vous suis reconnaissant de la compréhension que vous avez bien voulu manifester à l'égard de nos préoccupations dans le domaine de la coopération technique. De notre côté, nous allons réfléchir sur les possibilités d'une collaboration entre nos deux organisations et nous ne manquerons pas de vous soumettre, le moment venu, des propositions à ce sujet.

Je me félicite de votre décision de faire représenter la Banque mondiale à la réunion technique consultative consacrée aux projets postaux de la Décennie des transports et communications en Afrique, qui se tiendra à Brazzaville du 20 au 23 novembre 1985.

En renouvelant mes sincères remerciements pour votre collaboration, je vous prie d'agréer, Monsieur le Président, l'expression de ma haute considération.


A.C. BOTTO DE BARROS

UNION POSTALE UNIVERSELLE

SECTION 12 BN 3 50

1985-11-08

RECEIVED

1985 NOV 15 PM 3: 20

OFFICE OF THE PRESIDENT

365 Mr. Clausen

Tom:

Regarding Botafogo's memo on financing postal services, please see Golani's memo. (attached). I have discussed the matter with him and agree with him. At this stage, when there is pressure on our administrative resources, we should not add another speciality.

I understand that de Barros has agreed to send us his suggestions.

GOLANI?

or BOTAFOGO?

11-15-85

We should await
these and be prepared
to have further discussions
with him.

Shahid

11/15

OFFICE OF THE PRESIDENT

1682 WASHINGTON, D.C. 20540

SECRETARY

OFFICE OF THE PRESIDENT

1985 NOV 15 PM 5: 57

RECEIVED

OFFICE MEMORANDUM

action
Reading

DATE: November 14, 1985

TO: Mr. S. S. Husain, VPOPS

FROM: Amnon Golan, Director, IND *AG*SUBJECT: Postal Service in the Third World *A*

1. In response to Mr. Botafogo's memo to Mr. Clausen on the above, which we found extremely interesting, we have the following comments.

2. We are in complete agreement that postal services are a basic infrastructural requirement not only for the social benefits but also for the economic benefits to all sectors of the economy. Undoubtedly the sector has a role to play in alleviation of poverty. The sector through the postal savings banks also has an important role to play in mobilizing rural savings and assisting a country in moving elements of its economy towards a modern economy. The issue is not the importance of the sector but more what is the role which the Bank should and can have.

3. The sector is basically labor intensive leaving few physical items needing financing (mainly vehicles and sundry equipment). The major item for financing would be technical assistance to cover such aspects as operating management systems, sectoral policies, entity organization, training, and tariff structure and review analyses. In the past we have financed vehicles, bags, weighing machines and stationery (Uganda). As a labor intensive sector it is essential that productivity and service are linked to socioeconomic needs. This often entails a restructuring of the sectoral organization and, in this instance, we have, through para public projects in West Africa, financed the consultancy cost of just such a review (Senegal).

4. While we should continue with these efforts, the question of whether or not we make a major effort within the postal sector needs to be considered. The Bank has minimal expertise in the sector and it would seem that a more appropriate mechanism would be to utilize the bilateral sources. Of particular benefit would be the linking together of bilateral sources with UNDP. Each of these are ideally suited to the mode of technical assistance necessary. In contrast to our involvement in telecommunications, where a part of our role is to act as an "honest broker" in an area where interested bilaterals are also equipment suppliers, for the postal sector, this Bank role is not necessary. An important aspect of involving the bilaterals directly would be the prospects of establishing "twinning" arrangements between the bilaterals and the developing country's entity. Indeed the source countries have in their own entities the required technical and managerial expertise to meet the specific technical assistance needs of the developing countries.

*NO WE SHOULD NOT!**AGREE!*

5. The Bank's role could be catalytic in the sense that given our involvement in the broad telecommunications sector, which usually encompasses the postal entity, we are able to have some idea whether or not external assistance is required. We can also be a conduit for requests. On this basis the Bank's role would be to encourage the dialogue between the developing countries, UPU, UNDP and potential bilateral donors.

Agree!
A

6. The suggestion of producing a short think piece is a good idea, however, we think that because of what we say above this may not be productive.

Agree!
A

cc: Mr. J-L. Dherse - EISVP; Ms. M. Haug - INDDR

DLomax:my


OFFICE MEMORANDUM

action
see para 7.

343

DATE: October 29, 1985

TO: Mr. A.W. Clausen

FROM: Mr. Jose Botafogo G. 

EXT: 72466

SUBJECT: Postal Service in the Third World

1. The meeting we had the other day with Mr. Botto de Barros from the Universal Postal Union raised in my mind some thoughts that I'd like to share with you.
2. Postal services in developed countries are taken for granted; they work rather well and their developmental functions or impact are not readily apparent to the users. That is not the case with developing countries. Take, for instance, the case in Brazil. Some two decades ago, postal and telegraph services were one of the worst in the world. Deficiencies in the postal service were a daily irritant in the lives of millions of Brazilians. Post office staff were incompetent, demotivated, ill-paid, and very uncivilized in dealing with the public. Letters between Rio and Sao Paulo, 300 miles apart, would take many days to reach their destination or would frequently go astray. Hundreds of municipalities around the country had no postal service at all. Long queues formed in front of the few post offices available, just to buy stamps. Other services, like the transfer of money and checks, were slow, inadequate, and often insecure. Nevertheless, low-income groups were forced to resort to using the post office to transmit money to members of their families in distant cities, because they had no access to commercial bank services.
3. Poor postal services had an even worse impact on the private sector and on public administration. Administrative overheads increased enormously as public and private corporations developed their own mail systems. The deficit of the postal administration was a heavy burden on the fiscal budget (one estimate: US\$300,000 per day).
4. Rural areas were particularly affected by the lack of efficient postal service. Although not commensurable in quantitative terms, the lack of these services increased the feeling of isolation and contributed to what has been called "the rural exodus" to the great cities.
5. Brazilians are now proud of their postal company. In April 1984 the weekly magazine VEJA conducted a large survey asking the public to rate the credibility of a series of institutions in Brazil, for example: the government, the church, the political parties, public corporations, etc. In first place, far ahead of all others, was the postal company. But pride is not the issue. The impact on development has been remarkable.

