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02

Folder ID: 1780991

ISAD(G) Reference Code: WB IBRD/IDA EXC-11-51S

Series: Liaison files - U.S. Government

Sub-Fonds: Records of President Barber B. Conable

Fonds: Records of the Office of the President

Digitized: 12/10/2018

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THE WORLD BANK
Washington, D.C.

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The World Bank
1818 H Street NW
Washington DC 20433
Telephone: 202-473-1000
Internet: www.worldbank.org

President Conable Liaison Files
US Gov't & Int'l Agencies

U.S. House of Representatives, Jy. 88 - May 91
vol. 2 of 2

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The World Bank Group
Archives
1780991
R1992-124 Other #: 2 209598B
Liaison Files: U.S. Government - U.S. House of Representatives - Correspondence 02

Liaison Files -
US Congress / W Bank
Records

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

BARBER B. CONABLE
President

August 30, 1991

The Honorable Tony P. Hall
U.S. House of Representatives
Washington, D.C. 20515

Dear Tony:

Thank you for your recent letter expressing your concern over delays in approving IFC financing of Sierra Rutile Limited (Sierra Leone). We have corresponded with Richard Steinberger of NORD Resources for a number of months, and we know that it has been difficult for him and his company, as well as for Sierra Rutile.

As you are aware, Sierra Leone is in default in its service payments to the World Bank Group. Our primary objective is to put the country on a viable economic footing that can be reasonably maintained in the future. With this overriding objective in mind, it is my view that no part of the Bank Group should resume operation in the country until we see evidence that the Government is committed to improving economic management and initiating an adjustment program to bring the country out of its current deep economic difficulties. Economic recovery will depend, of course, on the revival of private sector activities, but the private sector will not be able to develop in an environment of public mismanagement and lack of fiscal discipline.

Although the Government of Sierra Leone has in recent months demonstrated a degree of resolve in sticking to an economic adjustment program, there have been frequent slippages. We feel, therefore, that the country has not made sufficient progress to warrant this particular investment by IFC. However, the World Bank and IMF currently have missions in Sierra Leone with instructions to negotiate a work-out program, and intensive consultation continues between the Government, the Bank and the IMF. We should have a more definite prognosis of the situation when the missions return in a few weeks.

As you know, my term as President of the World Bank ends tomorrow. I know that my colleagues will continue to pursue actively the best possible solution for all parties concerned, and will continue to keep Mr. Steinberger apprised of any progress.

Best personal wishes.

Sincerely,

Barber Conable



WORLD BANK OFFICE TRACKING SYSTEM
OFFICE OF THE PRESIDENT
Routing and Action Transmittal Sheet

~~SS~~
~~AK~~

TO: Mr. M. Qureshi (E-1241) | DATE: 8/23/91

SUBJECT:

Document From: Cong. Tony Hall

To: bbc

Dated: 8/13/91

Reference No.: EXC910821010

Topic: re Sierra Rutile Limited, a wholly owned subsidiary of NORD Resources
operating in Sierra Leone. Req. to consider to proceed w/project.

ACTION INSTRUCTIONS:

| DUE DATE: |

_____ HANDLE
_____ REVIEW AND RECOMMEND
_____ FOR YOUR INFORMATION
_____ DISCUSS WITH _____
_____ AS WE DISCUSSED
XXX _____ PREPARE RESPONSE FOR BBC'S SIGNATURE
_____ FOR YOUR FILES
_____ RETURN TO _____
_____ OTHER: _____

8/28/91

Remarks: ATTN: Please clear final response with Mr. Shakow in EXT and
have response ready for BBC's signature on AUGUST 28.
cc: Messrs. Ryrie, Stern, Lim, Shakow

URGENT

TONY P. HALL

THIRD DISTRICT, OHIO

COMMITTEES:

HOUSE COMMITTEE ON RULES

SUBCOMMITTEE ON RULES OF
THE HOUSE

CHAIRMAN

SELECT COMMITTEE ON HUNGER

2102 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-6465

DISTRICT OFFICE
501 FEDERAL BUILDING
200 WEST SECOND STREET
DAYTON, OH 45402
(613) 225-2843

Congress of the United States
House of Representatives
Washington, DC 20515

August 13, 1991

Hon. Barber Conable
President
The World Bank
1818 H Street, NW
Washington, D.C. 20433

Dear Barber:

When the Subcommittee on International Development, Finance, Trade and Monetary Policy of the House Banking Committee considered the request for a quota increase for the World Bank and the International Finance Corporation (IFC), it was with the understanding that you and your colleagues would do everything you could to aggressively promote private sector investment in developing third world nations.

With this policy in mind, I wanted to bring your attention to a specific instance in which the International Finance Corporation desires to assist a very viable U.S. private company operating in West Africa and that financial participation is being blocked by the World Bank.

I refer to Sierra Rutile Limited (SRL), a wholly owned subsidiary of NORD Resources, a publicly traded firm headquartered in my District in Dayton, Ohio. SRL, operating in Sierra Leone, has been seeking a project financing loan from the IFC, with ample encouragement from IFC staff and senior management, only to find that the IFC is prevented from moving to formal consideration of the project on its merits by a World Bank/IMF "understanding" that prevents loan activity into a country currently in arrears to either of these institutions.

It is my understanding that this policy exists largely at the insistence of the U.S. Government. While I can understand and sympathize with a policy aimed at pressing reluctant foreign governments to inject some discipline into their economic and financial affairs, I fail to understand why the policy is unilaterally applied to consideration of private sector lending, which should stand or fall on the merits of each case. I cannot believe that any such policy does not have criteria for exceptions based on fact and merit.

It is my understanding that several officers of the Bank are familiar with the SRL project and are desirous that it move forward expeditiously, both to provide additional resources for Sierra Leone and to strengthen a worthy American owned operation. I understand that IFC President, Sir William Ryrrie, has requested your approval to proceed.

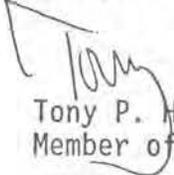
Hon. Barber Conable
August 13, 1991
Page 2.

I would ask you to review this matter as soon as possible and would hope that you can authorize Sir William and the IFC to proceed to consider the SRL project so that it can stand or fall on its own merits.

Thank you for your consideration of this request.

Best wishes.

Sincerely,


Tony P. Hall
Member of Congress

TPH:gl

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

BARBER B. CONABLE
President

May 14, 1991

The Honorable George (Buddy) Darden
U.S. House of Representatives
Washington, D.C. 20515

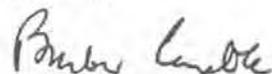
Dear Congressman Darden:

Thank you for your letter on behalf of your constituent,
Laurie C. Davis, regarding a Mack Truck bid tender for the Ethiopian
Freight Transport Corporation.

I am not personally familiar with the circumstances surrounding
this bid tender, but have forwarded your letters to the appropriate Bank
manager for consideration and response. A status report will be provided
to Amy Holley in your office, as you requested.

I appreciate your bringing your constituent's concern to my
attention so that we could review this situation. Best wishes.

Sincerely,



WORLD BANK OFFICE TRACKING SYSTEM
OFFICE OF THE PRESIDENT
Routing and Action Transmittal Sheet

TO: Mr. M. Qureshi (E-1241) | DATE: 5/15/91

SUBJECT:

Document From: Cong. George Darden
To: bbc
Dated: 4/25/91

Reference No.: EXC910502007

Topic: Would like further report re: Mack Truck Bid Tender - WBank
#EFT/PPD/01/90 - Ethiopian Freight Transport Corporation.

ACTION INSTRUCTIONS:

DUE DATE:

XXX HANDLE
REVIEW AND RECOMMEND
FOR YOUR INFORMATION
DISCUSS WITH _____
AS WE DISCUSSED
PREPARE RESPONSE FOR _____ SIGNATURE
FOR YOUR FILES
RETURN TO _____
OTHER: _____

5/28/91

Remarks: NOTE: Mr. Conable has sent interim resp. Additional response is required from OPS to Amy Holley by due date. Pls. respond and provide copies to Mr. Shakow (EXT) and EXC.

GEORGE (BUDDY) DARDEN

7TH DISTRICT, GEORGIA

COMMITTEES:

ARMED SERVICES

DEFENSE POLICY PANEL

SUBCOMMITTEES:

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INVESTIGATIONS

INTERIOR AND INSULAR AFFAIRS

SUBCOMMITTEES:

ENERGY AND THE ENVIRONMENT

NATIONAL PARKS AND PUBLIC LANDS

INSULAR AND INTERNATIONAL AFFAIRS

Congress of the United States
House of Representatives
Washington, DC 20515-1007

April 25, 1991

WASHINGTON OFFICE:
228 CANNON BUILDING
WASHINGTON, DC 20515-1007
(202) 225-2931

DISTRICT OFFICES:
376 POWDER SPRINGS STREET
MARIETTA, GA 30064-3424
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ROME, GA 30161-3144
TELEPHONE: (404) 291-7777

125 SOUTH MAIN STREET
LAFAYETTE, GA 30728-2908
TELEPHONE: (404) 838-7042

The Honorable Barber Conable
President, International Bank
For Reconstruction And
Development
1818 H Street, N.W.
Washington, D. C. 20433

Dear Mr. President:

Enclosed is a communication from one of my constituents within the area of your authority. Because of my desire to be responsive to all inquiries, your assistance is requested. I would appreciate your looking into this matter and providing me with a report so that I may further respond to my constituent.

Your findings and views, in duplicate form, along with the return of the enclosure will be greatly appreciated. Please direct your response to the attention of Amy Holley.

Sincerely,



George (Buddy) Darden
Member of Congress

GBD:alh
Enclosure

Laurie C. Davis
Attorney and Counselor at Law
Suite 100 - 340 Cherokee Street
Marietta, Georgia 30060

404-424-1980
FAX 404/426-0916

MAILING ADDRESS:
P.O. Box 876
Marietta, Georgia 30061

April 9, 1991



Honorable George (Buddy) Darden
United States House of Representatives
The Capital
Washington, D.C. 20515

RE: Mack Truck Bid Tender
World Bank # EFTC/PPD/01/90
Ethiopian Freight Transport Corporation

Dear Buddy:

First of all I want to thank you and your staff for your staff excellent cooperation with me in dealing with the World Bank situation that I have with the respective bid tender for the Ethiopian Freight Transport Corporation (EFTC) by Mack trucks.

It appears from my sources in Ethiopia that the Ethiopian Freight Transport Corporation through its evaluation committee has recommended Volvo for the procurement of the entire order of truck tractors under the bid tender. I am enclosing for your information, a list of the bids as reflected at the bid opening on November 30, 1990, and you will note that Mack truck was a lower bidder in both categories of trucks than was Volvo. Mack truck, nor Mack trucks local representatives in Addis Ababa have been given an opportunity to comment on or clarify the bid documents in the bid process, however, we understand that Volvo has been invited to do so. I do not know on what basis the Mack trucks bids were rejected in favor of Volvo, however, I am sure if we had an opportunity to examine the objections to Mack trucks bid, we could fully explain to the World Bank and to the Ethiopian Freight Transport Corporation that Mack trucks bid meets the bid specifications fully and completely, and should not be passed over in favor of Volvo.

I believe that it is again the bias or prejudice that exists against American products in this market and not because the product or the bid documents did not meet the

specifications. As I have explained to you previously, the Mack truck test vehicle which we supplied to Ethiopian Freight Transport Corporation operated with a high degree of efficiency and was found to be suitable for the road conditions and climate in Ethiopia and we see no reason why Mack truck's bid should be passed over.

If you could make further inquiries of the World Bank to insure that the World Bank does review the evaluation upon the Ethiopian Freight Transport Corporation's submission of the evaluation to the World Bank and to insure that Mack truck, being the only American product representative in the bid tender was evaluated under the same criteria as those of other nations and that the criteria for evaluation established by the World Bank had been met it will be appreciated.

Again, thank you for your attention to this matter and hopefully with your assistance we can begin to make in-roads in the third world market for American products.

Very truly yours,



Laurie C. Davis

LCD:bh
Enclosure

FAY 404-4620916

TENDER OPENED ON 30.11.90 AT 15:00 LOCAL TIME

- 80 TRUCK TRACTORS

MANUFACTURER	MODEL		PRICE IN COUNTRY CURRENCY	CONVERTED TO US. DOLLAR	CONVERTED TO ETHIOPIAN BIRR
1st	mitsubishi	FV428 KRSW B/A	YEN 9.739.000.--	75.313.52	155.898.99
2nd	MACK	RD688 S	U.S. 75.461.--	75.461.--	156.204.27
3rd	SCANIA	P 113HL6X4L34	SEK 418.400.--	75.574.76	158.439.76
4th	VOLVO	F 126X4	SEK 426.600.--	77.055.74	159.505.74
5th	SCANIA	P 113EL6X4L34	SEK 470.000.--	84.893.17	175.733.--
6th	ISUZU	EXZ72	YEN 11159.000.--	86.294.65	178.629.92
7th	DAF	FT13300DKX	DG 147.433.--	88.545.27	183.288.70
8th	FIAT	330 36FT	LIRE 104.045.000	93.891.18	194.356.06
9th	MERCEDES	2635K38	DM 160.760.--	108.912.95	225.449.82
10th	NISSAN	DISQUALIFIED			

N.B.: - THOUGH MITSUBISHI IS FIRST IN PRICE THEIR OFFER IS WITHOUT FIELD KIT OF SPARES, AND TECHNICAL. WE DO NOT THINK THEY ACCEPT. THEREFORE WE ARE FIRST IF SO.

- SCANIA HAS GIVEN TWO ALTERNATIVES - THE ONE STANDING AS THE THIRD IS 310 HP WHICH IS LOWER THAN THE REQUESTED SPECIFICATION.

EXCHANGE RATE ON 29.11.90 WAS TAKEN AS BASE - THUS:-

-	U.S. DOLLAR	1	IS EQUAL TO	2.07	ETHIOPIAN BIRR
-	DM(GERMANY)	1	" " "	1.4024	" "
-	YEN(JAPAN)	1	" " "	0.0160077	" "
-	DG(HOLLAND)	1	" " "	1.2432	" "
-	LIRE(ITALY)	1	" " "	0.001870	" "
-	SEK(DUTCH)	1	" " "	0.3743	" "

SWEDEN

. 130 TRUCK TRACTORS

MANUFACTURER	MODEL		PRICE IN COUNTRY CURRENCY	CONVERTED TO US. DOLLAR	CONVERTED TO ETHIOPIAN BIRR
1st	mitsubishi	FV418PPSLV9V	YEN 7.741.000.--	59.862.61	123.915.60
2nd	SCANIA	P113HL6X4L36	SEK 480.300.--	86.755.63	179.584.17
3rd	MACK	RD688 S	U.S. 91.329.--	91.329.--	189.051.03
4th	VOLVO	F10 6X4	SEK 511.900.--	92.483.48	191.399.41
5th	DAF	FAT 3300 DKX	DG 158.170.--	93.972.53	194.150.84
6th	FIAT	330 30H	LIRE 105580.000.--	95.258.96	197.186.08
7th	ISUZU	CXZ 71	YEN 12746.000.--	98.567.22	204.034.14
8th	MERCEDES	L2628/52	DM 189.850.--	114.935.82	237.917.16
9th	NISSAN	DISQUALIFIED			

+9319
+96074
+961

SAHSAJ MEN GIS TARS

[Signature]

March 15, 1991

The Honorable David Price
U.S. House of Representatives
Washington, D.C. 20515

Dear Congressman Price:

I am writing in response to your letter expressing concern about World Bank financing of textile projects in developing countries.

The Bank has done little financing of textile projects in recent years and the \$900 Million amount mentioned in your letter is close to the total lending for this purpose by the entire World Bank Group in our 45 years of operation. The International Finance Corporation, a member of the World Bank Group, has assisted in recent years several textile projects operated by domestically owned groups and largely directed to their own domestic markets. These, as all Bank Group projects, were required to be financially viable and competitive.

The President of the American Textile Manufacturers Institute wrote to us recently about these issues and I am enclosing a copy of our response which reviews this matter in some detail; I hope this information is helpful. Thank you for your interest in the work of the World Bank.

Sincerely,

(Signed) Barber B. Conable

Enclosure

cc: Messrs. Qureshi, Thalwitz, Ryrie
Ms. Perera, Vinet

Log No. EXC910307031
HKNicholas/mjv

January 11, 1991

Mr. Donald R. Hughes
President
American Textile Manufacturers
Institute, Inc.
1801 K Street, N.W.
Suite 900
Washington, D.C. 20006

Dear Mr. Hughes:

I have been asked to respond to your concerns about IFC's financing of textile projects in developing countries. As you know, IFC was created to promote the economic development of developing countries by supporting the private sector. IFC provides market-based long-term loans and risk capital, without government guarantees, to enterprises in the private sector. IFC does not provide subsidized financing. In order to provide financing a detailed financial and economic review is made of every proposal. Projects must be both financially viable and economically sound. To meet IFC's economic criteria, a project must be internationally competitive and viable without the benefit of subsidies from the host government.

The World Bank Group has consistently espoused a policy of free trade and open markets between the developing and industrialized world. This is particularly true of the Bank's attitude towards textile trade. As the World Bank President recently stated:

"All countries benefit from a liberalized world trading system. The failure of industrial countries to agree to open markets further and fortify the GATT system is short-sighted . . . the removal of restrictions on trade in textiles and clothing would yield significant benefits to industrial countries. Developing countries would gain considerably from liberalization of world trade in these areas."

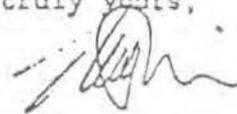
Historically, IFC has funded projects in a wide range of industries. Currently, our disbursed and committed portfolio is US\$5 billion, of which a little under US\$400 million, or 8%, is committed to the textile industry. As noted in our recent Annual Reports, in the last two fiscal years, our investments in textile projects have amounted to about 3.5% of the total volume of new approvals authorized by our Board.

In terms of the specific projects you have mentioned, their characteristics are not as implied in your letter. All three companies

are fully owned by domestic business groups and shareholders. Output from the three projects is essentially aimed at domestic markets, though some direct and indirect exports to Japan and/or the EEC are expected from the projects in Indonesia and Turkey. Given the local ownership of the companies concerned, the issue of repatriation of profits does not arise. There is no element of subsidy in the financing IFC has provided; the terms and conditions of our lending are market related. It is worth noting that in many IFC projects, international commercial banks are involved in providing financing on market terms; and in the Indonesian project mentioned in your letter, approximately US\$53 million out of the total US\$83 million loan for the project are to be provided by international commercial banks.

I understand the concerns you express on behalf of your members who operate in a dynamic and competitive industry. Industrial development in developing countries may well have repercussions on mature industries in the developed world, but the same developing country plant that competes with output from the developed world is also a purchaser of inputs and machinery from the industrialized countries. The world-wide process of economic development is not always comfortable but we firmly believe in and support the evolution of economic change determined by market forces. Finally, I assure you that in order for a project or company to receive IFC funding, the Corporation must be satisfied that the investment is viable in the domestic and international marketplace.