6. I have recounted the Brazilian experience in order to underscore for you the following important points. All of them have some bearing on the World Bank's task: the development of the Third World.

A. On Employment. Postal services are labor intensive and require a certain amount of specialized training that is not incompatible with the relatively low levels of skills available in developing countries. Thousands of new jobs have been created throughout the country, both in rural and urban areas.

B. On Income. With a realistic tariff policy, the postal company is paying high salaries financed out of its own resources and not any more from the fiscal budget. Income generation has benefitted particularly young people (postmen) and women who work from their own homes. In many small communities, postal offices are installed in private homes where housewives administer the Office without disturbing their domestic activities. Houses may be very modest and small in size as one does not need more than a window facing the street to provide basic postal services. Being cost-effective, this type of postal service has a role to play in immediate alleviation of poverty.

C. On Trade. Mail-order shopping is a booming business in Brazil. As a consequence, people living in rural areas now have access to consumer goods produced in the urban centers at lower prices than those charged by the small, often monopolistic retail shops where they would otherwise be obliged to purchase.

D. On Changing Attitudes. A public service that works and is properly financed, is a good example of how policy changes and reforms that are needed can be implemented in other areas of public administration. It is often wrongly assumed that public reaction in developing countries towards realistic tariff policies implemented by local authorities tends to be negative. That tends not to occur when public companies provide high standard services, as is the case with the postal service, and the Metrorail systems of Rio and Sao Paulo.

7. To conclude, I suggest that we give serious thought to the request made by Mr. Botto de Barros. In the World Development Report of 1983 we put considerable emphasis on improving the quality and efficiency of public services. In many of the poor countries of sub-Saharan Africa, the only public service that touches all the people, all the time, is the postal system. Improvements would increase the confidence of the people in the process of development. And, as I have illustrated from the Brazilian example, there are a number of other advantages to be gained. Might I suggest that our Telecommunications Division produce a short think-piece on these lines for a follow-up discussion with the Universal Postal Union. The External Relations staff would be very happy to help.

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1935 NOV -5 PM 6:43

OFFICE OF THE PRESIDENT

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11-8-85

Mr. Sleehid Hussin

would you please:

① Review the attached
memos and then -

② Advise me how
to respond to Bolefog?

Please return
memos to me for my
future reference.

Thank you!
[Signature]

OFFICE MEMORANDUM

DATE October 21, 1985

TO Mr. A.W. Clausen

FROM Shahid Javed Burki, Director *SjRD*

THROUGH Jose Botafogo G., Vice President, External Relations
EXTENSION 72407

SUBJECT Visit by Mr. Adwaldo Cardoso Botto de Barros, Director General,
Universal Postal Union (UPU)

1. Mr. Botto de Barros will pay you a visit at 11:30 a.m. on Wednesday, October 23, 1985. His CV is attached.

2. The UPU is a specialized agency of the United Nations, whose aim is to secure the organization and improvement of postal services (regulation of international mail delivery, standardization of postal rates, improvement of national postal services, and personnel training). The Union's supreme body is the Universal Postal Congress, composed of representatives of all 168 member states, which meets at five-year intervals. Mr. Botto de Barros was elected Director General for a term of five years at the 1984 Hamburg Congress. The 19th Congress will be held in the United States in 1989.

3. Bank involvement in the development of postal services constitutes a relatively small share of our activities, partly because most postal services are labor- rather than capital-intensive. Assistance needs therefore tend to be technical rather than financial. We have however become involved in postal activities in some countries where the responsibility for postal services and telecommunications is combined. Since we have no staff qualified or experienced in postal services, we rely on the help of consultants from other organizations, including UPU, in the appraisal and supervision of projects. For example, UPU staff assisted with the FY83 appraisal of the Uganda Posts and Telecommunications project.

4. In the view of staff concerned, the quality of UPU support has been mixed. You might therefore reiterate Bank's support and interest in postal development when it can be conveniently supported under our telecommunications operations, without any commitment for a permanent arrangement, financial or otherwise, with UPU.

A

*AMNON GOLAN
(DIR. INDUSTRY DEPT.)*

*RICHARD STEED
(DIR. CHIEF TELECOMMUNICATIONS)*

20th?

5. The Bank has received an invitation to participate in the Technical Consultative Meeting on Postal Services to be held in Brazzaville, 20-23 November, which we had initially declined. However, as a gesture of cooperation with UPU, we will request our Resident Representative in Kinshasa to attend.

6. Mr. Botafogo will also attend the meeting, as will Mr. Amnon Golan, Director, Industry Department, and Mr. Richard Stern.

Attachment

Adwaldo Cardoso Botto de Barros

Mr. Adwaldo Cardoso Botto de Barros was elected Director General of the Universal Postal Union at the 1984 Hamburg Congress. He was born in Brazil on 25 January 1925. He studied at the Military College of Resende and the Military Engineering Institute, and also took university extension courses on business administration and on the capital market.

Mr. Botto de Barros was formerly President of the Brazilian Enterprise of Posts and Telegraphs (ECT). Before his appointment to that position, he was Financial Adviser to the Industrial Engineering School in Sao Paulo and, subsequently, Regional Director of the ECT in Sao Paulo.

Mr. Botto de Barros had many achievements to his credit during his presidency of the ECT, including the establishment of a nighttime postal network using its own postal air system, the establishment of the Express Mail Service Division, the establishment of house-to-house mail delivery centers, the organization of the Special Postal Operations Services, the motorization of mail delivery, the development of philately, the establishment of the Graduate School of Postal Administration, the establishment of the Posts and Telegraphs Museum, the establishment of the ECT Social Security Institute, the introduction of international electronic mail, and the adoption of an appropriate financial policy which resulted in a surplus of ECT revenue over expenditure.

Mr. Botto de Barros took part in the sessions of the Executive Council (EC) and the Consultative Council for Postal Studies (CCPS) from 1977 onwards, and chaired with competence and efficiency the 18th Universal Postal Congress (Rio de Janeiro, 1979) and the Universal Postal Union EC from 1979 to 1984. Under his guidance, the delegation of Brazil played a prominent role in the work of these two bodies; with respect to the EC, special mention should be made of Brazil's important contribution to the studies on terminal dues and international high-speed mail. As head of the Brazilian delegation, he attended the meetings of the bodies of the Postal Union of the Americas and Spain (PUAS) from 1976 to 1984 and the Conference of Ministers of the African Postal and Telecommunications Union in 1983. In addition, he took part in several international meetings, in particular the Conference of Chairmen and Directors General of Posts of Latin America (Caracas, July 1980) at which he read of paper on the management of postal services in Brazil that attracted considerable attention.

THE WORLD BANK

ROUTING SLIP

Date
Dec. 17, 1985

OFFICE OF THE PRESIDENT

Name

Room No.

Mr. Husain

E-1023

cc: Mr. Chandran

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To Handle

Note and File

Appropriate Disposition

Prepare Reply

Approval

Per Our Conversation

Information

Recommendation

Remarks

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is OK.
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touch
hold for Sonia's
return

Roy Southworth

From

M. Vasudevan BSc, MA (Econ), PhD (Ed)
Dip (Statistics), Cert (Manpower Forecasting) USA
Educational and Manpower Consultant

Former Consultant to: UNESCO (Paris), OECD (Paris), ILO (Geneva)
World Bank (Washington DC), Pan American Union (Washington DC)
Asian Development Bank (Manila)
Ford Foundation Fellow

TELEPHONE: 93. 68.53.67
Villa Leona
17, Avenue Saint Nicolas
F - 06400 Cannes, France

12 December, 1985

1262
REFERENCE : MV/ED/85/192

Mr. A.W. Clausen
President, World Bank
1818 H Street N.W.
Washington D.C. 20433, U.S.A.

Dear Mr. Clausen,

With this is a copy of a letter I sent you just before the Seoul meeting. While it appears to have escaped the notice of the Bank (despite its relevance) and I am truly sorry to hear that you are stepping down, I am nevertheless pleased that the following developments of great advantage to the World Bank, which I had all along advocated, as indicated in my October 2nd letter, appear to have since materialized.

First, following a U.S. reversal of position on the debt crisis - from promoting austerity measures to actively sponsoring a growth-led economic revival - Mr. Baker signaled a U.S. willingness to look with favor on future calls to increase the Bank's capital. Second, the Baker Plan gave the Bank a greater role in arresting the debt crisis, while apparently reducing the power of the IMF.^{1/} Third, Paul Volcker announced that he was not leaving the chairmanship of the Fed. His deftness in mobilizing global resources to avoid disaster can help the Bank better face the challenges that lie ahead. Fourth, Britain confirmed its decision to follow the U.S. in clearing out of UNESCO. Naturally, what we all want to see is a UNESCO in robust health; and in fact I had published an article in the U.S. in September 1984, urging the Reagan Administration not to quit UNESCO (a copy of which was sent to you). But, as it is, UNESCO has been gravely weakened and the Bank's lending in the education sector must not be allowed to lag behind because of your Co-operative Program with the Educational Finance Division of UNESCO. It is in this precise context that my suggestions in my October 2nd letter for streamlining your education sector operations are to be viewed.

As you can now see, I had all along been engaged in the advance-monitoring of developments of relevance to the World Bank in Paris as well as during my travels. In return, would you be so good as to ask the heads of your Education Divisions of various Project Departments (EMENA, South Asia, East Asia, and others) and OED to explore possibilities for me in 1986 as a consultant (preferably on a retainer basis) and inform me of the outcome.

Yours sincerely,

Encl.

M. Vasudevan, Ph.D.

1/ Although the Bank, after surfacing with a strong support for the initiative, appears to have temporarily disappeared from center stage. The first act now awaits the Bank's return to the scene to orchestrate it.