Very truly yours,



Irving Kuczynski

cc: Messrs. Conable, Ryrle

bcc: Messrs. Parmar, Ezekiel

WORLD BANK OFFICE TRACKING SYSTEM
OFFICE OF THE PRESIDENT
Routing and Action Transmittal Sheet

SS
AK

TO: Mr. Shakow (T-8011) | DATE: 3/11/91

SUBJECT:

Document From: David Price

To: bbc

Dated: 2/22/91

Reference No.: EXC910307031

Topic: Re: WB loans amounting to \$900 million to build & expand facilities overseas to produce fibers, textiles and apparel.

ACTION INSTRUCTIONS:

DUE DATE:

HANDLE
 REVIEW AND RECOMMEND
 FOR YOUR INFORMATION
 DISCUSS WITH _____
 AS WE DISCUSSED
 PREPARE RESPONSE FOR BBC'S SIGNATURE
 FOR YOUR FILES
 RETURN TO _____
 OTHER: _____

3/15/91

Remarks: NOTE: Received in EXC on March 6.

cc: Messrs. Qureshi, Thalwitz, Ryrle

EXPEDITE

DAVID PRICE
4TH DISTRICT
NORTH CAROLINA

COMMITTEE ON APPROPRIATIONS



CONGRESS OF THE UNITED STATES
HOUSE OF REPRESENTATIVES
WASHINGTON, D.C. 20515

February 22, 1991

OFFICES:
1406 LONGWORTH BUILDING
WASHINGTON, D.C. 20515
(202) 225-1784
225 HILLSBOROUGH STREET
SUITE 330
RALEIGH, N.C. 27603
(919) 856-4611
1777 CHAPEL HILL-DURHAM BLVD.
SUITE 202
CHAPEL HILL, N.C. 27514
(919) 967-8500
SUITE 101
FEDERAL BUILDING
ASHEBORO, N.C. 27203
(919) 626-3060

Hon. Barber Conable
President
World Bank
1818 H Street, NW
Washington, DC 20433

Dear Mr. Conable:

Recently, it has been brought to my attention that the World Bank has provided approximately \$900 million in loans to build and expand facilities overseas to produce fibers, textiles and apparel. The textile manufacturers in North Carolina have expressed their concern to me that these loans may add to the existing global over-capacity to produce textiles and apparel which, in the long run, may not help developing nations and which may potentially jeopardize American textile jobs.

The North Carolina Textile Manufacturers are supportive of the World Bank's role in assisting developing nations to raise their standard of living. I believe that they have raised some valid concerns, however, and I would be interested in knowing your views on this matter.

Thank you for your consideration of these concerns, and I look forward to your response.

Sincerely,

A handwritten signature in cursive script, appearing to read "David Price".

DAVID PRICE
Member of Congress

DEP/11w

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

BARBER B. CONABLE
President

January 31, 1991

The Honorable Walter B. Jones
U.S. House of Representatives
Washington, D.C. 20515

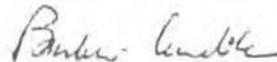
Dear Walter:

Thank you for your letter expressing concern about the International Finance Corporation (IFC) financing of textile projects in developing countries. I understand your concern on behalf of your constituents.

IFC funding of textile projects represents only a small proportion of its investments in the developing world. Any project financed by IFC must be internationally competitive and must meet a rigorous test of financial and economic viability. The companies involved in the IFC projects you mentioned are fully owned by domestic business groups and shareholders. Output from the three projects is essentially aimed at domestic markets, although some direct and indirect exports to Japan or the EEC may result from the projects in Indonesia and Turkey. The President of the American Textile Manufacturers Institute wrote to us recently on this same issue; I have enclosed a copy of our response which addresses your concerns in greater detail. I hope this information is useful.

I want to take this opportunity to thank you for your general support for the work of the World Bank in developing countries. Best personal wishes.

Sincerely,



Enclosure

January 11, 1991

Mr. Donald R. Hughes
President
American Textile Manufacturers
Institute, Inc.
1801 K Street, N.W.
Suite 900
Washington, D.C. 20006

Dear Mr. Hughes:

I have been asked to respond to your concerns about IFC's financing of textile projects in developing countries. As you know, IFC was created to promote the economic development of developing countries by supporting the private sector. IFC provides market-based long-term loans and risk capital, without government guarantees, to enterprises in the private sector. IFC does not provide subsidized financing. In order to provide financing a detailed financial and economic review is made of every proposal. Projects must be both financially viable and economically sound. To meet IFC's economic criteria, a project must be internationally competitive and viable without the benefit of subsidies from the host government.

The World Bank Group has consistently espoused a policy of free trade and open markets between the developing and industrialized world. This is particularly true of the Bank's attitude towards textile trade. As the World Bank President recently stated:

"All countries benefit from a liberalized world trading system. The failure of industrial countries to agree to open markets further and fortify the GATT system is short-sighted . . . the removal of restrictions on trade in textiles and clothing would yield significant benefits to industrial countries. Developing countries would gain considerably from liberalization of world trade in these areas."

Historically, IFC has funded projects in a wide range of industries. Currently, our disbursed and committed portfolio is US\$5 billion, of which a little under US\$400 million, or 8%, is committed to the textile industry. As noted in our recent Annual Reports, in the last two fiscal years, our investments in textile projects have amounted to about 3.5% of the total volume of new approvals authorized by our Board.

In terms of the specific projects you have mentioned, their characteristics are not as implied in your letter. All three companies

are fully owned by domestic business groups and shareholders. Output from the three projects is essentially aimed at domestic markets, though some direct and indirect exports to Japan and/or the EEC are expected from the projects in Indonesia and Turkey. Given the local ownership of the companies concerned, the issue of repatriation of profits does not arise. There is no element of subsidy in the financing IFC has provided; the terms and conditions of our lending are market related. It is worth noting that in many IFC projects, international commercial banks are involved in providing financing on market terms; and in the Indonesian project mentioned in your letter, approximately US\$53 million out of the total US\$83 million loan for the project are to be provided by international commercial banks.

I understand the concerns you express on behalf of your members who operate in a dynamic and competitive industry. Industrial development in developing countries may well have repercussions on mature industries in the developed world, but the same developing country plant that competes with output from the developed world is also a purchaser of inputs and machinery from the industrialized countries. The world-wide process of economic development is not always comfortable but we firmly believe in and support the evolution of economic change determined by market forces. Finally, I assure you that in order for a project or company to receive IFC funding, the Corporation must be satisfied that the investment is viable in the domestic and international marketplace.

Very truly yours,



Irving Kuczynski

cc: Messrs. Conable, Rylie

bcc: Messrs. Parmar, Ezekiel

WORLD BANK OFFICE TRACKING SYSTEM
OFFICE OF THE PRESIDENT
Routing and Action Transmittal Sheet

~~SS~~
2052

Mr. Vucogynski
↑

TO: ~~Mr. Ryrie (I-12-015)~~ | DATE: 1/22/91

SUBJECT:

Document From: Cong. Walter Jones
To: bbc
Dated: 1/17/91 Reference No.: EXC910118007
Topic: Re Bank's policy in granting loans for textile facilities to
Pakistan, Indonesia, Turkey: to produce & made for export to U

ACTION INSTRUCTIONS: | DUE DATE: |

- HANDLE
- REVIEW AND RECOMMEND
- FOR YOUR INFORMATION
- DISCUSS WITH _____
- AS WE DISCUSSED
- PREPARE RESPONSE FOR BBC'S SIGNATURE 2/01/91
- FOR YOUR FILES
- RETURN TO _____
- OTHER: _____

Remarks: Mr. Ryrie's office: pls. clear final resp. with Mr. Shakow in
EXT prior to submission for Mr. Conable's signature.
cc: Messrs. Qureshi and Shakow

***IMPORTANT**

WALTER B. JONES
1ST DISTRICT, NORTH CAROLINA

TELEPHONE CODE 202-225-3101

FLOYD J. LUPTON
ADMINISTRATIVE ASSISTANT

COMMITTEES
AGRICULTURE
MERCHANT MARINE
AND FISHERIES

Congress of the United States
House of Representatives
Washington, DC 20515
January 17, 1991

The Honorable Barber Conable
President
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433

Dear Mr. President

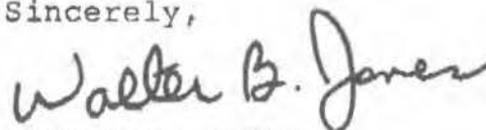
It has been brought to my attention that the World Bank has recently provided loans to the countries of Pakistan, Indonesia, and Turkey amounting to roughly \$90 million for three textile facilities.

According to my information, it is believed that these facilities will produce textile products, many of which will be exported to the U.S. While I can understand and support the general objectives of the World Bank in assisting developing countries in increasing living standards and industrial capabilities, I am not in favor of loaning money to countries which will produce products that will inadvertently hurt industries and employees within our own nation. There appears to be more than roughly \$900 million worth of such loans by the bank currently outstanding for the expansion and construction of overseas textile facilities. As you know, foreign countries often pay employees low wages and offer few benefits. I fail to see how giving loans for such facilities in foreign countries can improve the living standards.

I am writing at this time in the hope you will re-examine the policy of the World Bank in granting loans for textile facilities to other countries to produce products that are made for export to the U.S. I hope you will give my concerns every consideration and I look forward to hearing from you in the near future.

With highest regards, I am,

Sincerely,



WALTER B. JONES
Member of Congress

WBJ:Prh

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

BARBER B. CONABLE
President

January 31, 1991

The Honorable Cass Ballenger
U.S. House of Representatives
Washington, D.C. 20515

Dear Congressman Ballenger:

Thank you for your letter expressing concern about the International Finance Corporation (IFC) financing of textile projects in developing countries. I understand your concern, given the number of textile workers in North Carolina and in your district.

IFC funding of textile projects represents only a small proportion of its investments in the developing world. Any project financed by IFC must be internationally competitive and must meet a rigorous test of financial and economic viability. The companies involved in the IFC projects you mentioned are fully owned by domestic business groups and shareholders. Output from the three projects is essentially aimed at domestic markets, although some direct and indirect exports to Japan or the EEC may result from the projects in Indonesia and Turkey. The President of the American Textile Manufacturers Institute wrote to us recently on this same issue; I have enclosed a copy of our response which addresses your concerns in greater detail. I hope this information is useful.

I want to take this opportunity to thank you for your general support for the work of the World Bank in developing countries.

Sincerely,

Barber Conable

Enclosure

International Finance Corporation

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

(202) 477-1234
Cable Address: CORINTFIN
FAX: (202) 477-6391

January 11, 1991

Mr. Donald R. Hughes
President
American Textile Manufacturers
Institute, Inc.
1801 K Street, N.W.
Suite 900
Washington, D.C. 20006

Dear Mr. Hughes:

I have been asked to respond to your concerns about IFC's financing of textile projects in developing countries. As you know, IFC was created to promote the economic development of developing countries by supporting the private sector. IFC provides market-based long-term loans and risk capital, without government guarantees, to enterprises in the private sector. IFC does not provide subsidized financing. In order to provide financing a detailed financial and economic review is made of every proposal. Projects must be both financially viable and economically sound. To meet IFC's economic criteria, a project must be internationally competitive and viable without the benefit of subsidies from the host government.

The World Bank Group has consistently espoused a policy of free trade and open markets between the developing and industrialized world. This is particularly true of the Bank's attitude towards textile trade. As the World Bank President recently stated:

"All countries benefit from a liberalized world trading system. The failure of industrial countries to agree to open markets further and fortify the GATT system is short-sighted . . . the removal of restrictions on trade in textiles and clothing would yield significant benefits to industrial countries. Developing countries would gain considerably from liberalization of world trade in these areas."

Historically, IFC has funded projects in a wide range of industries. Currently, our disbursed and committed portfolio is US\$5 billion, of which a little under US\$400 million, or 8%, is committed to the textile industry. As noted in our recent Annual Reports, in the last two fiscal years, our investments in textile projects have amounted to about 3.5% of the total volume of new approvals authorized by our Board.

In terms of the specific projects you have mentioned, their characteristics are not as implied in your letter. All three companies

are fully owned by domestic business groups and shareholders. Output from the three projects is essentially aimed at domestic markets, though some direct and indirect exports to Japan and/or the EEC are expected from the projects in Indonesia and Turkey. Given the local ownership of the companies concerned, the issue of repatriation of profits does not arise. There is no element of subsidy in the financing IFC has provided; the terms and conditions of our lending are market related. It is worth noting that in many IFC projects, international commercial banks are involved in providing financing on market terms; and in the Indonesian project mentioned in your letter, approximately US\$53 million out of the total US\$83 million loan for the project are to be provided by international commercial banks.

I understand the concerns you express on behalf of your members who operate in a dynamic and competitive industry. Industrial development in developing countries may well have repercussions on mature industries in the developed world, but the same developing country plant that competes with output from the developed world is also a purchaser of inputs and machinery from the industrialized countries. The world-wide process of economic development is not always comfortable but we firmly believe in and support the evolution of economic change determined by market forces. Finally, I assure you that in order for a project or company to receive IFC funding, the Corporation must be satisfied that the investment is viable in the domestic and international marketplace.

Very truly yours,



Irving Kuczynski

cc: Messrs. Conable, Ryrie

bcc: Messrs. Parmar, Ezekiel

LM

WORLD BANK OFFICE TRACKING SYSTEM
OFFICE OF THE PRESIDENT
Routing and Action Transmittal Sheet

TO: Mr. B. Conable (E-1227) | DATE: 1/30/91

SUBJECT:

Document From: Cong. Ballenger
To: bbc
Dated: 1/25/91 Reference No.: EXC910130003
Topic: Re Bank's policy in granting loans for textile facilities to
Pakistan, Indonesia, Turkey.

ACTION INSTRUCTIONS: | DUE DATE: |

- _____ HANDLE
- _____ REVIEW AND RECOMMEND
- _____ FOR YOUR INFORMATION
- _____ DISCUSS WITH _____
- _____ AS WE DISCUSSED
- ___XXX___ PREPARE RESPONSE FOR _BBC'S SIGNATURE
- _____ FOR YOUR FILES
- _____ RETURN TO _____
- _____ OTHER: _____

2/08/91

*
Remarks: LM -- a standard response has been prepared for Messrs. Lancaster and Wolf regarding the same subject.

CASS BALLENGER
10TH DISTRICT, NORTH CAROLINA

218 CANNON HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
202-225-2576

COMMITTEES:
EDUCATION AND LABOR
PUBLIC WORKS AND TRANSPORTATION

Congress of the United States
House of Representatives
Washington, DC 20515
January 25, 1991

DISTRICT OFFICES:
P.O. Box 1830
361-10TH AVENUE DRIVE, NE
HICKORY, NC 28603
704-327-6100

P.O. Box 976
418 SOUTH STREET
GASTONIA, NC 28053
704-864-8922

The Honorable Barber Conable
President
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433

Dear Mr. Conable:

Some rather disturbing information has been brought to my attention with regard to World Bank loans being made to developing countries to finance the construction and expansion of manufacturing facilities of chemical fibers, textiles, and clothing.

In Pakistan, Indonesia, and Turkey, the World Bank and its affiliates recently provided loans amounting to \$90 million for three textile facilities. Furthermore, the World Bank appears to have more than \$900 million worth of textile-related loans outstanding.

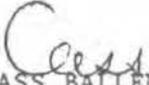
While the World Bank's overall mission to help raise standards of living in developing countries is commendable, I question whether this is best accomplished through textile-related projects, an industry already plagued by worldwide over-capacity and over-production.

In the cases of textile loans, the resulting production is generally not intended for domestic consumption, but for export, with the United States being the primary export market. The effect of additional exports reaching the U.S. only serves to displace the output of American workers and consequently their jobs. Must American textile and apparel workers continue to sacrifice their jobs because of U.S. interests overseas?

Of the 1.8 million textile workers nationwide, more than 300,000 are employed in North Carolina with 40,000 in my district alone. In the future, I hope the World Bank will take into consideration the worldwide dilemma with regard to textiles and apparel before making textile-related loans.

Thank you for giving consideration to my views. I look forward to your reply.

Sincerely,


CASS BALLENGER
Member of Congress

CB:lg

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

BARBER B. CONABLE
President

January 31, 1991

The Honorable H. Martin Lancaster
U.S. House of Representatives
Washington, D.C. 20515

Dear Congressman Lancaster:

Thank you for your letter expressing concern about the International Finance Corporation (IFC) financing of textile projects in developing countries. I understand your concern on behalf of your constituents.

IFC funding of textile projects represents only a small proportion of its investments in the developing world. Any project financed by IFC must be internationally competitive and must meet a rigorous test of financial and economic viability. The companies involved in the IFC projects you mentioned are fully owned by domestic business groups and shareholders. Output from the three projects is essentially aimed at domestic markets, although some direct and indirect exports to Japan or the EEC may result from the projects in Indonesia and Turkey. The President of the American Textile Manufacturers Institute wrote to us recently on this same issue; I have enclosed a copy of our response which addresses your concerns in greater detail. I hope this information is useful.

I want to take this opportunity to thank you for your general support for the work of the World Bank in developing countries.

Sincerely,

Barber Conable

Enclosure

January 11, 1991

Mr. Donald R. Hughes
President
American Textile Manufacturers
Institute, Inc.
1801 K Street, N.W.
Suite 900
Washington, D.C. 20006

Dear Mr. Hughes:

I have been asked to respond to your concerns about IFC's financing of textile projects in developing countries. As you know, IFC was created to promote the economic development of developing countries by supporting the private sector. IFC provides market-based long-term loans and risk capital, without government guarantees, to enterprises in the private sector. IFC does not provide subsidized financing. In order to provide financing a detailed financial and economic review is made of every proposal. Projects must be both financially viable and economically sound. To meet IFC's economic criteria, a project must be internationally competitive and viable without the benefit of subsidies from the host government.

The World Bank Group has consistently espoused a policy of free trade and open markets between the developing and industrialized world. This is particularly true of the Bank's attitude towards textile trade. As the World Bank President recently stated:

"All countries benefit from a liberalized world trading system. The failure of industrial countries to agree to open markets further and fortify the GATT system is short-sighted . . . the removal of restrictions on trade in textiles and clothing would yield significant benefits to industrial countries. Developing countries would gain considerably from liberalization of world trade in these areas."

Historically, IFC has funded projects in a wide range of industries. Currently, our disbursed and committed portfolio is US\$5 billion, of which a little under US\$400 million, or 8%, is committed to the textile industry. As noted in our recent Annual Reports, in the last two fiscal years, our investments in textile projects have amounted to about 3.5% of the total volume of new approvals authorized by our Board.

In terms of the specific projects you have mentioned, their characteristics are not as implied in your letter. All three companies

are fully owned by domestic business groups and shareholders. Output from the three projects is essentially aimed at domestic markets, though some direct and indirect exports to Japan and/or the EEC are expected from the projects in Indonesia and Turkey. Given the local ownership of the companies concerned, the issue of repatriation of profits does not arise. There is no element of subsidy in the financing IFC has provided; the terms and conditions of our lending are market related. It is worth noting that in many IFC projects, international commercial banks are involved in providing financing on market terms; and in the Indonesian project mentioned in your letter, approximately US\$53 million out of the total US\$83 million loan for the project are to be provided by international commercial banks.

I understand the concerns you express on behalf of your members who operate in a dynamic and competitive industry. Industrial development in developing countries may well have repercussions on mature industries in the developed world, but the same developing country plant that competes with output from the developed world is also a purchaser of inputs and machinery from the industrialized countries. The world-wide process of economic development is not always comfortable but we firmly believe in and support the evolution of economic change determined by market forces. Finally, I assure you that in order for a project or company to receive IFC funding, the Corporation must be satisfied that the investment is viable in the domestic and international marketplace.

Very truly yours,



Irving Kuczynski

cc: Messrs. Conable, Rylie

bcc: Messrs. Parmar, Ezekiel

WORLD BANK OFFICE TRACKING SYSTEM
OFFICE OF THE PRESIDENT
Routing and Action Transmittal Sheet

SS
JWS

TO: Mr. Ryrie (I-12-015) | DATE: 1/10/91 |

SUBJECT: |

Document From: H. Martin Lancaster (MOC)
To: bbc
Dated: 1/03/91

Reference No.: EXC910109008

Topic: Expressing opposition to current efforts by the WB to pursue
loans being made for purpose of the production of textile manufacturing
n/ Pakistan, Indonesia + Turkey

ACTION INSTRUCTIONS:

| DUE DATE: |

- HANDLE
- REVIEW AND RECOMMEND
- FOR YOUR INFORMATION
- DISCUSS WITH _____
- AS WE DISCUSSED
- PREPARE RESPONSE FOR 'BBC' SIGNATURE
- FOR YOUR FILES
- RETURN TO _____
- OTHER: _____

1/23/91

Remarks: Attn: Please clear final response with Mr. Shakow in EXT prior
to submission for Mr. Conable's signature.
cc: Messrs. Qureshi & Shakow

Congress
of the
United States

House of Representatives

January 3, 1991

H. MARTIN LANCASTER
NORTH CAROLINA
THIRD DISTRICT



The Honorable Barber Conable
President, The World Bank
1818 H Street, NW
Washington, D.C. 20433

Dear Mr. Conable:

I am writing to express my opposition to current efforts by the World Bank to pursue loans which are being made for the purpose of the production of textile manufacturing facilities in the Pakistan, Indonesia, and Turkey.

The World Bank, in its mandate, serves a very strong and resourceful function in striving to pump much needed funds into the economies of underdeveloped nations. The use of funds from already developed and thriving economic countries in supporting the World Bank is one which I applaud and encourage. However, I must take exception to using these valuable World Bank loans for the purpose of promoting and increasing the textile output of these nations. Already, my state, North Carolina, has suffered job losses in the thousands because of the closing of textile plants. The main reason for the closure of these plants has been increased, underpriced textile imports from other countries. Recent figures show this situation worsening.

I believe that the World Bank should reconsider its position in this matter. Making loans of this size (currently the World Bank seems to be involved in some \$900 million worth of such loans worldwide) gives the appearance of spending an enormous amount of money, much of it being American money, to increase production in an already glutted market and ultimately costing Americans jobs. I strongly encourage you to review and reevaluate this policy. Thank you for your consideration and I look forward to your comments on this matter.

With kindest regards, I am

Sincerely,

A handwritten signature in cursive script, appearing to read "H. Martin Lancaster".

H. Martin Lancaster
Member of Congress

At-Large Majority Whip
Committees:
Agriculture
Armed Services
Small Business

Washington Office:
1417 Longworth House Office Building
Washington, D.C. 20515
(202) 225-3415

District Office:
Room 103 Federal Building
134 N. John Street
Goldsboro, N.C. 27530
(919) 736-1844
(800) 443-6847

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

BARBER B. CONABLE
President

January 15, 1991

The Honorable
George (Buddy) Darden
United States House of Representatives
Washington, D.C. 20501-1007

Dear Congressman Darden:

Re: ETHIOPIA - Transport (Cr. 2002-ET)
Procurement of Trucks

Thank you for your letter of December 20, 1990 enclosing a communication from Greene & Davis, P.A., regarding Mack Truck bid to Ethiopian Freight Transport Corporation.

We have not yet received a recommendation for contract award from Ethiopia; however, I assure you that once it is received, the goods will be procured in accordance with the Bank's procurement procedures and the provisions of the bidding documents.

As you requested in your letter, I am returning the original communication from Greene & Davis. If Mack Truck wishes to make further inquiry about this, Jonathan Brown, Infrastructure Division Chief of the Bank's Africa Region, will be pleased to answer any questions.

I hope this information assists you in responding to your constituent.

Sincerely,

Barber Conable

Enclosure

SB

WORLD BANK OFFICE TRACKING SYSTEM
OFFICE OF THE PRESIDENT
Routing and Action Transmittal Sheet

TO:	Mr. M. Qureshi (E-1241)	DATE:	12/28/90
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SUBJECT:

Document From: Cong. George (Buddy) Darden

To: BBC

Dated: 12/20/90

Reference No.: EXC901227007

Topic: Encl. communication from Greene & Davis re Mack Truck bid to
Ethiopian Freight Transport Corporation

ACTION INSTRUCTIONS:

DUE DATE:

- _____ HANDLE
- _____ REVIEW AND RECOMMEND
- _____ FOR YOUR INFORMATION
- _____ DISCUSS WITH _____
- _____ AS WE DISCUSSED
- ___XXX___ PREPARE RESPONSE FOR _ BBC _ SIGNATURE
- _____ FOR YOUR FILES
- _____ RETURN TO _____
- _____ OTHER: _____

1/11/91

Remarks: Please clear final response through EXT before sending to
Mr. Conable for signature.
cc: Mr. Shakow

GEORGE (BUDDY) DARDEN

7TH DISTRICT, GEORGIA

COMMITTEES:

ARMED SERVICES

DEFENSE POLICY PANEL

SUBCOMMITTEES:

RESEARCH AND DEVELOPMENT

INVESTIGATIONS

INTERIOR AND INSULAR AFFAIRS

SUBCOMMITTEES:

ENERGY AND THE ENVIRONMENT

NATIONAL PARKS AND PUBLIC LANDS

INSULAR AND INTERNATIONAL AFFAIRS

Congress of the United States
House of Representatives
Washington, DC 20515-1007

December 20, 1990

WASHINGTON OFFICE:
228 CANNON BUILDING
WASHINGTON, DC 20515-1007
(202) 225-2931

DISTRICT OFFICES:
376 POWDER SPRINGS STREET
MARIETTA, GA 30064-3424
TELEPHONE: (404) 422-4480
301 FEDERAL BUILDING
ROME, GA 30161-3144
TELEPHONE: (404) 291-7777

125 SOUTH MAIN STREET
LAFAYETTE, GA 30728-2908
TELEPHONE: (404) 638-7042

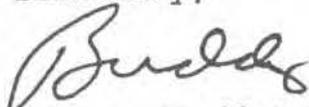
The Honorable Barber Conable
President, International Bank
For Reconstruction And
Development
1818 H Street, N.W.
Washington, D. C. 20433

Dear Mr. President:

Enclosed is a communication from one of my constituents within the area of your authority. Because of my desire to be responsive to all inquiries, your assistance is requested. I would appreciate your looking into this matter and providing me with a report so that I may further respond to my constituent.

Your findings and views, in duplicate form, along with the return of the enclosure will be greatly appreciated. Please direct your response to the attention of Amy Holley.

Sincerely,



George (Buddy) Darden
Member of Congress

GBD:alh
Enclosure

*Enjoyed seeing you at the
white house today -*

GBD -

GREENE & DAVIS, P.A.
ATTORNEYS AND COUNSELORS AT LAW
SUITE 100 - 340 CHEROKEE STREET
MARIETTA, GEORGIA 30060
404/424-1980

December 12, 1990

H. DARRELL GREENE
LAURIE C. DAVIS
KENNETH R. CROY
PAUL SHIMEK III

MAILING ADDRESS
P.O. BOX 876
MARIETTA, GEORGIA 30061
FAX 404/426-0916

The Honorable George (Buddy) Darden
United States House of Representatives
The Capital
Washington, D.C. 20515

RE: Ethiopia - Mack Truck Franchise

Dear Buddy:

This letter should be arriving about the time you return from your Mid-East trip, and I hope that it was a successful information gathering venture. I told you that I would advise you how we were doing with the Mack Truck tender for the trucks to Ethiopia under the World Bank funding. Mack Truck was low bidder in one category and second low bidder in another category in which we feel that we will be superior in specifications. However, we are receiving a great deal of political pressure from our competition, in particular competition in the European market who do not want the Mack Truck, or American products in Ethiopia.

The Ethiopian Freight Transport Corporation, which is the purchaser in the World Bank tender, has accepted our bid, however, the various competitors are complaining to the World Bank that the bid bond which complied with the tender documents and accepted by the Ethiopian Freight Transport Corporation, did not contain confirmation by the Commercial Bank of Ethiopia. While it is true that the Ethiopian Freight Transport Corporation did not have a confirmation in hand at the bid opening, the confirmation had been forwarded to the Commercial Bank of Ethiopia, but had not been transmitted to the Ethiopian Freight Transport Corporation. It was picked up and hand delivered by our representative on the morning subsequent to the bid tender opening. All of which was acceptable to the Ethiopian Freight Transport Corporation.

The political pressures that are now being brought to bear upon the World Bank and the Ethiopian Freight Transport

The Honorable George (Buddy) Darden
Page 2
December 12, 1990

Corporation is that the Mack Truck bids be rejected in favor of European competitors. We are confident that the Ethiopian Freight Transport Corporation has no problem with the acceptance of our bid, and feel that we have a very good chance of securing the contract, not only a portion, but all of the trucks bid in the tender, inasmuch as we are extremely competitive in price and the specifications for the Mack Truck far exceed those of the nearest competitors.

The political pressures that we see being exerted on the World Bank and on the Ethiopian Freight Transport Corporation, are those that we feared when we initially talked with you. We are competitive, and we can deliver a superior American product. Our bid should be given due consideration as long as our bids comply with the contract documents. Acceptance by the Purchasing Country is the criteria established by the contract document, and the World Bank should not interfere.

I would ask that you contact the World Bank and inquire as to whether or not it is proper for the World Bank representatives to be injecting themselves in this situation, or whether or not the Purchasing Country, Ethiopia, should be the final arbitrator.

Section 15 of the bid tender covers bid security, which I am enclosing for your information. The bank guarantee required by the bid tender was to be issued by a bank located in the Purchaser's Country or abroad. Mack Trucks International secured the letter of credit through Credit Lyonnais, New York on November 5, 1990, and it was transmitted to Commercial Bank of Ethiopia which transmitted the guarantee without confirmation. Once we were advised of the lack of confirmation by the Commercial Bank of Ethiopia, confirmation was then ordered by Mack International through Credit Lyonnais, New York. I am attaching a copy of the letter from the Commercial Bank of Ethiopia advising Ethiopian Freight Transport Corporation of this letter of credit without the confirmation dated November 7, 1990.

I do not feel that there has been any failure to comply with the bid documents. There was a irrevocable letter of

The Honorable George (Buddy) Darden

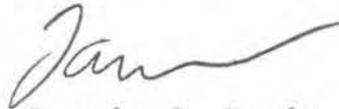
Page 3

December 12, 1990

credit presented to the Ethiopian Freight Transport Corporation on a United States Bank, Credit Lyonnais, New York, payable through the Commercial Bank of Ethiopia, and I do not believe that political pressures being brought by competitors' countries should prevail. However, our concern is that if we do not make a corresponding response to the activity to disqualify Mack's bid, then we will stand in default.

Your attention to this matter will be greatly appreciated. If you have any questions, please contact me, or you can inquire of Mark Eatonton, commercial attache with the U.S. Embassy in Addis Ababa, Telephone 011 251 1 550666.

Sincerely,



Laurie C. Davis

LCD:bh
Enclosures

cc: The Honorable George (Buddy) Darden
376 Powder Springs Street, S.E.
Marietta, Georgia 30060

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

BARBER B. CONABLE
President

Oct. 29, 1990

Hon David O'Byrne, US House of Reps -

Dear Dave:

Thank you!

Barber

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

BARBER B. CONABLE
President

October 23, 1990

The Honorable Douglas K. Bereuter
U.S. House of Representatives
2446 Rayburn House Office Building
Washington, DC 20515

Dear Doug,

Congratulations on receiving the Presidential End Hunger Award. It is well-deserved! We are all most grateful for your leadership, and for your sustained commitment to those programs which directly help the world's poorest people.

Your special interest in the World Bank's poverty related activities has been most welcome. I hope we can continue to work together to help build better lives for those most in need.

Sincerely yours,

(Signed) Barber B. Conable

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

BARBER B. CONABLE
President

November 14, 1990

The Honorable Alan B. Mollohan
U.S. House of Representatives
Washington, D.C. 20515

Dear Congressman Mollohan:

Thank you for your letter dated October 23, 1990 regarding the interest of EIMCO Coal Machinery Company in supplying locomotives to the Turkish Hardcoal Enterprise (TTK).

As you probably know, the preparation of tender documents, equipment specifications and conditions of bidders' qualifications are the borrower's responsibility, subject to the World Bank's approval. After evaluating bids, the borrower sends us the evaluation report and seeks the Bank's approval of the firm to which it proposes to award the contract. We are aware of EIMCO's concern about the issue of eligibility under the bidding documents. However, to date we have not received the evaluation report from the borrower for the Bank's review and clearances and the issue of certification has not been raised with us by the borrower. As you point out in your letter, it will be EIMCO's responsibility to establish that they meet the criteria and specification laid down in the tender documents.

I can assure you that in this case, as in all others which are funded by the Bank, the bids will be evaluated and the contract awarded strictly in accordance with the World Bank's Guidelines for Procurement and the procedures laid down in the tender documents. We will keep your concern in mind when reviewing the evaluation report.

Sincerely,

Barber Conable

WORLD BANK OFFICE TRACKING SYSTEM
OFFICE OF THE PRESIDENT
Routing and Action Transmittal Sheet

LMG
AK

TO: Mr. M. Qureshi (E-1241) | DATE: 11/05/90 |

SUBJECT:

Document From: Cong. Mollohan
To: bbc
Dated: 10/23/90

Reference No.: EXC901031006

Topic: Req. assistance re EIMCO Coal Machinery Co. sale of coal to
TTK bidding with WBank and disqualifying EIMCO for doc. prob.

ACTION INSTRUCTIONS:

| DUE DATE: |

- HANDLE
- REVIEW AND RECOMMEND
- FOR YOUR INFORMATION
- DISCUSS WITH _____
- AS WE DISCUSSED
- PREPARE RESPONSE FOR BBC' SIGNATURE
- FOR YOUR FILES
- RETURN TO _____
- OTHER: _____

11/13/90

Remarks: Mr. Qureshi's office: pls. clear final resp. w/External Affairs
prior to submission for Mr. Conable's sig.
cc: Mr. Shakow

EXPEDITE

APPROPRIATIONS
COMMITTEE

SUBCOMMITTEE ON COMMERCE, JUSTICE,
STATE & JUDICIARY
SUBCOMMITTEE ON VA, HUD &
INDEPENDENT AGENCIES

STANDARDS OF OFFICIAL CONDUCT
COMMITTEE

CONGRESSIONAL STEEL CAUCUS
EXECUTIVE COMMITTEE

CONGRESSIONAL COAL GROUP

ALAN B. MOLLOHAN
1ST DISTRICT, WEST VIRGINIA

Congress of the United States
House of Representatives
Washington, D.C. 20515

October 23, 1990

ROOM 229
CANNON HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515
(202) 225-4172

DISTRICT OFFICES:

ROOM 209, POST OFFICE BUILDING
CLARKSBURG, WEST VIRGINIA 26301
623-4422

ROOM 102, CITY-COUNTY COMPLEX
FAIRMONT, WEST VIRGINIA 26554
363-3356

ROOM 1117, FEDERAL BUILDING
PARKERSBURG, WEST VIRGINIA 26101
428-0493

ROOM 316, FEDERAL BUILDING
WHEELING, WEST VIRGINIA 26003
232-5390

Hon. Barber Conable
President
World Bank
1818 H Street N.W.
Washington, DC 20433

Dear Barber:

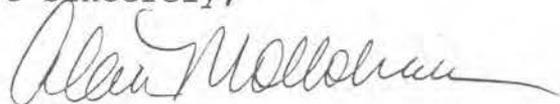
One of my constituent companies, EIMCO Coal Machinery Company, has contacted me to ask for my support of an application EIMCO has pending for the sale of Flame-proof Locomotives (for coal mines) to the Turkish Hardcoal Enterprise (TTK).

While TTK has yet to file a preferential bid with the World Bank, there appear to be some concerns from EIMCO that, should they win the contract, the World Bank would disqualify EIMCO on the basis of documentation difficulties. The burden of proving the certification/documentation of the locomotives in question would obviously fall on EIMCO, but I would like to be of assistance to the company by inquiring about potential questions which may be asked of them and whether the question of certification has already been raised with the Bank.

I understand that the nature of your transactions may preclude your being able to answer these questions in detail without appearing to offer preferential treatment to EIMCO, but I would greatly appreciate your consideration of this matter.

Thank you again for your assistance and I look forward to your response.

Most sincerely,



Alan B. Mollohan

ABM:mb

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

BARBER B. CONABLE
President

September 27, 1990

The Honorable Tony Hall
U.S. House of Representatives
Washington, D.C. 20515

Dear Congressman Hall:

Thank you for your recent letter, co-signed by about 90 Members of Congress, regarding the World Bank's commitment to poverty reduction. The Bank is committed to assisting developing countries reduce poverty, and I have worked hard to assure that this emphasis is reflected in the Bank's lending program and its dialogue with developing countries. As I said in my Annual Meeting speech, earlier this week, poverty reduction is an integrating theme for the many facets of the Bank's work and it is the *raison d'être* for our operational emphases.

The recently released World Development Report (WDR) 1990 was entirely devoted to an analysis of poverty. The WDR sets out a clear strategy for development and poverty reduction, based on the premise that the poor's most abundant asset is their labor. Experience suggests two related ways of improving and utilizing that asset. First, growth which encourages productive use of labor by removing policy biases will increase income-earning opportunities for the poor, particularly in the private sector. Second, investing in people through expanded and better directed educational and social services will help the poor take advantage of income-earning opportunities. The two are equally important and mutually reinforcing; one without the other is not sufficient. The Bank is continuing to review its poverty reduction efforts, looking carefully at the implication of the findings of this report. We would be happy to share the conclusion of this review with you.