TWENTY-FIVE YEARS OF SERVICE TO GOVERNMENTS			1958	RELEVANT WORK-EXPERIENCE IN (FOLLOWING) 25 COUNTRIES			
NORTH AMERICA	EUROPE	AFRICA	ASIA	MIDDLE EAST	CARIBBEAN	LATIN AMERICA	
USA	Greece Yugoslavia	Nigeria Mauritius Sudan	India Indonesia Bangladesh Taiwan Thailand Malaysia	Iran Jordan Bahrain Yemen North Yemen South	Jamaica Guyana	Argentina Chile Peru Ecuador Colombia Guatemala	

M. Vasudevan BSc, MA (Econ), PhD (Ed)
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 Former Consultant to: UNESCO (Paris), OECD (Paris), ILO (Geneva)
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 Asian Development Bank (Manila)
 Ford Foundation Fellow

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 17, Avenue Saint Nicolas
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2 October, 1985

REFERENCE : MV/ED/85/186

Mr. A.W. Clausen
 President, World Bank
 1818 H Street NW
 Washington D.C., 20433 U.S.A.

Subject : Stepping up Commitments in the Education and Training Sector

Dear Mr. Clausen,

I had all along admired the great leadership you provided to the World Bank and in fact hoped that in the cause of Third World development you would set personal considerations aside and "stand" for another term in 1986. But, unfortunately, so adverse had been the cross-currents of outside events that even your staff members, so world-renowned for their technical sophistication, appear to have fallen somewhat short in translating your marching orders into cross-harmonized action packages. One result of this has been that the World Bank, which is under ever-increasing attack in official circles and amongst private economists for dragging its feet in responding to the needs of developing countries, reported a decline in the volume of loan approvals in the fiscal year ending June 1984 - the first annual drop since 1967. The apparent embarrassment of having to report a decline in loan commitments appears to have been magnified a hundredfold by the near doubling of the Bank's income to a record high of \$ 1.14 billion, while apparently failing to make enough provision for even consultant recruitment (see annex I).

This \$ 1.14 billion is about equal to the annual profit of a major commercial bank holding company such as Citicorp. While this is a formidable achievement for any great commercial empire; many know today that the World Bank, owned by 140 nations, was not created to be a profit-making enterprise. It was to have been run on a commercial basis to the extent that it was expected to be financially sound and capable of standing on its own feet. But few doubt today that the reason it was established in 1945 was to help raise living standards in developing nations by channeling funds from developed nations or that it is not doing much to arrest the debt crisis.

I see, however, a pick-up in activity, because of gradual recovery by Third World nations from recession and their increasing ability to make the necessary (but not stringent) financial reforms that should qualify them for Bank loans and assuming, as one must, first, a less hard-nosed approach by the Bank and, second, the mapping of a strategy by the Reagan Administration that would give a greater role for the Bank in aiding nations burdened by debt, while reducing the power of IMF.

If, in accordance with the call made by the last Joint Ministerial Committee of the Boards of Governors of the Bank and the IMF, you decide to expand your lending program and develop a variety of lending strategies; your education and training sector operations will have to be streamlined and become more innovative in their

/2

TWENTY-FIVE YEARS OF SERVICE TO GOVERNMENTS

NORTH AMERICA
 USA

EUROPE
 Greece
 Yugoslavia

AFRICA
 Nigeria
 Mauritius
 Sudan

1958
 1983
 ASIA
 India
 Indonesia
 Bangladesh
 Taiwan
 Thailand
 Malaysia

RELEVANT WORK-EXPERIENCE IN (FOLLOWING) 25 COUNTRIES

MIDDLE EAST
 Iran
 Jordan
 Bahrain
 Yemen North
 Yemen South

CARIBBEAN
 Jamaica
 Guyana

LATIN AMERICA
 Argentina
 Chile
 Peru
 Ecuador
 Colombia
 Guatemala

turn, insofar as they suffer from some built-in and inherited problems. Here are some suggestions for their improvement:

1. Its Co-operative Program (CP) with the Educational Finance Division (EFD) of UNESCO inhibits the Bank's freedom to "generate" new projects. If lending in the sector is to be expanded, the Bank must place much more funds than ever before to undertake missions with the help of widely-respected consultants for policy dialogue and project identification as well as to step up consultant provision for educational planning and policy reform where necessary.
2. Procedures might be streamlined in order to reduce the time-lag between project identification, preparation, appraisal and loan negotiations. In cases where the preparation of a loan request is being done by the government itself or EFD, the Bank must earmark sufficient funds to send consultants, where necessary, in order to put the proposal in question into the form of a feasibility study of acceptable quality and thus avoid the need for sending pre-appraisal missions subsequently and the resultant delays they imply (for example ADB follows this procedure more or less).
3. One complaint that I have heard from official circles in developing countries is that Bank consultants often tend to recommend educational adjustments and reforms with little sensitivity to the social and economic consequences such changes may provoke. This appears to point to a need for the Bank to prefer independent international consultants widely respected in developing countries, rather than those employed in universities or government departments but with comparatively less experience in recipient nations to speak about.
4. Ways and means must be found to overcome the problem of disagreement on analytical and policy issues and inconsistent policy advice to governments by the Bank and UNESCO on one hand and the Bank and IMF on the other on educational and economic problems respectively.
5. In 1983 a commission headed by Mr. Sippanondha Ketudat (Thailand) looked into the whole question of the Bank's Co-operative Program with UNESCO. If its recommendations (of which I am generally aware) are eventually accepted by both UNESCO and the Bank for implementation, they may result in some cosmetic, if interesting, changes in the C.P. But to me any substantive change that would give the Bank more freedom of action and power has everything to recommend it.