A successful long-term strategy for poverty reduction (1) must be country specific; (2) should not be limited to narrowly defined poverty programs; and (3) must give adequate attention to the wide range of factors which affect the productive potential of the poor and the demand for their labor. The Bank is assisting borrowing countries to develop sound, sustainable and poverty-oriented country strategies, based on in-depth country poverty studies. By improving the information available regarding the poor in a particular country, through programs such as the Living Standards Measurement Studies and the Social Dimensions of Adjustment, we can assist individual governments in designing a country strategy and well-targeted programs.

I endorse the broad objective underlying your proposal that Bank lending be linked to the country's efforts to reduce poverty. Consistent

with the IDA replenishment report, poverty -- its extent and the efforts that an individual country is making to reduce it -- is now one of the principal criteria in allocating IDA resources. We must, however, avoid an overly mechanistic link between Bank lending and the achievement of specific social indicator targets. Lending decisions must continue to be made on the basis of informed judgments concerning the extent to which government policies are appropriate for reducing poverty in a particular country and must take into account other government and donor objectives.

Your letter highlights, as does the 1990 WDR, the importance of primary health and education programs in a country's poverty reduction effort. The Bank began direct lending for health in 1980. Population, health and nutrition (PHN) projects in fiscal year 1989 amounted to \$550 million. In FY90 that figure increased to \$814 million, approximately 4 percent of total lending. Disaggregating the precise share going for primary health care is difficult, but it accounts for over three-quarters of the total PHN program. Our current projection is that lending for primary health could reach 5 percent of total lending in three to four years.

The World Bank is similarly committed to the development of human resources, including primary education. The Bank accounts for approximately 25 percent of all international aid to education, and an average of 25 percent of Bank education lending has been for primary education. In contrast, only 5 percent of all international aid to education goes to primary education. Since 1970, the Bank has committed over \$4 billion to primary education.

Bank lending for education increased during the 1980s, from \$3 billion during 1980-84 to \$4 billion during 1985-89. In FY90, lending for education totaled \$1.5 billion, or 7.2 percent of the Bank's total lending. In the same year, lending for primary education was slightly over \$450 million. Lending for primary education will increase substantially in the future: it is expected to be the largest single element in our growing education program.

We share your view that increased resources from all donors are needed to support country programs in primary health and education. As you see, the Bank's analytical and financial support for both has expanded in recent years and further progress is planned. Earmarking a fixed 5 percent minimum for the share of Bank lending to each of these activities, however, would not be consistent with the basic principle stated above that addressing poverty must be based on country conditions and judgments regarding what will best achieve that objective. Nonetheless, we will continue to pursue every opportunity to expand support for both primary health care and primary education.

I also note your suggestion that the Bank should provide financial support to private voluntary organizations that are closely involved with the poor. Over the last three years, the Bank has undertaken

a major effort to increase the involvement of nongovernmental organizations (NGOs), particularly developing-country NGOs and grassroots groups that work with the poor, in the projects it supports. An Operational Directive to Bank staff on collaboration with NGOs was issued in August 1988.

In order to promote popular participation, as well as increased NGO involvement in Bank-supported operations, particularly early in the project preparation process, the Bank prepares a biannual "List of World Bank-Financed Projects with Potential for NGO Involvement" which is sent to over 3,000 NGOs worldwide. In FY90, 50 Bank projects involved NGOs. Today, nearly 80 percent of the NGOs involved in Bank projects are grassroot groups or indigenous intermediary NGOs.

The Bank must lend to its member governments for specific projects, but funding is sometimes channeled through member governments to NGOs. The Bank does, however, provide modest grant financing to NGOs through its Special Grants Program. The Bank also has an External Grants Program which provides \$400,000 in grants annually to outside organizations -- nearly all of which are NGOs.

Given the review of the World Bank's poverty reduction efforts which is currently under way, your letter was most timely. I appreciate the support you and other Members of Congress continue to give to our efforts to reduce poverty.

Sincerely,

(Signed) Barber B. Conable

Barber B. Conable
President

This letter was also sent to the following Members of Congress who co-signed the incoming letter:

Dante B. Fascell, M.C.	Bill Emerson, M.C.
Lee H. Hamilton, M.C.	Benjamin A. Gilman, M.C.
Stephen J. Solarz, M.C.	Doug Bereuter, M.C.
Matthew F. McHugh, M.C.	Christopher H. Smith, M.C.
Byron L. Dorgan, M.C.	Silvio O. Conte, M.C.
Vic Fazio, M.C.	Robert J. Lagomarsino, M.C.
Timothy J. Penny, M.C.	Henry J. Hyde, M.C.
Gary L. Ackerman, M.C.	Bill McCollum, M.C.
Floyd H. Flake, M.C.	Constance A. Morella, M.C.
Elizabeth J. Patterson, M.C.	Frank Horton, M.C.
Thomas M. Foglietta, M.C.	Jim Courter, M.C.
Albert G. Bustamante, M.C.	Jim Kolbe, M.C.
Alan Wheat, M.C.	Robert K. Dornan, M.C.
Steny H. Hoyer, M.C.	Bill Grant, M.C.
Ronald V. Dellums, M.C.	Carlos J. Moorhead, M.C.
Charles B. Rangel, M.C.	Steven Schiff, M.C.
Patricia Schroeder, M.C.	Jan Meyers, M.C.
Butler Derrick, M.C.	John Miller, M.C.
Robert J. Mrazek, M.C.	Tom Campbell, M.C.
Mel Levine, M.C.	Carl D. Pursell, M.C.
Jim McDermott, M.C.	C. Christopher Cox, M.C.
Esteban Edward Torres, M.C.	David E. Price, M.C.
Barbara Boxer, M.C.	Dan Glickman, M.C.
Henry A. Waxman, M.C.	Chester G. Atkins, M.C.
James L. Oberstar, M.C.	Jim Jontz, M.C.
Mike Synar, M.C.	John M. Spratt, Jr., M.C.
Robert T. Matsui, M.C.	Dale E. Kildee, M.C.
Thomas J. Downey, M.C.	George J. Hochbrueckner, M.C.
James H. Scheuer, M.C.	Peter A. DeFazio, M.C.
Edolphus Towns, M.C.	William J. Coyne, M.C.
James A. Hayes, M.C.	Harold E. Ford, M.C.
Jim Bates, M.C.	Bill Richardson, M.C.
Norman D. Dicks, M.C.	Jolene Unsoeld, M.C.
David E. Skaggs, M.C.	Tim Johnson, M.C.
Glenn Poshard, M.C.	Wayne Owens, M.C.
Frank McCloskey, M.C.	Tim Valentine, M.C.
Robert W. Kastenmeier, M.C.	Donald E. "Buz" Lukens, M.C.
Charles Rose, M.C.	Eliot L. Engel, M.C.
Douglas H. Bosco, M.C.	Thomas C. McMillen, M.C.
George (Buddy) Darden, M.C.	Marty Russo, M.C.
Mervyn M. Dymally, M.C.	Tom Lantos, M.C.
Martin Olav Sabo, M.C.	Philip R. Sharp, M.C.
George E. Brown, Jr., M.C.	Bruce F. Vento, M.C.
Andrew Jacobs, Jr., M.C.	

The letter was also sent to Congressman Sikorski who had earlier sent to Mr. Conable the incoming letter under his signature.

Due:

9/26

(for sign.)

Christa - Fiji

The World Bank/IFC/MIGA
OFFICE MEMORANDUM

DATE: 22-Sep-1990 01:58pm

TO: Judith Maguire

(JUDITH MAGUIRE)

FROM: Linda Jean McLaughlin, EXC

(LINDA JEAN MCLAUGHLIN)

EXT.: 81137

SUBJECT: RE: Letter to Tony Hall

Judy - I do have a redraft which will get to you and Keith Jay Monday. As I told Keith, BBC thought the letter was good on substance, and, therefore, would like it to be sent to each of the Congressmen who signed the Tony Hall letter. I proposed to him the alternate solution which has worked well in the past (sending to Hall and asking that he provide to others), but he felt strongly that he wanted the MCs to receive from him rather than Hall on this one.

As you mentioned earlier, it is important that the letter to the MCs, the letter to Mulroney and what those attending the Summit from the WB will say, be consistent.

The highlighted line on page 2 in the letter BBC would like to leave in unless there is real doubt. I have also sent you and Keith a disk with this current version (Mass11).

Mr. Conable would like to sign the letters, including the one to Mulroney, as soon as possible next week. He leaves at the end of the AMs for a week.

Linda

letters to about 90 MCs, including Sikorsky
& ^{PM} Mulroney

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

draft reply in 7115 SS

C.O.B. ~~9/17~~ JWS+BBC have

CORRESPONDENCE DATE : 90/09/11

DUE DATE : 00/00/00

LOG NUMBER : 900912003

FROM : Tony Hall

SUBJECT : Chairman of the Select Committee on Hunger: req. specific financial commitment to facilitate increased collaboration in key area

OFFICE ASSIGNED TO FOR ACTION : Mr. Thalwitz (D-1202)

ACTION:

- _____ APPROVED
- _____ PLEASE HANDLE
- _____ FOR YOUR INFORMATION
- _____ FOR YOUR REVIEW AND RECOMMENDATION
- _____ FOR THE FILES
- PLEASE DISCUSS WITH _____
- PLEASE PREPARE RESPONSE FOR BBC SIGNATURE
- _____ AS WE DISCUSSED
- _____ RETURN TO _____

CP - Keith Jay did a draft. WWS/BBC has copy 9/17
↓

COMMENTS :note - ltr. is identical to Cong. Sikorsky's sent earlier. Same resp. should be prepared to Cong. Hall & Sikorsky. Resp. being prepared by PRE. Pls. coordinate & clear resp. with Mr. Shakow.

CC: Mr. Stern

Cong. Hall meets with Mr. Conable on Tuesday, Sept. 18.



Congress of the United States
House of Representatives
Washington, DC 20515

September 11, 1990

The Honorable Barber B. Conable
President
The World Bank
1818 H St., N.W.
Washington, D.C. 20433

Dear Mr. Conable:

Under your leadership the World Bank has issued a number of general policy declarations emphasizing its commitment to the reduction of poverty. These general statements have been most welcome, but we believe it would now be helpful for the Bank to set out publicly specific anti-poverty measures which it will take in a number of key areas.

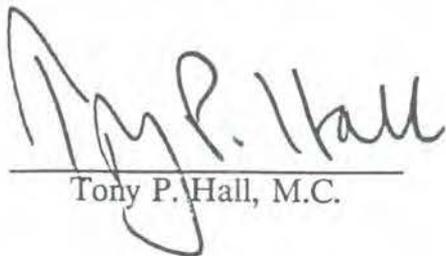
As you know, a substantial amount is being requested from the Congress for the replenishment of the International Development Association (IDA). The principal justification for this request is that IDA is intended to help the world's poor. In this context the degree to which the Bank is able to commit itself to concrete anti-poverty actions assumes considerable importance. A public and concrete statement of commitment by you would have a significant impact on our support for the replenishment.

First and most important, the Bank should commit itself to devoting five percent or more of the annual Bank-wide lending program to primary health, and a similar proportion to primary education. These are the services which have the greatest impact on poverty reduction. Comparatively modest investments in health care could save the lives of hundreds of thousands of children, especially in South Asia and Sub-Saharan Africa. Both in the IDA replenishment report and your recent address in Bangkok, the importance of primary health care and education has been underlined, but no specific dollar commitment has been made. We would like to see this remedied.

Second, we were pleased to see the degree to which the IDA replenishment report supported the anti-poverty legislation passed last year. However, we would like to see clear evidence that the Bank is implementing these ideas by: 1) assisting countries to develop poverty strategies and 2) conditioning its lending on the countries' implementation of these plans, similar to the way adjustment loans are conditioned on policy reform.

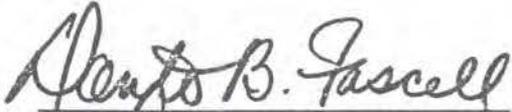
Finally, in light of the Bank's dialogue with private voluntary organizations over the past several years, we believe that it would now be appropriate to make a specific financial commitment to facilitate increased collaboration with these organizations.

Sincerely,

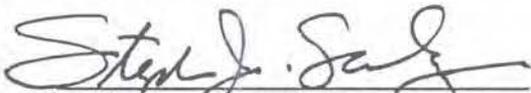

Tony P. Hall, M.C.


Frank R. Wolf, M.C.

The Honorable Barber B. Conable
Page 2
September 11, 1990


Dante B. Fascell, M.C.

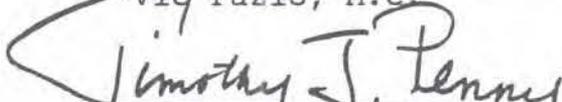

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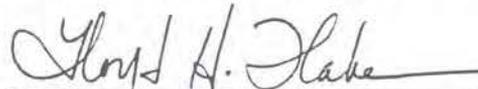

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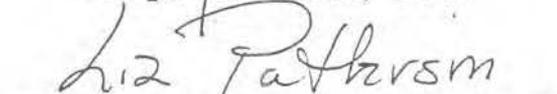

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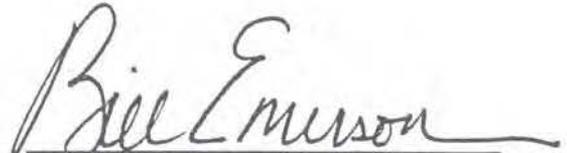

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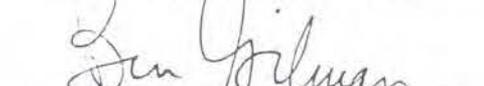

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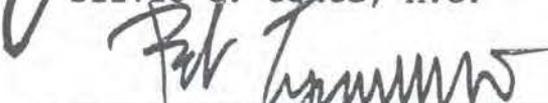

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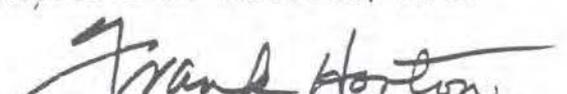

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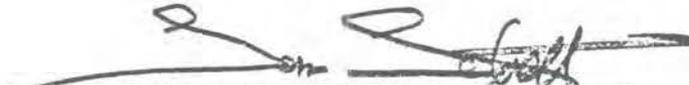

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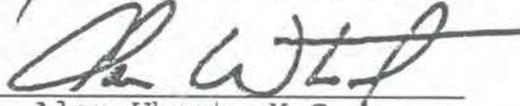

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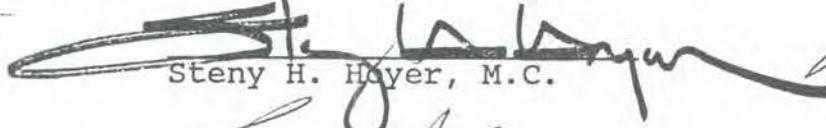

Frank Horton, M.C.

The Honorable Barber B. Conable
Page 3
September 11, 1990

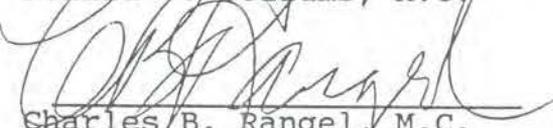

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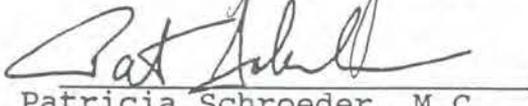

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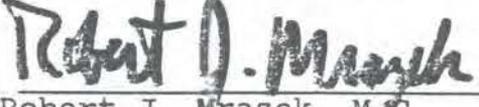

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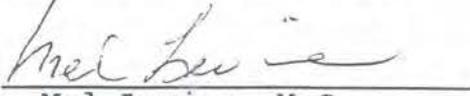

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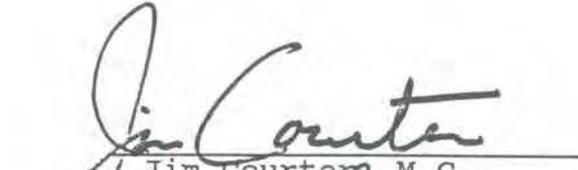

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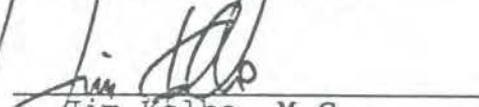

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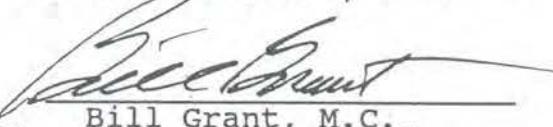

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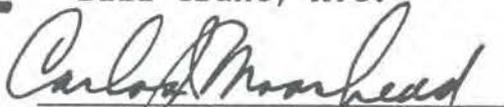

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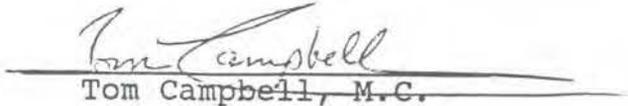

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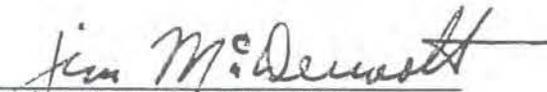

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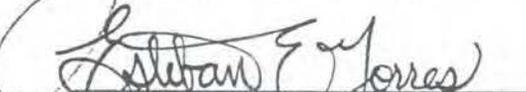

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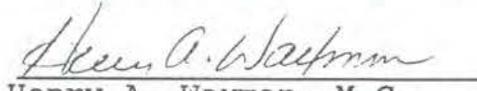

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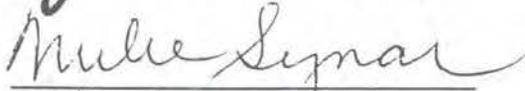

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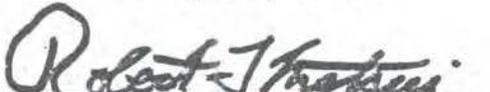

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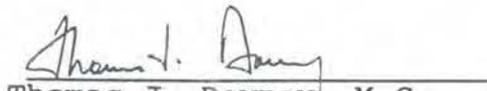

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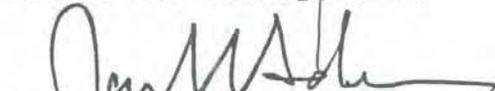

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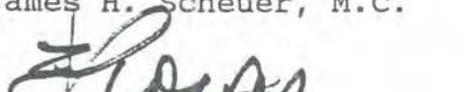

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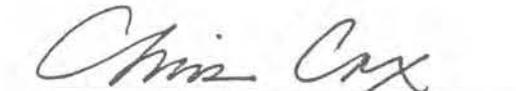

Mike Synar, M.C.

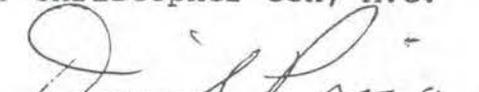

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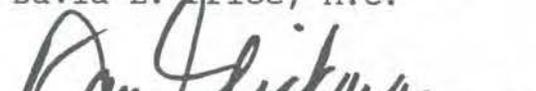

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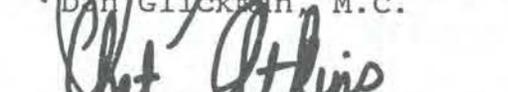

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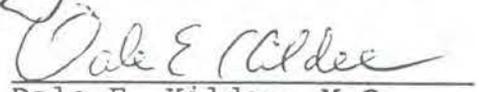

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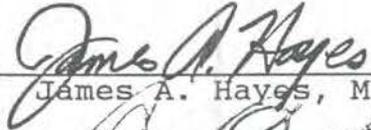

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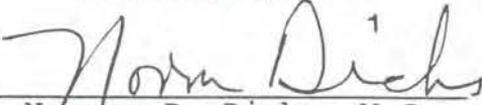

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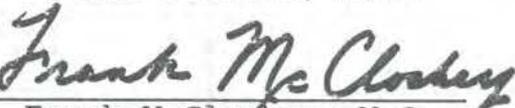

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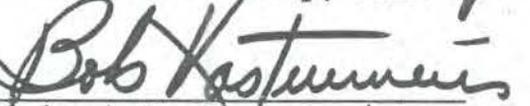

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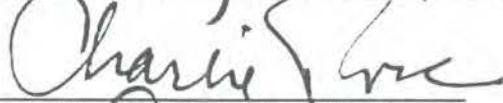

Norman D. Dicks, M.C.

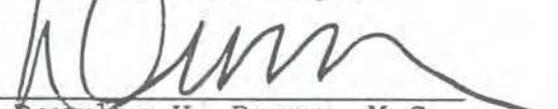

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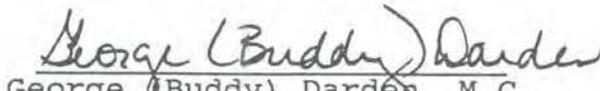

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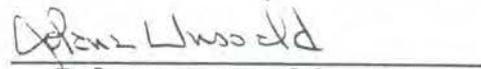

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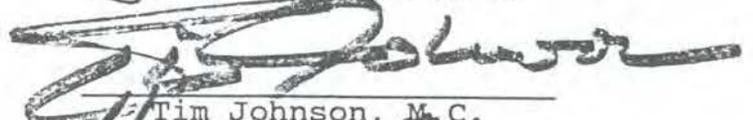

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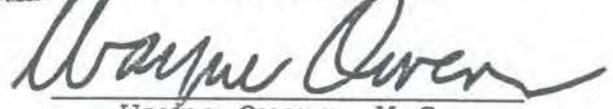

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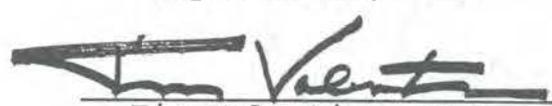

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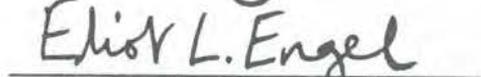

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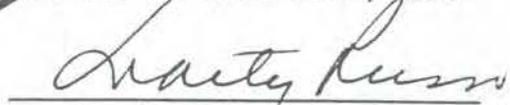

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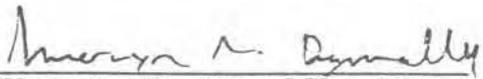

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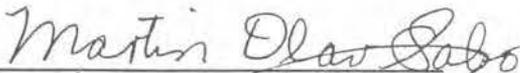

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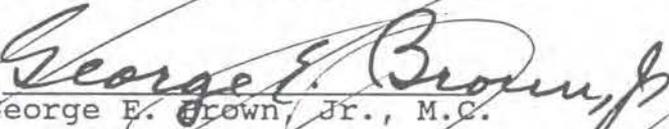

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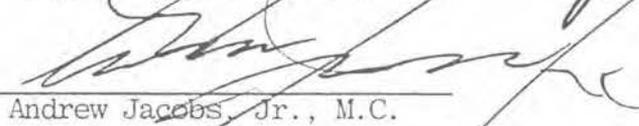

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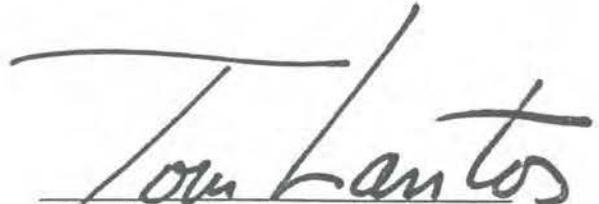
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September 11, 1990


Mervyn M. Dymally, M.C.

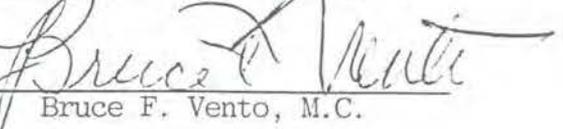

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George E. Brown, Jr., M.C.


Andrew Jacobs, Jr., M.C.


Tom Lantos, M.C.


Philip R. Sharp, M.C.


Bruce F. Vento, M.C.

OFFICE MEMORANDUM

DATE: September 17, 1990

TO: Mr. J. William Stanton, EXC

FROM: Judith Maguire, EXTDR *JM*

EXTENSION: 81326

SUBJECT: Mr. Conable's Meeting with Tony Hall

76
cc: SS
PK 9/17/90
CAP - CONGRESS

1. I am forwarding some material which may be useful as background for Mr. Conable's meeting with Tony Hall on Tuesday. My understanding from his staff is that Tony's fundamental concern is that the Bank needs to make a greater commitment to lending for primary health and education. This is the theme of the letter he sent to Mr. Conable signed by almost 100 Congressmen, and of the legislation he introduced on September 13 (both are attached).

- A draft response to the Hall letter has been sent to your office (to Linda from Keith Jay; we haven't seen the final version but generally agree with the points made).
- The Hall legislation again calls for 5 percent set-asides for both primary education and primary health.

The thinking behind the letter and the legislation is that while the Bank is now saying the right things about the poverty effort generally, and about the importance of increasing lending for the social sectors, we have been slower to translate this into operational results.

2. Attached is a fact sheet which generally describes the trend in Bank lending for primary education and health. It's conclusions:

- Lending for education in FY90 totalled \$1.5 billion. This total is not expected to increase substantially in the next three years (\$1.5 billion in FY91; \$1.8 billion in FY92 and \$1.4 billion in FY93). However, the share of primary education is expected to increase substantially from the previous average of 25 percent (87-89) to around 30-40 percent of total education lending.
- Lending for primary health. Lending for population, health and nutrition in FY90 totalled \$811 million. Primary health care accounted for about the three quarters of this lending - or some 3 percent of total Bank lending. If current projections hold, we believe that lending for primary health care will account for about 5 percent of total lending by the end of next three to four years.

Mr. J. William Stanton

September 17, 1990

3. We need to realize that this message on lending for primary education and health will not be coming to us exclusively from the United States. Our old friends, "Results", are working actively to ensure that we get the same messages from as many capitals as possible. Canadian officials have shared with us a draft of a letter which the Prime Minister will shortly be sending to Mr. Conable. Mr. Mulroney's letter discusses the issue of lending for primary education and health in the context of the World Summit for Children. He hopes that Mr. Conable will make a public commitment to increase our lending for these sectors at the time of the Summit. The Mulroney letter is also attached; similar letters are being sent to UNDP, IDB, ADB and AfDB.

cc: Mr. A. Shakow

Attachments

JM:amg

Congress of the United States
House of Representatives
Washington, DC 20515

September 11, 1990

The Honorable Barber B. Conable
President
The World Bank
1818 H St., N.W.
Washington, D.C. 20433

Dear Mr. Conable:

Under your leadership the World Bank has issued a number of general policy declarations emphasizing its commitment to the reduction of poverty. These general statements have been most welcome, but we believe it would now be helpful for the Bank to set out publicly specific anti-poverty measures which it will take in a number of key areas.

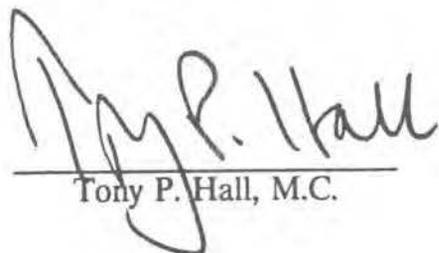
As you know, a substantial amount is being requested from the Congress for the replenishment of the International Development Association (IDA). The principal justification for this request is that IDA is intended to help the world's poor. In this context the degree to which the Bank is able to commit itself to concrete anti-poverty actions assumes considerable importance. A public and concrete statement of commitment by you would have a significant impact on our support for the replenishment.

First and most important, the Bank should commit itself to devoting five percent or more of the annual Bank-wide lending program to primary health, and a similar proportion to primary education. These are the services which have the greatest impact on poverty reduction. Comparatively modest investments in health care could save the lives of hundreds of thousands of children, especially in South Asia and Sub-Saharan Africa. Both in the IDA replenishment report and your recent address in Bangkok, the importance of primary health care and education has been underlined, but no specific dollar commitment has been made. We would like to see this remedied.

Second, we were pleased to see the degree to which the IDA replenishment report supported the anti-poverty legislation passed last year. However, we would like to see clear evidence that the Bank is implementing these ideas by: 1) assisting countries to develop poverty strategies and 2) conditioning its lending on the countries' implementation of these plans, similar to the way adjustment loans are conditioned on policy reform.

Finally, in light of the Bank's dialogue with private voluntary organizations over the past several years, we believe that it would now be appropriate to make a specific financial commitment to facilitate increased collaboration with these organizations.

Sincerely,

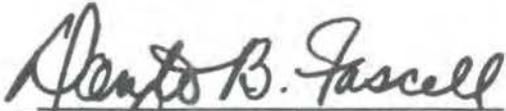


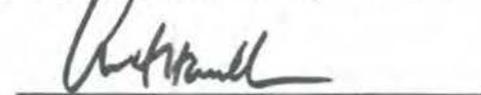
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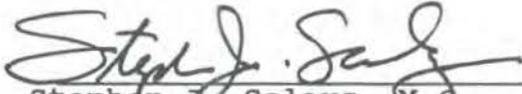


Frank R. Wolf, M.C.

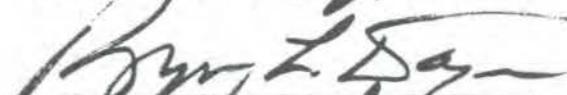
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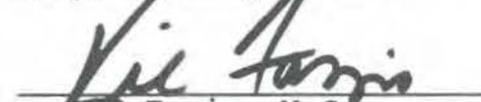

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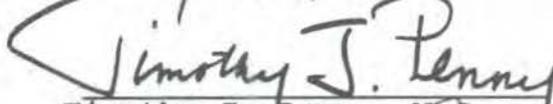

Lee H. Hamilton, M.C.


Stephen J. Solarz, M.C.

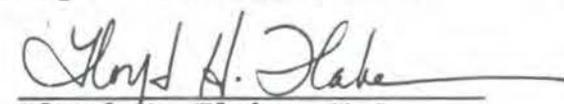

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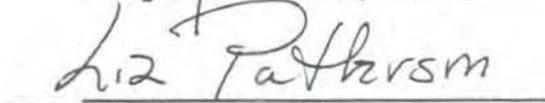

Byron L. Dorgan, M.C.


Vic Fazio, M.C.

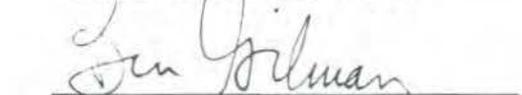

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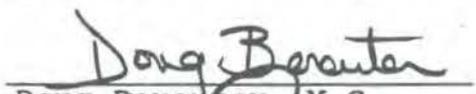

Gary L. Ackerman, M.C.


Floyd H. Flake, M.C.


Elizabeth J. Patterson, M.C.

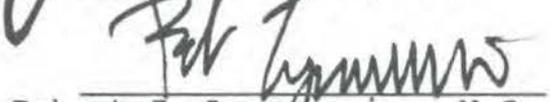

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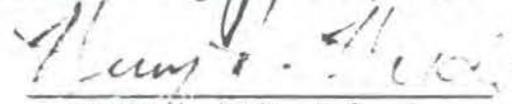

Benjamin A. Gilman, M.C.


Doug Bereuter, M.C.

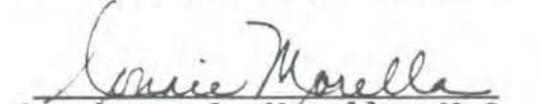

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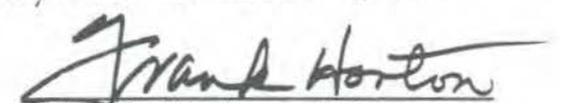

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Robert J. Lagomarsino, M.C.

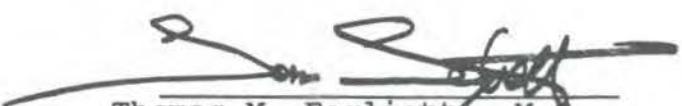

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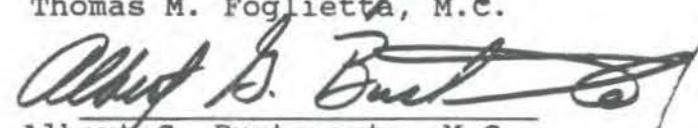

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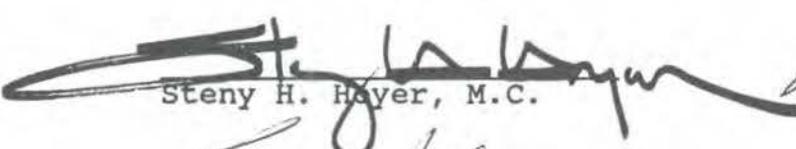

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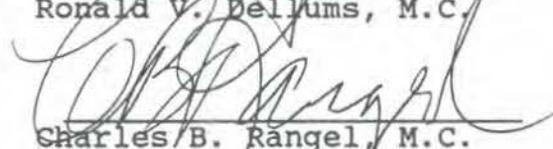

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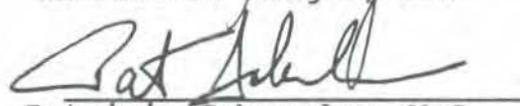

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Alan Wheat, M.C.

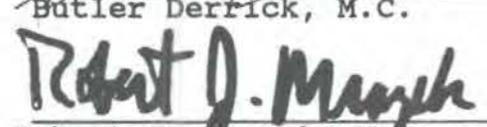

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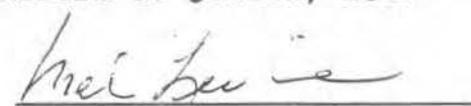

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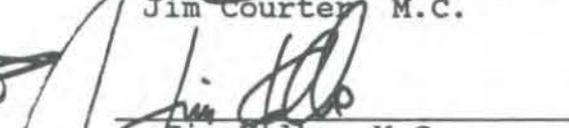

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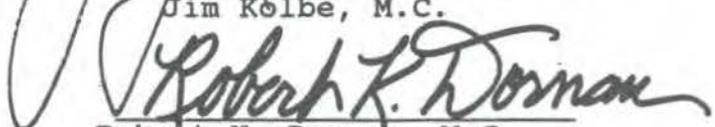

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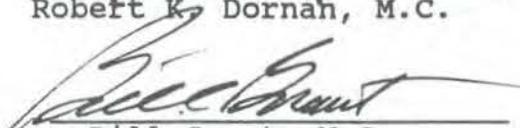

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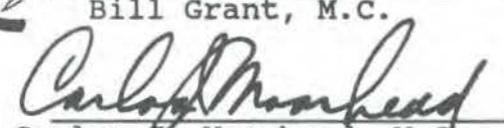

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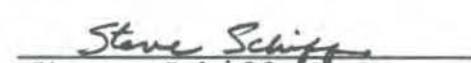

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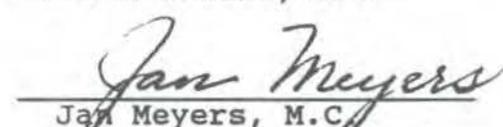

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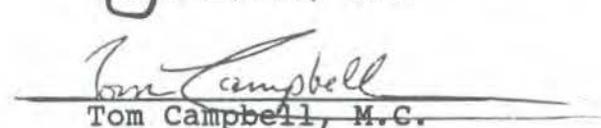

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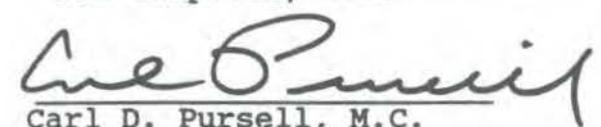

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Steven Schiff, M.C.

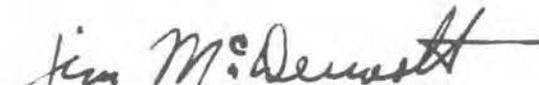

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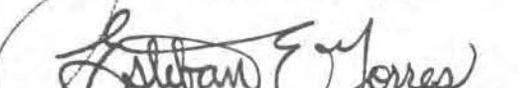

John Miller, M.C.


Tom Campbell, M.C.


Carl D. Pursell, M.C.

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Page 4
September 11, 1990


Jim McDermott, M.C.

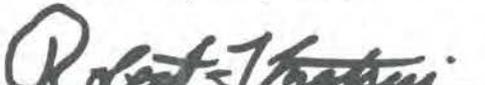

Esteban Edward Torres, M.C.


Barbara Boxer, M.C.


Henry A. Waxman, M.C.


James L. Oberstar, M.C.

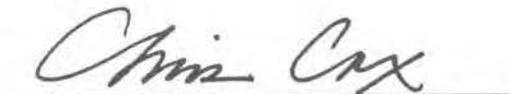

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Robert T. Matsui, M.C.

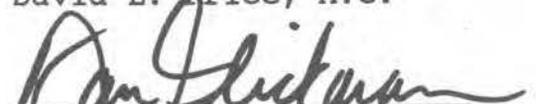

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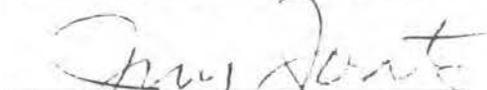

Edolphus Towns, M.C.


C. Christopher Cox, M.C.

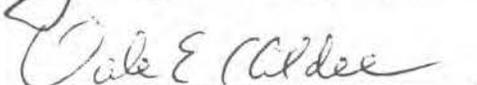

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Dan Glickman, M.C.