UNESCO continues to be blamed in Western nations for its ever-deeper pre-occupation with Third World issues, not all within its mandate, at the cost of managerial efficiency. But, paradoxically enough, the Bank is drawing ever more vocal criticism particularly in the West for the opposite reason - as a matter of fact, it is being denounced for what is perceived as its undue obsession with the credit-worthiness and performance problems of its borrowers and its resultant failure to respond to their needs in an adequate manner and thus fulfill its primary mission for which it was created.

However that may be, for all the good work done by the Bank, there are more illiterates and people below the poverty-line today than there were 40 years ago when the agency was established. But if you eventually decide to respond to the needs of borrower countries in a more effective and timely manner without compromising lending standards, I should like very much to participate in that great endeavor as a consultant. I had signalled my interest to the Bank more than a year ago. I have thus far undertaken more than 40 missions to 25 different member countries on behalf of six international agencies and written two books, of which one was published in the U.S. in 1976 and widely used as a training manual by UNESCO and

member states and the other by ILO in 1962 to develop Manpower Planning activities in member states. Reports of my missions have appeared in the press in several parts of the World and I have received letters from, amongst others, Ministers of Education, the Director General of UNESCO, the Administrator of UNDP and even then-President-elect Mr. Jimmy Carter (see annex II). All these materials have been made available to the Bank. While I received some replies from your Vice President, Mr. Shahid Husain, and one or two of your Area Education Division Managers, which appeared to be promising at first sight (see annex III), no specific proposal has thus far been made to me. Would you therefore be so good as to do something concrete in the matter, given my deep attachment to the Bank's programs and your increasing interest to support efforts by member countries to enhance the development of human resources?

Meanwhile the international elite shares my view that if you and Mr. Paul Volcker were to continue in the Bank and Fed. respectively for another term, that would be a good day for arresting the debt crisis, the development of poor nations and in fact for world economic and even political stability.

With best wishes,

Yours sincerely,

M. Vasudevan, Ph.D.

Encls.

OFFICE MEMORANDUM

DATE: October 25, 1985

TO: Files

FROM: Richard D. Stern, Chief, INDD4

SUBJECT: Meeting Between Mr. Clausen and Mr. Cardoso Botto de Barros,
Director General, Universal Postal Union (UPU)

1. Mr. Botto de Barros met with Mr. Clausen on October 23. He was accompanied by Mr. El Mostafa Gharbi, Deputy Director General of UPU. Messrs. Golan, Botafogo G., and I were also present.
2. Mr. Botto de Barros began by noting that efficient postal services were an essential infrastructure and a critical prerequisite for economic development. He also noted that, contrary to the general view which had prevailed in the past, it was possible for efficient postal services to operate in the black and to be a net contributor rather than drain on public resources. He noted that the UPU had provided technical assistance to a number of LDC entities around the world but that there was a need for additional technical and capital aid. In this connection he proposed that the UPU and the Bank should cooperate in meeting these needs. He suggested that UPU prepare and appraise projects for the Bank; the Bank would then approve the necessary funds for the needed capital and technical assistance. UPU could also recruit the necessary personnel for the technical services so financed. He added that it should be possible for the recipient entities to service the debt so incurred through the surplusses that they earn from international postal services.
3. Mr. Clausen expressed his full agreement with respect to the importance of the postal services to economic development and also emphasized their critical role in providing financial intermediation in a number of countries. He noted that while the Bank had financed the development of postal services in connection with telecommunications projects in cases where a single entity provided both telecommunications and postal services, the Bank's role in this area had hitherto been modest. Furthermore, it was not clear that this was an area where the Bank should take any major initiative. The Bank was first and foremost a capital financing institution, yet the needs for postal development were primarily technical: furthermore, the bulk of the limited capital requirements were for local costs in the form of buildings and civil works rather than for foreign purchases. Finally, the institution had no staff expertise in posts; while we could, of course, develop such resources in cooperation with UPU, it was doubtful whether this was an area in which the Bank should, given other developmental priorities and the comparative advantages of the Bank, play a major role. Mr. Clausen emphasized that we would, of

cc: Messrs. R. Southworth, EXC; A. Golan, INDDR; Ms. R. Diggs, IRD;
J. Botafogo G., VPE

L file

course, be willing to continue to support fairly modest postal components under our telecommunications projects where justified and in such cases where the same entity was responsible for both posts and telecommunications.

4. Mr. Botto de Barros noted that he would be writing to the Bank repeating the suggestion that UPU and the Bank might cooperate in the way he had suggested on one or two pilot projects. He also reconfirmed the invitation to the Bank to attend the meeting of the UPU's Technical Consultative Committee meeting on postal services to be held in Brazzaville from November 20-23. Mr. Clausen responded by saying that we would send a representative to that meeting and we would consider and respond to the letter when it came in the light of his comments to Mr. Botto de Barros.

RDStern:j

UNOFFICIAL TRANSLATION

For Mr. A.W. Clausen, President, World Bank

Reurtel September 12 concerning visit to the World Bank of Mr. Botto de Barros, Director General, UPU, on Wednesday, October 23 at 11:30 a.m., we are pleased to list below the points for discussion:

1. General discussion on strengthening relations between UPU and The World Bank.
2. Follow-up of UPU communication to World Bank Resident Representatives (study missions or sectoral review of postal administrations in developing countries).
3. World Bank participation in the Technical Consultative Meeting on Postal Services as part of the Transport and Communications Decade for Africa (Brazzaville, 20-23 November, 1985).
4. Review of possibilities of World Bank financing for new UPU projects.

Thanks and regards,

El M. Gharbi, Assistant Director General, UPU

THE WORLD BANK

ROUTING SLIP

Date
Oct. 18, 1985

OFFICE OF THE PRESIDENT

Name

Room No.

Mr. Burki (Acting)

E-823

To Handle

Note and File

Appropriate Disposition

Prepare Reply

Approval

Per Our Conversation

Information

Recommendation

Remarks

Re: Mr. Clausen's appointment with
Mr. Botto de Barros on October 23.

Roy Southworth

From

THE WORLD BANK

ROUTING SLIP

Date

Oct. 16, 1985

OFFICE OF THE PRESIDENT

Name

Room No.

Mr. Burki (Acting)

E-823

RD

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To Handle

Note and File

Appropriate Disposition

Prepare Reply

Approval

Per Our Conversation

Information

Recommendation

Remarks

Pointsof discussion for appointment of October 23 at 11:30 a.m. for Mr. M. Botto de Barros.

Sonia Benavides

From

ZCZC DJST4088 RCA0170

EXC
REF : TCP VR

RCA0170
248423 WORLDBANK
32842 UPU CH

BERNE

WORLD BANK
WASHINGTON USA

1239

0950(S) POUR M. A.W. CLAUSEN, PRESIDENT, REF. VOTRE TELEX 12
SEPTEMBRE CONCERNANT VISITE M. BOTTO DE BARROS, DIRECTEUR GENERAL
UPU, A BANQUE MONDIALE LE MERCREDI 23 OCTOBRE 11 H 30, VOUS
COMMUNIQUEONS CI-APRES PROJET ORDRE DU JOUR DES ENTRETIENS:

1. DISCUSSION GENERALE SUR LE RENFORCEMENT DES RELATIONS ENTRE
UPU ET BANQUE MONDIALE

2. SUIVI DES INTERVENTIONS DE UPU AUPRES REPRESENTANTS RESIDENTS
BANQUE MONDIALE (MISSIONS D'ETUDE OU DE REVUE SECTORIELLE DE LA
BANQUE MONDIALE AUPRES ADMINISTRATIONS POSTALES DES PAYS EN
DEVELOPPEMENT)

3. PARTICIPATION DE BANQUE MONDIALE A REUNION TECHNIQUE CONSUL
TATIVE CONSACREE AUX PROJETS POSTAUX DECENNIE TRANSPORTS ET
COMMUNICATIONS EN A FRIQU (BRAZZAVILLE 20-23 NOVEMBRE 1985)

4. EXAMEN POSSIBILITES DE FINANCEMENT PAR BANQUE MONDIALE DE
NOUVEAUX PROJETS UPU PORTANT SUR DIVERS DOMAINES

REMERCIEMENTS ET SALUTATIONS - EL M. GHARBI
SOUS DIRECTEUR GENERAL/UPU BERNE/ SUISSE

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BERN

WORLD BANK
WASHINGTON D.C.USA

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0950/8 POUR M.A.W. CLAUSEN PRESIDENT REF VOTELX DU 12 SEPTEMBRE ET
NOTRE REPOSE DU 16 OCTOBRE CONCERNANT VISITE M. BOITO DE BARROS
DIRECTEUR GENERAL UPU A BANQUE MONDIALE LE MERCREDI 23 OCTOBRE
VOUS COMMUNIQUEONS PRECISIONS DEMANDEES PAR TELEPHONE SUR POINT 2
ORDRE DU JOUR ENTRETIENS: SUITE VISITE EFFECTUEE 7 AOUT 1984 PAR
M. CICERON VICE-DIRECTEUR GENERAL UPU AU SIEGE BANQUE MONDIALE ET
ENTRETIENS AVEC M. STERN CHEF DIVISION TELECOMMUNICATIONS ET ELECTRO

NIQUE BI/UPU A PRIS INITIATIVE INTERVENIR AUPRES REPRESENTANT RESI
DENT DE LA BANQUE MONDIALE DANS 33 PAYS PAR LETTRES DU 9 NOVEMBRE
1984 ATTENTION REPRESENTANT RESIDENT BANQUE MONDIALE A ETE APPELEE
SUR LE ROLE DE LA POSTE DANS LE PROCESSUS DE DEVELOPPEMENT ET SUR
PROBLEMES RENCONTRES DANS PAYS INSUFFISAMMENT DEVELOPPES DOCUMENTA
TION COMPRENANT MEMORANDUM SUR LES GRANDS PROBLEMES DE GESTION POSTA

LE

AINSI QUE FICHES DESCRIPTIVES DE LA SITUATION DES SERVICES POSTAUX
DES PAYS AUPRES DESQUELS REPRESENTANT RESIDENT REPRESENTENT BANQUE
MONDIALE STOP COPIES LETTRES ET DOCUMENTATION SUSINDIQUEES ONT ETE
COMMUNIQUEES A M. R. STERN POUR INFORMATION A L'APPUI LETTRE NO 7590-
15 (F/O) DU 30 NOVEMBRE 1984 M. DHERSE, VICE-PRESIDENT A ETE
INFORME PAR LETTRE DU 30 AOUT 1984 SOUHAITONS QUE SUR CE POINT ORDRE