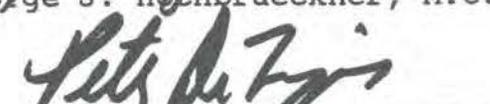

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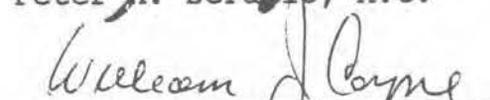

Jim Jontz, M.C.


John M. Spratt Jr., M.C.


Dale E. Kildee, M.C.

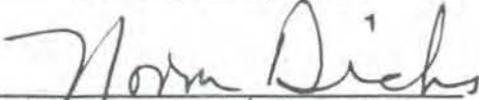

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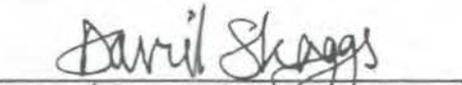

Peter A. DeFazio, M.C.


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James A. Hayes, M.C.


Jim Bates, M.C.

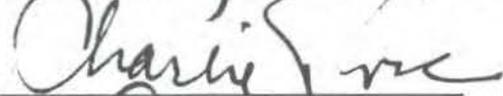

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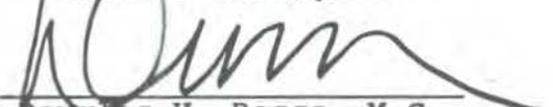

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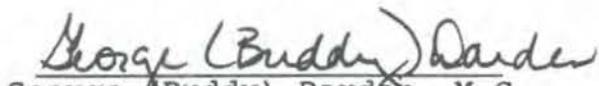

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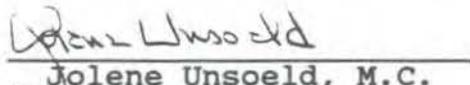

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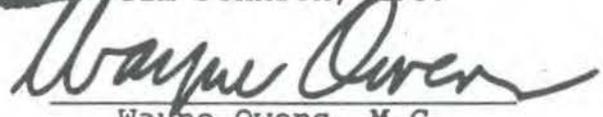

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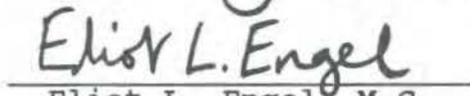

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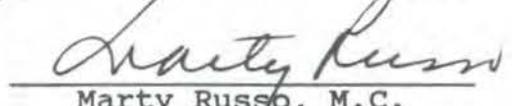

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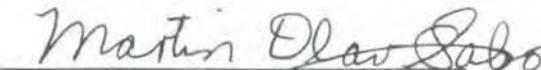

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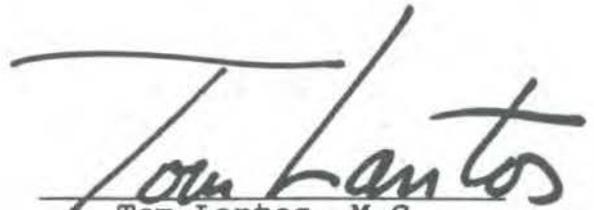
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Page 6
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George E. Brown, Jr., M.C.


Andrew Jacobs, Jr., M.C.


Tom Lantos, M.C.


Philip R. Sharp, M.C.


Bruce F. Vento, M.C.

United States to take a leading role in saving the lives of millions of children whose lives are lost every year. Nearly 40,000 children die every day; most die of preventable causes when simple vaccines, vitamins or basic treatment techniques could save them. More than 100 million children lack access to basic primary education. If we are, as President Bush says, on the verge of a new world order, I believe that one of the priorities of that new order must be to end this shameful and unnecessary waste of innocent life.

Mr. Speaker, the World Summit for Children will take place on September 29-30 at the U.N. in New York. More than 75 world leaders, including President Bush, plan to attend. In calling for a Summit for Children, UNICEF said that additional world expenditures of about \$2.5 billion annually would save 10 million children's lives per year. I believe that the World Summit offers President Bush and the United States an opportunity to lead the world in saving children's lives, just as we've led the world in opposing Saddam Hussein's brutality in the Persian Gulf. My legislation is designed to provide the toll for that leadership. I would hope President Bush would contact other world leaders, working the phones on behalf of the world's children, as he did for the Iraqi sanctions.

The Universal Childhood Security Act provides for a phased-in increase in funding for child survival activities conducted by the U.S. Agency for International Development. It's my hope that this bill will serve as a model for the delegates to the World Summit for Children. Saving the lives of the world's children isn't just America's responsibility, it's everyone's responsibility. Our lead should be followed by the U.N.'s bilateral donors and development banks. If we are joined in this initiative by the other U.N. donor nations and multilateral organizations such as the World Bank, the Asian, African and Inter-American Development Banks, and the United Nations itself, UNICEF's goal of an additional \$2.5 billion could be reached by 1996, and millions of young lives could be saved.

In addition to taking the first step toward meeting the UNICEF goal, this legislation provides for a phased-in increase in funding for basic education programs. In a world where more than 100 million children lack access to primary education, the United States must lead in attempting to avert the threat posed by illiteracy and lack of education in the developing world.

As we focus on the needs of children in the developing world, we must not ignore the needs of our own children. Mr. Speaker, the United States has one of the highest infant mortality rates in the industrialized world. We spend more than \$1.5 billion per year caring for low birthweight babies. The WIC Program is our first line of defense against infant mortality and low birthweight, providing nutritious food packages to infants and children, and food and nutrition and health information to low-income pregnant or lactating mothers. The basic WIC food package, costing less than \$10 per week could prevent low birthweight hospitalizations which cost about \$1,500 per week. The benefits of WIC have been clearly demonstrated in study after study, yet this effective and cost efficient program receives only enough Federal funding to serve half of the eligible population. To rectify

**THE UNIVERSAL CHILDHOOD
SECURITY ACT OF 1990**

HON. TONY P. HALL

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Wednesday, September 12, 1990

Mr. HALL of Ohio. Mr. Speaker, today I am introducing the Universal Childhood Security Act of 1990, legislation which will allow the

this senseless and costly situation, my legislation calls for an annual twenty percent increase in WIC caseload, reaching a level that would allow for full participation by 1995.

Mr. Speaker, for 1992 both of the international initiatives called for by this bill total less than one-half of 1 percent of the total foreign aid budget. The child survival and basic education program increases called for by this legislation need not cause any increase in overall spending. In a new world order, we should be able to reorder our priorities for the benefit of those who most need our help. Our effort to shape a new world order must go beyond a new world security order to embrace a new humanitarian order. It's my hope that President Bush will adopt the principles in this legislation, and carry them with him to the summit, and that, following his leadership, the summit will address the issue of children's suffering in a meaningful and lasting way.

For the benefit of my colleagues, the full text of the legislation follows:

H.R. 5596

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Universal Childhood Security Act".

TITLE—FOREIGN ASSISTANCE PROGRAMS

SEC. 101. FINDINGS.

The Congress finds that—

(1) the health, well-being, and normal development of children must be among the highest priorities of the foreign assistance programs of all international donors, as it must be among the highest priorities of developing countries themselves;

(2) children, particularly those from poor families in the poorest countries, continue to suffer from abnormally low growth, poor health, lack of basic educational opportunities, and, too often, early death;

(3) according to UNICEF, in the 37 poorest countries in the world, spending per capita on education has declined by approximately 25 percent in the last decade while spending per capita on health care declined in more than three quarters of the nations of Latin America and Africa;

(4) of the 14,000,000 children in developing countries who die each year, 10,000,000 could be saved from death by low-cost, easy to administer treatments for such common causes of child death as diarrhea, respiratory infections, measles, and neonatal tetanus;

(5) low-cost, effective child survival activities (such as immunizations; oral rehydration therapy; use of simple antimicrobial medicines; breastfeeding promotion; growth monitoring; child spacing; use of vitamin A, iodine, and other micronutrient interventions; and targeted efforts to reduce malnutrition) are effective and could save the lives of most of the children under 5 who now die;

(6) UNICEF estimates that a program to prevent the great majority of child deaths and child malnutrition over the next decade requires an increase of assistance from all concerned governments and agencies, and of support from developing country governments, of \$2,000,000,000 to \$3,000,000,000 a year;

(7) the United States Government has led in promoting efforts to improve child survival and development;

(8) in order to end the ongoing tragedy of unnecessary child death, all bilateral and multilateral donors, private agencies, and developing countries must join in an international effort;

(9) the purpose of increased United States Government contributions for child survival and development, including support of basic education activities, is to lead other donor countries, multilateral organizations, and others to adopt commensurate increases in their own child survival and development programs;

(10) without international cooperation from donor countries, multilateral organizations, private and voluntary organizations, and developing country governments, including necessary increases in financial commitments to child survival and development programs, millions of children will continue to die unnecessarily over the next decade;

(11) the World Declaration on Education for All, adopted by consensus at the World Conference on Education for All held in Thailand in March 1990, states that more than 100,000,000 children, including at least 60,000,000 girls, have no access to primary schooling;

(12) at the World Conference on Education for All, the World Bank agreed to double its commitment to education to \$1,500,000,000 per year, with most of that amount supporting basic education, and UNICEF agreed to quadruple its support to basic education over the next decade;

(13) the United States is the largest bilateral donor supporting basic education, and therefore is in a leadership role;

(14) it would be desirable for the President to announce a basic education initiative similar to those already agreed to by the World Bank and UNICEF, the leading multilateral organizations;

(15) according to the World Bank's World Development Report 1990, effective and sustainable efforts to achieve rapid and politically sustainable improvements in the quality of life for the poor must include the widespread provision of basic social services, especially primary education and primary health care; and

(16) the World Bank, which provides approximately \$24,000,000,000 in assistance each year to developing countries, is the largest provider of such assistance, and therefore possesses a great capacity, through its action and policies, to leverage greater sums from other multilateral organizations and bilateral donors.

SEC. 102. UNITED STATES FUNDING FOR INTERNATIONAL CHILD SURVIVAL AND DEVELOPMENT ACTIVITIES.

(a) CHILD SURVIVAL ACTIVITIES.—Of the aggregate amounts made available for United States development and economic assistance programs—

(1) not less than \$225,000,000 for fiscal year 1991,

(2) not less than \$275,000,000 for fiscal year 1992,

(3) not less than \$335,000,000 for fiscal year 1993,

(4) not less than \$405,000,000 for fiscal year 1994,

(5) not less than \$490,000,000 for fiscal year 1995, and

(6) not less than \$600,000,000 for fiscal year 1996, shall be available only for child survival activities, including those authorized under section 104(c)(2)(A) of the Foreign Assistance Act of 1961.

(b) BASIC PRIMARY EDUCATION ACTIVITIES.—Of the aggregate amounts made available United States development and economic assistance programs—

(1) not less than \$100,000,000 for fiscal year 1991,

(2) not less than \$125,000,000 for fiscal year 1992,

(3) not less than \$155,000,000 for fiscal year 1993,

(4) not less than \$195,000,000 for fiscal year 1994,

(5) not less than \$245,000,000 for fiscal year 1995, and

(6) not less than \$300,000,000 for fiscal year 1996, shall be available only for programs in support of basic primary education, including teacher training and other necessary activities in support of basic primary education.

SEC. 103. WORLD BANK SUPPORT FOR CHILD SURVIVAL AND DEVELOPMENT.

It is the sense of the Congress that the World Bank—

(1) should give greater programmatic and budgetary priority to child survival and development, including support of basic education activities; and

(2) in particular, should commit itself to devoting 5 percent or more of the amount of the Bank's annual lending programs to primary health and 5 percent to primary education.

SEC. 104. DEFINITIONS.

As used in this title—

(1) the term "United States development and economic assistance programs" means assistance authorized by chapter 1 of part I of the Foreign Assistance Act of 1961 (relating to development assistance), including assistance made available for "SUB-SAHARAN AFRICA, DEVELOPMENT ASSISTANCE" or any subsequent, corresponding appropriations account under part I of that Act, and assistance authorized by chapter 4 of part II of that Act (relating to the economic support fund);

(2) the term "UNICEF" means the United Nations Children's Fund; and

(3) the term "World Bank" means the International Bank for Reconstruction and Development and the International Development Association.

TITLE II—DOMESTIC PROGRAMS

SEC. 201. FINDINGS AND SENSE OF CONGRESS REGARDING AUTHORIZATION OF APPROPRIATIONS FOR WIC PROGRAM.

(a) FINDINGS.—The Congress finds that—

(1) Key health indicators in the United States—the infant mortality rate, the percentage of babies born who are of low birthweight, the accessibility of prenatal care for pregnant women, the proportion of children who are properly immunized, the extent of malnutrition among children, and the percentage of children who have access to basic health care—demonstrate that the health of infants and children in the United States, compared to infants and children in most other developed countries, is not satisfactory;

(2) the child health goals for 1990, established in 1979 by the Surgeon General, have not been met, and, in fact, most recent data demonstrate that the rate of progress in the United States with respect to almost all indicators has declined in the past decade;

(3) the special supplemental food program for women, infants, and children (in this title referred to as the "WIC program"), which provides supplemental food, nutrition education, and referral to health care to low-income pregnant women, new mothers, infants, and young children at nutritional risk, is an effective preventive program which improves the health of America's infants and children;

(4) the WIC program has been shown to reduce the infant mortality rate, the percentage of infants born who are of low birthweight, the incidence of malnutrition, and the number of premature births, and to increase the number of women seeking early prenatal care, the number of infants receiving immunizations, and the likelihood of a child having a regular source of medical care;

(5) the WIC program is cost effective, as demonstrated by—

(A) the National Bureau of Economic Research, which concluded that after prenatal health care, WIC is the most cost-effective way known to reduce infant mortality;

(B) the Harvard School of Public Health, which found that each dollar spent on the prenatal component of the WIC program saved \$3 in hospitalization costs associated with infants born who are of low birthweight; and

(C) the Missouri Department of Health, which found that each dollar spent on the prenatal component of the WIC program resulted in a savings of 49 cents in costs incurred by the Medicaid program for infants 45 days old or younger;

(6) preventive health services available through WIC are also cost-effective, as demonstrated by—

(A) a 1985 study by the Institute of Medicine, which reported that each dollar spent on prenatal health care for certain high-risk women yielded a savings of \$3.38 in the cost of medical care for low-birthweight infants;

(B) a 1984 study by the Children's Defense Fund, which reported that it costs approximately \$35 per month to provide an infant with a complete nutritional package, versus a cost of about \$1,400 per week to hospitalize an infant for treatment of malnutrition; and

(C) a 1986 report by the Office of Technology Assessment, which estimated that the health care system in the United States could, by strengthening investment in early prenatal care, save between \$14,000 and \$30,000 per infant annually in terms of hospital expenses incurred by a low-birthweight infant during the first year of life;

(7) the WIC program is targeted toward low-income infants and children, who are twice as likely as higher income children to be born at low birthweight, 2 to 3 times more likely to experience postneonatal mortality, and 3 times more likely to have delayed immunizations;

(8) the WIC program is strongly supported by a wide range of organizations and individuals, such as the Committee on Economic Development, the National Commission to Prevent Infant Mortality, former Presidents Gerald R. Ford and Jimmy Carter, the Council on Competitiveness, and the Child Nutrition Forum;

(9) the Nation's future lies with its infants and children, who are among the Nation's most vulnerable citizens;

(10) the Nation's budget priorities should reflect a strong commitment to the infants and children of the Nation;

(11) the WIC program reaches only about half of the eligible population;

(12) for the benefit of the Nation's children—and thus, the Nation's future—it is necessary to increase participation in the WIC program by 20 percent in each of the next 5 years, in order to reach the goal of full participation, defined as participation by 85 percent of all eligible persons, by the end of the fiscal year 1995; and

(13) according to a September 1990 estimate by the Congressional Budget Office, in order to reach the goal of full participation by the end of the fiscal year 1995, amounts must be appropriated for the WIC program—

(A) for the fiscal year 1991, in an amount that is not less than \$285,000,000 above current services;

(B) for the fiscal year 1992, in an amount that is not less than \$319,000,000 above current services;

(C) for the fiscal year 1993, in an amount that is not less than \$385,000,000 above current services;

(D) for the fiscal year 1994, in an amount that is not less than \$400,000,000 above current services; and

(E) for the fiscal year 1995, in an amount that is not less than \$446,000,000 above current services.

(b) SENSE OF CONGRESS.—It is the sense of the Congress that the Congress should make a commitment to increasing participation in the WIC program by 20 percent per year in each of the years 1991, 1992, 1993, 1994, and 1995, so that the goal of full participation may be reached by the end of the fiscal year 1995.

SEC. 202. FINDINGS AND SENSE OF CONGRESS REGARDING SUPPORT FOR EARLY CHILDHOOD EDUCATION AND CHILDHOOD DEVELOPMENT THROUGH THE HEAD START PROGRAM.

(a) FINDINGS.—The Congress finds that—

(1) since its inception in 1964, the Head Start Program has established an impressive record in providing preschool-aged children from low-income families with comprehensive services to address educational, social, nutritional, and health needs, such that students who participate in Head Start programs—

(A) are less likely to be enrolled in special or remedial education classes;

(B) are more likely to be enrolled in gifted and talented programs; and

(C) are much less likely to drop out of school, become involved in crime, or receive welfare benefits; and

(2) recognizing that in the fiscal year 1989 the Head Start program served only 20 percent of eligible 3-, 4-, and 5-year-old children, in the 101st Congress legislation (H.R. 4151) was developed and passed by the House of Representatives authorizing expansion of the Head Start Program to enable all eligible 3- and 4-year-old children, and 30 percent of eligible 5-year-old children, to participate in the Head Start Program by the fiscal year 1994, thereby increasing participation rates of 3- and 4-year-old children to—

(A) 35 percent in the fiscal year 1991;

(B) 60 percent in the fiscal year 1992;

(C) 80 percent in the fiscal year 1993; and

(D) 100 percent in the fiscal year 1994.

(b) SENSE OF CONGRESS.—It is the sense of the Congress that the Congress should follow through on its commitment to provide full funding for the Head Start program so that the goal of participation of all eligible 3- and 4-year-old children can be reached by the fiscal year 1994.

Bank Lending for Primary Education and Health

Education

- Bank lending for education has increased from \$3 billion in 1980-84, to \$4 billion in 1985-89.
- 25 percent of Bank education lending is targeted to primary education (as compared with only 5 percent of all international aid to education).
- FY90. Lending for education totalled \$1.5 billion, or 7.2 percent of total lending of \$20.7 billion. Lending for primary education totalled just over \$450 million (a bit over 2 percent of the total).
- At the World Conference on Education for All, Mr. Conable promised to double education lending over the next three years, to an annual level of \$1.5 billion. Of course we achieved that level in FY90. It turns out that what was meant was that we expect to double lending for education as compared with the three-year average of lending in fiscal years FY87-89. The result is that education lending in the next three years should not go much above this year's total of \$1.5 billion. (Projections are for lending of \$1.5 billion in FY91, \$1.8 billion in FY92, and \$1.4 billion in FY93).
- What we can say, however, is that lending for primary education is expected to increase substantially - to triple as compared with the FY87-89 average. This should mean that lending for primary education should eventually account for around 30-40 percent of total education lending in the period FY91-93.