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EL M. GHARBI SOUS-DIRECTEUR GENERAL UPU BERNE

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OCT. 23

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ATTN. MR. A. C. BOTTO DE BARROS, UNIVERSAL POSTAL UNION.
BERNE, SWITZERLAND.
REYURTLX ON VISIT TO WASHINGTON. EYE WOULD BE PLEASED TO MEET
YOU HERE AND SUGGEST 11:30 A.M. OCTOBER 23. PLEASE ADVISE IF
THERE ARE SPECIFIC ITEMS YOU WISH TO DISCUSS. BEST REGARDS,
A. W. CLAUSEN, PRESIDENT. THE WORLD BANK. INTBAFRAD.

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TEXT →

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INFORMATION BELOW NOT TO BE TRANSMITTED

CLASS OF SERVICE: TELEX	TELEX NO.: 32842	DATE: 9/11/85
SUBJECT:	DRAFTED BY: VJRiley:yrb	EXTENSION: 7-4455
CLEARANCES AND COPY DISTRIBUTION:	AUTHORIZED BY (Name and Signature): A. W. Clausen, President	
	DEPARTMENT:	
SECTION BELOW FOR USE OF CABLE SECTION		
CHECKED FOR DISPATCH		

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RCA9577
248423 WORLDBANK
32842 UPU CH

BERNE

MR A W CLAUSEN
PRESIDENT
WORLD BANK
WASHINGTON, D.C. 20433/USA

0950(S) I PLAN TO GO TO WASHINGTON 23 AND 24 OCTOBER; POSSIBLY
25 OCTOBER ALSO; TO VISIT SEVERAL AGENCIES SHOULD APPRECIATE
YOUR INFORMING ME WHETHER YOU CAN RECEIVE ME AND WHEN THANK
YOU FOR PROMPT REPLY BEST REGARDS - BOTTO DE BARROS
DIRECTOR-GENERAL OF THE UNIVERSAL POSTAL UNION BERNE/SWITZERLAND

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ALL RFD FROM EXCM

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RECEIVED
1985 AUG 29 PM 3:23
OFFICE OF THE PRESIDENT

10/15

Miss Vita Threatt (tel. 331-7532) called to request appointment for Mayor Johny Ford from the World Conference of Mayors for Thursday, October 17. Request decline as Mr. Clausen will be flying back from Cartagena.

She said that the meeting was a follow-up of Mr. Michael Cohen's meeting. They might call back to request appointment for Friday, October 18.

Log # 918

11:40 a.m.

Judy Maguire was contacted and she recommended that Mr. Clausen not see Mayor Ford.

4:43 p.m.

ROUTING SLIP		DATE:
NAME		ROOM NO.
Myra		
APPROPRIATE DISPOSITION	NOTE AND RETURN	
APPROVAL	NOTE AND SEND ON	
CLEARANCE	PER OUR CONVERSATION	
COMMENT	PER YOUR REQUEST	
FOR ACTION	PREPARE REPLY	
INFORMATION	RECOMMENDATION	
INITIAL	SIGNATURE	
NOTE AND FILE	URGENT	
REMARKS:		
You might want to save this in case Johnny Ford actually comes. Delay a bit & you can have Bota joko see him!		
FROM:	ROOM NO.:	EXTENSION:
Judy Maguire		

Meeting with Mayor Johnny Ford,
President, World Conference of Mayors

1. Johnny Ford, Mayor of Tuskegee, Alabama, is the President and Founder of the World Conference of Mayors. He has asked to meet with you to discuss "areas of common interest".

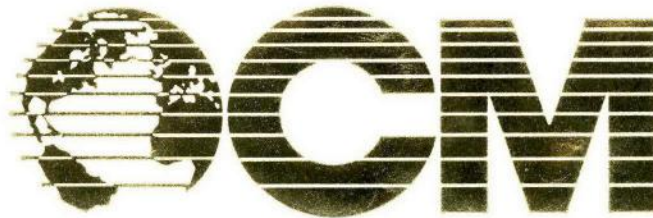
2. The World Conference of Mayors is an organization of mayors from the United States (mayors with an interest in third world issues), and major cities in the developing world. The purpose of this organization is to "advance world peace and economic stability" through activities aimed at promoting:

- Trust between municipal officials around the world.
- Trade and investment opportunities.
- Tourism.
- Technology exchanges.
- Twin City relationships.

The World Conference of Mayors has stated its interest in working closely with international leaders, the United Nations, the diplomatic community and municipal organizations in the pursuit of these objectives.

3. The World Conference of Mayors is a relatively new organization; it was established by Mayor Ford and others in 1984. Their first annual conference, held in Monrovia, Liberia, was attended by representatives of over 40 countries. In time, this organization has the potential to become an important force in helping to build personal and economic relationships between local officials in the U.S. and those in the developing world.