Health

- The Bank began direct lending for health in FY80.
- Population, Health and Nutrition, (PHN) lending has grown from \$550 million in FY89, to \$811 million in FY90.
- PHN lending now accounts for about 4 percent of total Bank lending. While it is not possible to disaggregate precisely the share going for primary health care, it accounts for over three quarters of the total PHN program. Thus we estimate that lending for primary health care probably accounts

for about 3 percent of total Bank lending. (This is a conservative estimate: the FY90 total does not take into account probably another \$125 million which was approved as part of sector adjustment and women-in-development loans.)

- Future Directions. The Bank now places a very high priority on the expansion of social sector lending, including primary health care. If current projections hold, we believe that lending for primary health care will account for about 5 percent of total lending by the end of the next 3-4 years.

JMaguire
9/14/90

Mr. Barber Conable
President
World Bank
1818 H Street N.W.
Washington, D.C.
USA 20433

Dear Mr. Conable:

As you know the World Summit for Children is to be held in New York on September 29 and 30. It is expected to be the largest gathering of Heads of State and Government ever held.

As data assembled by your institution and others clearly indicate, the problems facing children and their families in the developing countries represent a formidable challenge. Considering that a quarter of a million children are dying each week of easily preventable diseases and malnutrition, and that major economic gains could be made in developing countries by expanding investment in basic education and health measures for children, it is clear that we are confronted with immense opportunities for progress. The world's future will in significant part be determined by our response to these opportunities.

It is vital that the Summit be a catalyst for concrete steps to take advantage of these opportunities. Toward this end, I am writing to you and to the heads of other important multilateral development institutions to request that these institutions put increased emphasis on programs designed to improve the situation of the world's children.

In my view it would be logical for the World Bank to increase the proportion of lending in the areas of primary education and primary health care, in the context of the poverty alleviation approach outlined in the 1990 World Development Report. I would thus urge you to make a public commitment, at the time of the Summit, to increase the proportion of resources which the World Bank will be allocating to primary health and basic education, and to make such other commitments as you are able on key issues related to the well being of children. If you wish, such commitments could be communicated in the form of a letter to me and my Summit Co-Chair.

I believe that the World Bank, under your leadership, can make a key contribution to the success of the Summit and I look forward to working with you further.

Yours sincerely,

Brian Mulroney

OFFICE MEMORANDUM

DATE: September 14, 1990

TO: Ms. Linda McLaughlin, EXC

FROM: Keith Jay, PRD

EXTENSION: 31051

SUBJECT: Congressman Hall's Letter

Per our conversation, attached is the draft letter to Congressman Hall for Mr. Conable's review and comment. As agreed, I have made the changes (to the earlier "Sikorski draft") you and Judy Maguire suggested. Specifically: (i) the next to last paragraph referring to the review of NGO's has been dropped; (ii) the reference to CGIAR in the third from the last paragraph has been dropped; (iii) the closing has been redrafted, recognizing that Mr. Conable will undoubtedly add his personal touch to this and; (iv) the addition of a phrase at the end of the second paragraph stating that we would be happy to share the conclusions of the poverty policy paper once it is completed.

cc: Liebenthal, Isenman, Shakow, Bock, Maguire

KJ:mle

DRAFT

September 14, 1990

Congressman Tony P. Hall
Congress of the United States
House of Representatives
Washington, DC 20515

Dear Congressman Hall,

Thank you for your letter of August 1. I welcome the opportunity to discuss and explore the issue of poverty reduction which is central to the Bank's work and mandate. I strongly share your desire to identify ways to assist the developing countries reduce poverty. As you noted, I have emphasized my commitment to the goal of poverty reduction on numerous occasions and have worked hard to assure that this emphasis is reflected in the Bank's lending program and its dialogue with the developing countries.

The recently released World Development Report (WDR) 1990 was entirely devoted to an analysis of poverty. The evidence in that report suggests that rapid and politically sustainable progress on poverty has been achieved by pursuing a two-pronged strategy. The first is to promote the productive use of the poor's most abundant asset -- labor. This calls for policies that harness market incentives, social and political institutions, infrastructure, and technology to that end. The second is to provide basic social services to the poor. The two are equally important and mutually reinforcing; one without the other is not sufficient. The Bank is currently looking carefully at the implication of the findings of this report for the Bank's own program. This review should be completed in the next several months and we would be happy to share its conclusion with you at that time.

Recognizing that a successful long-term strategy for poverty reduction: (i) must be country specific; (ii) should not be limited to narrowly defined poverty programs; and (iii) needs to place adequate attention on the wide range of factors which affect the productive potential of the poor and the demand for their labor, the Bank is assisting borrowing countries to develop sound, sustainable and poverty-oriented country strategies, based on in-depth country poverty studies. Programs such as the Living Standards Measurement Studies and the Social Dimensions of Adjustment seek to improve the information available to the government regarding the poor which is important in the design of a country strategy and well targeted programs.

I support the broad objective underlying your proposal that Bank lending be linked to the country's efforts to reduce poverty. Indeed, the Bank, consistent with the IDA Replenishment Report, has significantly increased the weight given in the allocation of IDA to a country's performance, particularly its poverty reduction efforts. Poverty -- its extent and the efforts that individual countries are making to reduce it -- is one of the principal criteria in allocating these resources. It is, however, important to avoid an overly mechanistic link between Bank lending and the achievement of specific social indicator targets. Lending decisions must continue to be made on the basis of informed judgements concerning the extent to which government policies are appropriate for reducing poverty in that country and take into account other government and donor objectives.

Your letter highlights, as does the 1990 WDR, the critical role which primary health and education programs can play in a country's poverty reduction effort. The Bank began direct lending for health in 1980.

Population, health, and nutrition (PHN) projects in fiscal year 1989 amounted to \$550 million. Fiscal year 1990 saw a sharp increase to \$814 million, approximately 4 percent of total lending. While it is not possible to disaggregate precisely the share going for primary health care, it accounts for over three quarters of the total PHN program.

The World Bank is similarly committed to investing in the development of human resources, including primary education. The Bank accounts for approximately 25 percent of all international aid to education. In addition, 25 percent of Bank education lending is targeted to primary education. In contrast, only 5 percent of all international aid to education goes to primary education. Since 1970, the Bank has committed over \$4 billion to primary education. As with health, Bank lending for education has increased over the 1980's from \$3 billion during 1980-84 to \$4 billion during 1985-89. In 1990 lending for education totaled \$1.5 billion or 7.2 percent of the Bank's total lending with primary education lending totaling slightly over \$450 million.

We share your view that increased resources from all donors are needed to support country programs in primary health and education. As indicated above, the Bank's analytical and financial support for both has in fact been expanded in recent years and further progress is already planned. At the same time, I have some difficulty with your proposal to set a fixed 5 percent minimum for the share of Bank lending to each of these activities. Such earmarking is not consistent with the basic principle noted above that addressing poverty must be based on country conditions and judgements regarding what will best achieve that objective.

Finally, you suggest in your letter that the Bank should provide financial support to private voluntary organizations (PVOs) that are closely involved with the poor. The Bank has over the last three years undertaken a major effort to increase the involvement of nongovernmental organizations (NGOs), particularly developing-country NGOs and grassroots groups that work with the poor, in the projects it supports. An operational directive to Bank staff on collaboration with NGOs was issued in August 1988.

In order to promote popular participation, as well as increased NGO involvement in Bank-supported operations, particularly early in the project preparation process, the Bank prepares a biannual "List of World Bank-Financed Projects with Potential for NGO Involvement" which goes out to over 3,000 NGOs worldwide. In fiscal year 1990, a total of 50 Bank projects involved NGOs. Today, nearly 80 percent of the NGOs involved in Bank projects are grassroots groups or indigenous intermediary NGOs.

The Bank does not usually channel financial resources directly to NGOs; rather, funding is channelled to them through our member governments in the context of Bank supported projects. The Bank does in some cases, however, provide direct, albeit modest, grant financing to NGOs through the Special Grants Program. The Bank also has an External Grants Program which provides \$400,000 in grants annually to outside organizations -- nearly all of which are NGOs.

In summary, we share your commitment to poverty alleviation. I intend to highlight the importance of the issue in my upcoming speech to the Annual

Congressman T. Hall

-5-

September 14, 1990

Meetings of the Bank and Fund and to continue to focus the attention and efforts the Bank on poverty alleviation.

Sincerely,

Barber B. Conable
President

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

BARBER B. CONABLE
President

August 1, 1990

The Honorable Norman D. Shumway
The United States House of
Representatives
Washington, D.C. 20515

Dear Norm:

Thanks very much for your recent letter on behalf of your constituent, Mr. Ken Craib, of RDA International. Whatever the reason, it is always good to hear from old friends. And you are right - I am indeed thriving in what is an immensely challenging and satisfying job.

Mr. Craib, CEO of RDA International, has raised questions about an International Development Association (IDA) credit to the Government of Guinea for fisheries development. These questions derive from what we believe is a misunderstanding on the part of RDA, one which is apparently shared by the Guinean Secretariat for Fisheries. The questions were raised earlier by Mr. Craib with the US Executive Director to the World Bank. On July 2, 1990, a reply was sent to a June 21 memo from the Alternate U.S. Executive Director (a copy is attached).

The essence of the situation is as follows. The contract between the Guinean Government and RDA International was signed before IDA staff could review it, as required under our Credit Agreement with the Government. The causes of the current misunderstanding would have been eliminated had this review been allowed to take place. On July 2, 1990 IDA communicated to the Guinean Government that we had no objection in principle to the financing of a contract with RDA International for the air surveillance of fishing activities off Guinea's coast, subject to the satisfactory resolution of a number of issues. The major issue relates to the arrangement by the Government of appropriate additional funding, since the IDA allocation (provided for in the Credit Agreement) for the air surveillance contract is limited to about US\$575,000. The balance of the air surveillance contract with RDA, amounting to US\$1,322,500, would have to be financed by the Government. To this date, the Government has not yet indicated how this residual amount would be financed.

August 1, 1990

RDA's claim that the first payment of US\$500,000 had been stopped by IDA is not correct. No withdrawal application was presented to IDA. A further complication is that the Fisheries component of the IDA credit is not yet effective, since several conditions remain to be met by the Guinean Government. Until the Fisheries component has been declared effective, no payment of any amount may be made by IDA.

As I hope this explanation makes clear, we have acted in complete conformity with our normal procedures. It is regrettable that certain essential steps were not taken at the appropriate time by the authorities, and it is also regrettable that Mr. Craib and RDA International have encountered these difficulties. Once the agreed upon steps have been taken, we will then be able to proceed with our part of the agreement.

I hope that this information will clear up any remaining misunderstandings Mr. Craib and RDA International may have.

All best wishes.

Sincerely,

(Signed) Barber B. Conable

Barber B. Conable
President

Attachment

Log No. 900110013
/BDeChazal/JMaguire/AShakov/sqc
cc/clrd with: Mr. A. Shakow
cc: Mesdames Perera, EXC; Vinet, EXT

OFFICE MEMORANDUM

DATE: July 2, 1990

TO: Mr. Mark Cox IV, Alternate U.S. Executive Director
THROUGH: Mr. Michel Palein, Acting Director, AF1
FROM: Joseph Bash-Dwomoh, Acting Division Chief, AF1AG



EXTENSION: 34937

SUBJECT: GUINEA: Forestry and Fisheries Management Project (Credit 2068-GUI)

I am replying to your memorandum of June 21, 1990, concerning questions raised by Mr. Craib, President of RDA International Inc. about his contract for air surveillance services with the Government of Guinea.

We have communicated this day our non objection to the Guinean Government concerning the above mentioned contract, subject to a number of clarifications in respect of the following: the scope of funding to be provided by IDA, guarantees to be provided by the contractor and method of payment.

Schedule I, Paragraph 1, of the Credit Agreement 2068-GUI provides the categories of items to be financed under the project, amounts allocated to each category and the percentage to be financed under each category. In this respect, the Incremental Operating Costs per Category 3(c) for the entire Fisheries component which includes air surveillance amounts to SDR 840,000 (US\$ 1,050,000), and the percentage of expenditure to be financed by IDA under this category is as follows:

Project year 1: 38% of the Incremental Operating Costs.

Project year 2: 27% ditto.

Project year 3: 13% ditto.

Project year 4 : 6% ditto.

On the above basis, the maximum amount of IDA financing available for the RDA contract would thus be US\$ 575,000 to be disbursed over four years of project life, and the balance of the contract price amounting to US\$ 1,322,500 would have to be funded by Government. Therefore, there has never been any changes whatsoever regarding the amount of funding available under the Credit of IDA.

We hope this will clarify the World Bank position to your satisfaction.

WORLD BANK OTS SYSTEM
SENIOR VICE PRES. OPERATIONS

CORRESPONDENCE DATE : 90/07/06 DUE DATE : 90/07/18
LOG NUMBER : 900711013 FROM : EXC
SUBJECT : GUINEA - LETTER CONG. N. SHUMWAY RE SERVICES PROVIDED BY
MR. CRAIB ON FISHERIES AERIAL SURVEILLANCE
OFFICE ASSIGNED TO FOR ACTION : Mr. Jaycox (J-5-073)

ACTION:

_____ APPROVED
_____ PLEASE HANDLE
_____ FOR YOUR INFORMATION
_____ FOR YOUR REVIEW AND RECOMMENDATION
_____ FOR THE FILES
✓ _____ PLEASE DISCUSS WITH _____
_____ PLEASE PREPARE RESPONSE FOR J.P. Cowell SIGNATURE
_____ AS WE DISCUSSED
_____ RETURN TO _____

COMMENTS : PRIORITY #1
PLEASE CLEAR LETTER WITH MR. SHAKOW BEFORE FORWARDING TO
MR. QURESHI

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

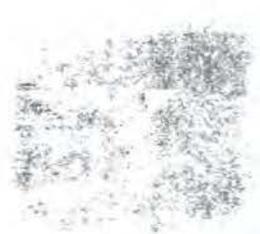
9074013 ~~SS~~
AK
JNS

CORRESPONDENCE DATE : 90/07/06 DUE DATE : 90/07/20
LOG NUMBER : 900710013 FROM : Congressman N. Shumway
SUBJECT : Ltr re services provided on GUINEA fisheries aerial surveillance
by Mr. K. Craib, RDA Int'l, California
OFFICE ASSIGNED TO FOR ACTION : Mr. M. Qureshi (E-1241)

ACTION:

- _____ APPROVED
- _____ PLEASE HANDLE
- _____ FOR YOUR INFORMATION
- _____ FOR YOUR REVIEW AND RECOMMENDATION
- _____ FOR THE FILES
- ✓ _____ PLEASE DISCUSS WITH _____
- _____ PLEASE PREPARE RESPONSE FOR BBC'S SIGNATURE
- _____ AS WE DISCUSSED
- _____ RETURN TO _____

COMMENTS : Please clear final response with Mr. Shakow prior to submission
for Mr. Conable's signature.
cc: Mr. Shakow



NORMAN D. SHUMWAY

14TH DISTRICT CALIFORNIA

COMMITTEES

BANKING, FINANCE AND
URBAN AFFAIRS

MERCHANT MARINE AND
FISHERIES

SELECT COMMITTEE ON AGING

Congress of the United States

House of Representatives

Washington, DC 20515

July 6, 1990

1203 LONGWORTH HOUSE OFFICE BUILDING

WASHINGTON, DC 20515

(202) 225-2511

CHRISTOPHER C. SEEGER
ADMINISTRATIVE ASSISTANT

1150 W. ROBINHOOD DRIVE
SUITE 1A

STOCKTON, CA 95207

(209) 957-7773

TOLL FREE NUMBER

(800) 631-2175

JACK SIEGLOCK
DISTRICT REPRESENTATIVE

11899 EDGEWOOD RD. SUITE B

AUBURN, CA 95603

(916) 885-3737

The Honorable Barber Conable
President
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433

Dear Barber:

I trust you aren't of the opinion that I only contact old friends when my constituents have problems! I also hope this letter finds you thriving away from "the Hill."

Having dispensed with the pleasantries, permit to bring to your attention an unfortunate dilemma confronting my good friend and constituent, Ken Craib. Ken is President and CEO of RDA International, Inc., based in Placerville, California. In April, RDA signed a contract with the government of Guinea for \$1.89 million to provide four years of aerial surveillance for Guinea's fisheries. The first payment of \$500,000 was scheduled to be made by the World Bank to RDA on June 1st, but no such funding was forthcoming. When RDA inquired as to why there had been no payment, the company was informed that the Bank Project Officer who originally estimated costs for the project had stopped payment.

I have enclosed a copy of a memo from the office of the World Bank U.S. Executive Director which sums up the problem and the requested solution quite succinctly. To date, the appeal from that office seems to have been overlooked. Any assistance you might provide in resolving this unfortunate situation would be most deeply appreciated.

RDA is not a large company, but it is recognized as the best in its field in this country, and among the top ten internationally. This seemingly unwarranted bureaucratic delay could have serious financial repercussions for RDA.

Thank you in advance for your help and guidance, and please accept my best regards.

Sincerely,



NORMAN D. SHUMWAY
Member of Congress

OFFICE MEMORANDUM

To: Bertrand de Chazal, AFLAG
Mikael Grut, AFTAG
Kevin Cleaver, Director, AFLAG
Chander Chri, AFRVP
Raghavan Srinivasan, CODPR

From: Mark Cox IV, Alternate U.S. Executive Director

Date: June 21, 1990

Subject: Guinea: Forestry and Fisheries Management Project
Credit No. 2068-GUI

Mr. Kenneth Craib, President of RDA International Inc., has brought to my attention a serious problem he has encountered regarding payment of the first \$500,000 owed him under a World Bank-funded contract with the Government of Guinea. According to Mr. Craib, RDA bid \$1.87 million to provide 4 years of aerial surveillance for Guinea's fisheries. The next closest bid was over \$3 million. RDA was evaluated by Guinea to be the best firm to provide the services and a contract was signed after the World Bank sent a "no objection" telex to the Secretary of State for Fisheries. The telex also requested that Guinea obtain certain clarifications regarding the price. RDA states that Guinea did this before signing the contract.

We understand that the Bank has now told Guinea that there are insufficient funds available to cover the contract price, even though RDA was shown Annex 3-4 of Report 7830-GUI indicating project costs for the surveillance totalled \$3.44 million of which \$1.69 million foreign costs. It would appear sufficient money was earmarked for this work even if you take into account a sum for a vehicle and maintenance. In addition, RDA has indicated to my staff a willingness to accept some payment in local currency to the extent it can be used for local project costs.