JM:amg



WORLD CONFERENCE OF MAYORS

918

Board Members

The Hon. Johnny Ford
Tuskegee, Alabama, USA
President

The Hon. William M. Snyder
Monrovia, Liberia
1st Vice President

The Hon. Shalamar Scott
Montego Bay, Jamaica
2nd Vice President

The Hon. Sadok Gharbi
Tunis, Tunisia
3rd Vice President

The Hon. Nestor Ongomitan
Bangui, Central African Republic
4th Vice President

The Hon. Lenissongui Coulibaly
Boundiali, Ivory Coast
5th Vice President

The Hon. Abraham Gordon
Eatonville, Florida, USA
6th Vice President

The Hon. John Smith
Prichard, Alabama, USA
General Secretary

The Hon. Janie Goree
Carlisle, South Carolina, USA
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The Hon. Earnest Barkley
Gretna, Florida, USA

The Hon. Marion Barry
Washington, D.C., USA

The Hon. Unita Blackwell
Mayersville, Mississippi, USA

The Hon. James Harris
Phoenix, Illinois, USA

The Hon. Richard Hatcher
Gary, Indiana, USA

The Hon. Kabaidi WA Kabaidi
Kinshasa, Zaire

The Hon. Violet Leggette
Gunnison, Mississippi, USA

The Hon. Joe Kiplagat Leisiew
Eldoret, Kenya

The Hon. Basil Lindsay
Vice Mayor of May Pen, Jamaica

The Hon. Alberto Massavanhane
Maputo, Mozambique

The Hon. Joseph C. OJU Mends
Freetown, Sierra Leone

The Hon. Thirman Milner
Hartford, Connecticut, USA

The Hon. Barbara Mouton
East Palo Alto, California, USA

The Hon. Riley Owens
Centreville, Illinois, USA

The Hon. Ralph W. Sears
Montevallo, Alabama, USA

Sam Tucker
Director

July 25, 1985

A.W. Clausen
President
The World Bank
Washington, D.C. 20433

Dear Mr. Clausen:

On behalf of the Board of Directors of the World Conference of Mayors (WCM), and as President, thank you for your courteousness and immediate responses to our requests for your participation in WCM activities.

It was indeed unfortunate that your schedule did not permit your involvement in WCM's Second Annual Summit held last May, nor will it allow attendance at the Second Annual Convention, August 25-28, 1985, in Nassau, Bahamas. Per your most recent letter, dated July 9, 1985, regarding the latter, we have been in touch with Ms. Marjorie Sheen to arrange participation of the World Bank in the Convention.

However, we remain interested in being honored with a direct relationship with you as President of the World Bank. Inasmuch, I will be in Washington on August 1st, and would be delighted if you could allot a few minutes so that we can personally meet and briefly discuss the commonalities of our organization's missions.

Our Executive Director, Mr. Sam Tucker, will join me in the meeting, and would be happy to arrange an appropriate time with your office. I look forward to our meeting.

Sincerely,

Mayor Johnny Ford
President

JF/vv

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1985 JUL 26 PM 5:12

OFFICE OF THE PRESIDENT

Telex: 7347/7276
Telephone: 478000
Telegrams: CORDIAL

R1
Tamil Nadu Newsprint and Papers Limited

109, Nungambakkam High Road

Madras - 600 034, India

Chairman's Office

1617
3313

Nov 25, 1985.

Dear President,

I hasten to convey my profound sense of gratitude for the kind courtesies extended to me when I had the privilege of meeting you on the morning of Thursday, November 14, 1985, in the company of Mr Orville L Freeman and my Executive Secretary S K Natarajan.

It was, indeed nice and generous of you to have spared 45 minutes of your valuable time to enable us explain the latest technology for successful manufacture of Newsprint employing Mechanical Pulp out of sugarcane bagasse which had eluded the continuous efforts of three countries in Central America, viz, Mexico, Peru and Argentina. We were greatly encouraged by your appreciation of the R&D efforts jointly undertaken by our Company (Seshasayee Paper and Boards Limited, Tamil Nadu, India) and Beloit Inc., USA, a leading Wisconsin Corporation.

We are truly beholden to the World Bank for their unstinted support and cooperation right from the date this project was placed before them for appraisal till date and I seek your permission to place on record our deep sense of appreciation and gratitude to the World Bank at all levels for their help in enabling us implement this prestigious project without cost overrun and nearly on Time Schedule. As you were quick to appreciate successful establishment of the Tamil Nadu Newsprint Mill has opened up enormous and profitable opportunities - a new and vast horizon - in many parts of Africa and Asia for

... 2

growth of Agro based Newsprint and Pulp and Paper industries with exciting prospects for viable chain of downstream industries.

I wish to take this opportunity to renew my invitation to your goodself to kindly make it convenient to visit our mill at any time you happen to visit our part of the world.

Thanking you once again and with kind regards,

Yours sincerely

S Viswanathan

S Viswanathan
Chairman

Mr A W Clausen
President
World Bank
1818, 'H' Street, NW
Washington DC
USA

vs.

OFFICE OF THE SECRETARY

1982 DEC -3 PM 3:25

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1985 DEC -9 PM 3: 52

OFFICE OF THE PRESIDENT

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257
Washington DC
1818 N. Street NW
Mortg Bank
President
Mr V M Stansen

Special
S. Administration

Yours sincerely

Thanking you once again and with kind regards,

to assist our part of the world.
I want to thank you for any time you have
invested in our good will to kindly make it con-
venient to assist our part of the world.

I want to take this opportunity to renew my
sincerely of domestic industries.
industries with existing prospects for a large
amount of value based investment and jobs and paper