We are puzzled as to why at this late date the Bank staff told Guinea that there is only enough money available for 1 1/2 to 2 years of surveillance.

We also understand that Bank staff now contend that the job can be done much more inexpensively by a French or local firm. This would appear to conflict with the fact that the only other bid was almost twice that of RDA. Rather than focusing on independent speculation, the fact remains that a legitimate international competitive tendering process has taken place geared to the selection of the best firm at the best price.

RDA has requested a meeting with Bank staff but has been told that a meeting would interfere with Government to firm relationships. This would not appear to be the case, as the Government of Guinea and the firm are in agreement.

I strongly recommend that Mr. Ohri chair a meeting between RDA and appropriate Bank staff and that this meeting take place within a week at the most. You may contact Mr. Craib directly at telephone (916) 622-8820 or I will be happy to notify him of the date you set.

Thank you for your cooperation in this matter.

Rep.

July 10, 1990

Honorable Steny H. Hoyer
4351 Garden City Drive
Suite 625
Landover, MD 20785

Dear Congressman Hoyer:

Thank you for your letter of June 11, in which you asked why Capitol Copy Products had not been briefed on our choice of another firm to provide desk-top copiers.

I can understand why the firm is disappointed. Unfortunately, our usual practices do not allow for briefings of unsuccessful bidders. In special circumstances, where the technical requirements are complex and firms are in a position to improve the product on offer, we do provide such briefings, but these conditions did not apply in this case. Even where they do, given the large volume of competitive bidding which we administer each year, we need to keep such briefings to a minimum, in the interest of economy and efficiency.

Another consideration is the privacy of our suppliers. Especially where price, rather than technical, factors have been important, we are reluctant to share information which competitors have provided confidentially.

We are grateful for the time and effort which Capitol Copy Products devoted to their proposal and hope that they will participate, and be successful, in future competitions of this kind at the Bank.

In the meantime, we are satisfied that this particular contract was awarded to the best qualified bidder in accordance with the stated criteria.

I hope this explanation will help you in responding to Mr. Manoogian. Attached is a longer note summarizing the circumstances.

Sincerely,

(Signed) Barber B. Conable

Barber B. Conable

Attachment

cleared with and bcc. Mr. T. Cullen, EXTIP

bcc. Mr. B. Alisbah, PAAVP
Mr. R. Lynn, GSDDR

HKiell:JWFringer:RCalderisi:jdc

Desktop Copier Procurement

Background Note

BACKGROUND:

Capitol Copy Products was one of 12 firms that submitted proposals to the World Bank to furnish desktop copiers to be delivered in the Washington metropolitan area over a three year period. Fifteen different copiers were proposed. Consistent with the criteria stated in the Request for Proposal, evaluation of the proposals was performed in two parts. Part I included an evaluation of each firm's technical qualifications, corporate capability and financial condition. Part II consisted of on site testing and evaluation of the life cycle cost of the copiers. On site testing included hands on testing by potential bank users over a two day period. The evaluation criteria and the corresponding scoring (point) values were detailed in the solicitation provided to all bidders. A pre-proposal conference was held and bidders were invited to submit questions pertaining to the procurement. Responses were provided to all bidders of record.

POLICY:

It is the Bank policy that contracts in excess of \$5,000 be awarded as a result of competition. Solicitations contain evaluation criteria, including the point value of each item in the overall evaluation. It should be noted that this policy is more specific than that normally followed by the US Government, in that the Government does not, typically, provide actual scoring criteria. The Bank strives to achieve fair and equitable procurements by providing all bidders with the same information.

Proposals submitted to the World Bank are considered proprietary to the Offeror. The information contained in each proposal is handled as confidential and is not releasable to individuals who do not have a need to know.

Debriefings are conducted as an exception to policy, in those procurements associated with the satisfaction of a technically complex, state of the art requirement. In those instances, the Bank would consider debriefing the manufacturer as the party which is able to act upon any technical deficiencies noted during the evaluation. These debriefings would address only the deficiencies of a particular proposal and do not offer a comparison of one proposal against another.

RESPONSE TO CAPITOL COPY PRODUCTS' CONCERNS:

The Bank provided an immediate interim response to Mr. Manoogian's 14 May 1990 request for information. Our 16 May 1990 letter stated that Mr. Manoogian's request was under review and because of present Bank policies, we were unable to comply with Mr. Manoogian's request for pricing or specific evaluation information by vendor/product. It should be noted that this information is considered proprietary to the Offeror and is not releasable. This letter was followed up on June 13, 1990, after careful review of the Bank procurement policies. As stated in our response, the Bank does not normally conduct debriefings. The procurement in question did not satisfy the criteria needed to grant a waiver to policy.

Mr. Manoogian's allegation that this procurement was not an honest arms length bid is unfounded. Although the Bank does have procedures for requesting and approving sole source procurements, the Bank policy is to compete contracts in excess of \$5,000. When sole source procurements are awarded, strict procedures are followed and a sole source justification is obtained and approved by appropriate procurement officials. However, in this instance a competitive procurement was undertaken. Evaluation criteria were stated in the solicitation document and were complied with during the evaluation process. The two day machine evaluation allowed potential Bank users, other than those on the initial review team, to test each copier and provide their evaluation of the machine, using a standard evaluation form. The potential users were a cross section of Bank personnel and organizations. The on site evaluation scores were combined with the life cycle costing scores. As stated in the Solicitation, award was then made to the firm receiving the highest score.

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

~~AK~~
~~SS~~
~~SS~~

CORRESPONDENCE DATE : 90/06/11

DUE DATE : 90/07/03

LOG NUMBER : 900625018

FROM : Cong. Hoyer

SUBJECT : Writing to request for a de-briefing on the reasons why Mr. Armen
Manoogian did not win the bid to supply copiers to the WBank.

OFFICE ASSIGNED TO FOR ACTION : Mr. Alisbah (D-1250)

ACTION:

- _____ APPROVED
- _____ PLEASE HANDLE
- _____ FOR YOUR INFORMATION
- _____ FOR YOUR REVIEW AND RECOMMENDATION
- _____ FOR THE FILES
- ✓ _____ PLEASE DISCUSS WITH _____
- _____ PLEASE PREPARE RESPONSE FOR BPC'S SIGNATURE
- _____ AS WE DISCUSSED
- _____ RETURN TO _____

COMMENTS :Attn. Mr. Alisbah's Office: Pls. clear final resp. with
Mr. Aguirre-Sacasa prior to submission to Mr. Conable's sign.
Note: JFringer replied to Manoogian's ltr. of 5/14, copy attached.
cc: Mr. Aguirre-Sacasa

EXPEDITE

STENY H. HOYER
5TH DISTRICT, MARYLAND

CHAIRMAN
DEMOCRATIC CAUCUS

CO-CHAIR
COMMISSION ON SECURITY AND
COOPERATION IN EUROPE

DEMOCRATIC STEERING
AND POLICY COMMITTEE

APPROPRIATIONS COMMITTEE

TREASURY, POSTAL SERVICE,
GENERAL GOVERNMENT

LABOR,
HEALTH AND HUMAN SERVICES,
EDUCATION

DISTRICT OF COLUMBIA

Congress of the United States
House of Representatives
Washington, DC 20515

June 11, 1990

Mr. Barber B. Conable, Jr.
President
World Bank
1818 - H Street N.W.
Washington, D.C. 20433

Dear Mr. Conable:

Enclosed is a copy of the letter which I received from Mr. Armen A. Manoogian, President and CEO of Capitol Copy Products regarding his request for a de-briefing for the World Bank on the reasons why his company did not win the bid to supply copiers to the Bank.

I would appreciate your checking into this problem and providing my office with a report.

With kindest regards, I am

Sincerely yours,


STENY H. HOYER

Enclosure

Please respond to:

4351 Garden City Drive
Suite 625
Landover, Maryland 20785

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

BARBER B. CONABLE
President

April 26, 1990

The Honorable Peter Hoagland
U.S. House of Representatives
Washington, D.C. 20515

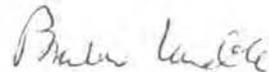
Dear Congressman Hoagland:

Thank you for your letter encouraging my acceptance of the invitation extended to me by Gary Schwendiman to participate this fall in the E. J. Faulkner lecture series at the University of Nebraska.

Unfortunately, I have had to regret Dean Schwendiman's invitation. This job, much like that of a Congressman, requires my presence in Washington during the week. In addition, the travel required to the Bank's member countries is determined by the host governments, making the scheduling of speaking commitments risky at best. For these reasons, I have done very little public speaking since becoming President of the World Bank.

I appreciate knowing of your strong interest in the University of Nebraska, and regret not being able to accommodate Dean Schwendiman's request.

Sincerely,



LM

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

CORRESPONDENCE DATE : 90/04/24 DUE DATE : 00/00/00
LOG NUMBER : 900426018 FROM : Cong. Hoagland
SUBJECT : ENDORSING TO SPEAK AT THE UNIVERSITY OF NEBRASKA !!!!

OFFICE ASSIGNED TO FOR ACTION : Mr. B. Conable (E-1227)

ACTION:

- _____ APPROVED
- _____ PLEASE HANDLE
- _____ FOR YOUR INFORMATION
- _____ FOR YOUR REVIEW AND RECOMMENDATION
- _____ FOR THE FILES
- _____ PLEASE DISCUSS WITH _____
- _____ PLEASE PREPARE RESPONSE FOR _____ SIGNATURE
- _____ AS WE DISCUSSED
- _____ RETURN TO _____

COMMENTS :

PETER HOAGLAND
2nd District
Nebraska



COMMITTEES:
COMMITTEE ON BANKING, FINANCE
AND URBAN AFFAIRS
SUBCOMMITTEES:
DOMESTIC MONETARY POLICY
FINANCIAL INSTITUTIONS
SUPERVISION, REGULATION AND
INSURANCE
GENERAL OVERSIGHT AND
INVESTIGATIONS
HOUSING AND COMMUNITY
DEVELOPMENT
INTERNATIONAL DEVELOPMENT,
FINANCE, TRADE AND MONETARY
POLICY
COMMITTEE ON SMALL BUSINESS

WASHINGTON OFFICE:
1415 Longworth House Office
Building
Washington, D.C. 20515
(202) 225-4155

Congress of the United States
House of Representatives

DISTRICT OFFICE:
8424 Zorinsky Federal Building
215 North 17th Street
Omaha, Nebraska 68102
(402) 221-4216

April 24, 1990

Barber B. Conable
President
World Bank
1818 H Street NW
Washington, DC 20433

Dear Mr. Conable:

Recently you received an invitation from the College of Business Administration at the University of Nebraska-Lincoln to speak at the E.J. Faulkner Lecture series this fall.

I am writing to urge you to give this invitation every consideration, as it would be a great honor to the University and a pleasure for all to hear your remarks. You would be in distinguished company, as past speakers include Pual A. Volcker, William E. Simon, and one of our own, Clayton Yeutter.

I realize your schedule does not permit you to accept every invitation, but I think you will find this event worthwhile.

Thank you for your consideration.

With best wishes,

Sincerely,

A handwritten signature in blue ink, appearing to read "P. Hoagland", written over a horizontal line.

Peter Hoagland

PJH/nn

U.S. HOUSE OF REPRESENTATIVES

WASHINGTON, DC 20515

PUBLIC DOCUMENT

OFFICIAL BUSINESS

Peter Hoagland
M.C.



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

BARBER B. CONABLE
President

April 20, 1990

The Honorable Virginia Smith
U.S. House of Representatives
Washington, D.C. 20515

Dear Virginia:

Thank you for your recent letter encouraging my acceptance of the invitation extended to me by Gary Schwendiman to participate this fall in the E. J. Faulkner lecture series at the University of Nebraska.

Unfortunately, I have had to send my regrets to Dean Schwendiman. Between managing this organization, which requires my presence in Washington during the week, and the travel required to the Bank's member countries, my time is fully consumed. The exact timing for my visits abroad is determined by the host governments, further complicating the possible scheduling of speaking commitments. I know you understand the problems of conflicting demands in a rigorous schedule.

It was good to hear from you. Best personal wishes.

Sincerely,



LM

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

CORRESPONDENCE DATE : 90/04/11 DUE DATE : 00/00/00
LOG NUMBER : 900418022 FROM : Ms. Virginia Smith
SUBJECT : Enclosing a copy of Mr. Schwendiman's inv. to speak for the
University of Nebraska lecture series.
OFFICE ASSIGNED TO FOR ACTION : Mr. B. Conable (E-1227)

ACTION:

- APPROVED
- PLEASE HANDLE
- FOR YOUR INFORMATION
- FOR YOUR REVIEW AND RECOMMENDATION
- FOR THE FILES
- PLEASE DISCUSS WITH _____
- PLEASE PREPARE RESPONSE FOR _____ SIGNATURE
- AS WE DISCUSSED
- RETURN TO _____

COMMENTS :Note to LM: attached is a copy of BBC's resp. to Mr. Schwendiman
and copied to E.J. Faulkner for your quick reference (C&M)

VIRGINIA SMITH
3D DISTRICT, NEBRASKA

2202 RAYBURN BUILDING
(202) 225-6435

COMMITTEE:
APPROPRIATIONS

SUBCOMMITTEES:
AGRICULTURE
ENERGY AND
WATER DEVELOPMENT

Congress of the United States
House of Representatives
Washington, DC 20515

April 11, 1990

The Honorable Barber B. Conable
President World Bank
1818 H St., NW
Washington, DC 20433

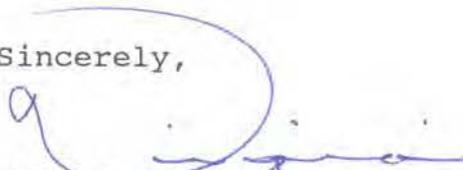
Dear Barber:

Enclosed is a letter from Gary Schwendiman, Dean of the college of Business Administration at the University of Nebraska in Lincoln, asking you to participate in the E. J. Faulkner lecture series this fall.

I hope you can give this request your utmost consideration. If you need additional information regarding the invitation, please do not hesitate to get in touch with me.

With best wishes, I am

Sincerely,



VIRGINIA SMITH
Member of Congress

VS/cc

March 27, 1990

Barber B. Conable
President World Bank
1818 H St. NW
Washington, DC 20433

Dear Mr. Conable:

The College of Business Administration at the University of Nebraska-Lincoln annually presents a distinguished individual in commerce and industry to address relevant and timely issues through the E. J. Faulkner Lecture series.

Your Senior Advisor of External Affairs, Julian Grenfell, very kindly suggested we write you in detail concerning our E. J. Faulkner Lecture.

The Lecture series, now in its twelfth year, has been well-received by faculty, students, and the business community in Nebraska. An audience of at least 600 is usual. The address is held on campus at a date convenient to the speaker between mid-September and mid-November. Past lecturers include Paul A. Volcker of the Federal Reserve System, William E. Simon, former Secretary of the Treasury, and Clayton Yeutter, Secretary of Agriculture.

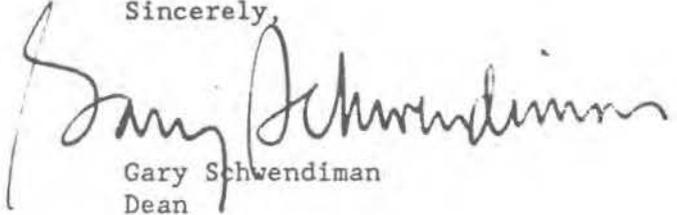
The subject of the address should be in the fields of economics, business or management but otherwise may be of the speaker's choosing. We are particularly interested in the relationship of political and economic events in the changing international arena.

These visits usually consist of the address, given midmorning, with a question and answer period followed by a noon luncheon. Interviews with local press representatives, faculty, graduate students, and business leaders may fill the afternoon. The address itself is usually printed and is circulated nationally and internationally depending on the wishes of the speaker. Usually the trip can be made with one overnight stay.

If you feel you can commit to a date between October 29 and November 9, 1990 we would be delighted to make appropriate arrangements for your visit. We can be quite flexible in accommodating any schedule which would facilitate your acceptance and enable you to be with us for a day next fall.

I believe your long and distinguished record of public service and extensive knowledge of international affairs would be of singular benefit to all who would be privileged to hear you. We would be most honored if you would accept our invitation to be the 1990 E. J. Faulkner Lecturer.

Sincerely,

A handwritten signature in cursive script, appearing to read "Gary Schwendiman". The signature is written in dark ink and is positioned to the right of the word "Sincerely,".

Gary Schwendiman
Dean

Congress of the United States
House of Representatives
Washington, DC 20515

OFFICIAL BUSINESS

Address Correction Requested
Do Not Forward

Virginia Smith
M.C.



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

BARBER B. CONABLE
President

April 11, 1990

Mr. Gary Schwendiman
Dean
University of Nebraska-Lincoln
College of Business Administration
Lincoln, Nebraska 68588-2311

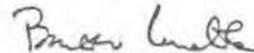
Dear Dean Schwendiman:

Thank you for your kind invitation to participate in the
E.J. Faulkner Lecture series between October 29 and November 9, 1990.

I very much regret that, due to prior commitments, I will be
unable to join you. My responsibilities at the World Bank greatly limit
the number of speaking engagements which I am able to accept - particularly
those which would require me to be away from Washington.

I appreciate your efforts to include me in your Lecture series.
Please accept our best wishes for the success of your program.

Sincerely,



cc: Mr. E.J. Faulkner



RESTRICTION NOTICE

Print Form



File Title Liaison Files: U.S. Government - U.S. House of Representatives - Correspondence 02	Barcode Number 1780991
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Document Date March 29, 1990	Document Type Correspondence
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Correspondents / Participants
 To: Claudine Schneider
 From: Barber Conable

Subject / Title

Exception Number
 1 2 3 4 5 6 7 8 9 10 A-C 10 D

Reason for Restriction
 (a) Personal information relating to personal staff records (performance evaluations, AER, salary, etc.); medical information;
 CV's; consultant fees, etc.

The items identified above have been restricted in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.

Withdrawn By Vlada Alekankina	Date October 26, 2011
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RESTRICTION NOTICE

Print Form



File Title Liaison Files: U.S. Government - U.S. House of Representatives - Correspondence 02	Barcode Number 1780991
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Document Date March 12, 1990	Document Type Correspondence
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Correspondents / Participants
 To: Barber Conable
 From: Claudine Schneider

Subject / Title

Exception Number
 1 2 3 4 5 6 7 8 9 10 A-C 10 D

Reason for Restriction
 (a) Personal information relating to personal staff records (performance evaluations, AER, salary, etc.); medical information;
 CV's; consultant fees, etc.

The items identified above have been restricted in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.

Withdrawn By Vlada Alekankina	Date October 26, 2011
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THE WORLD BANK
Washington, D.C. 20433
U.S.A.

BARBER B. CONABLE
President

March 27, 1990

Congressman James H. Scheuer
House of Representatives
Washington, D.C. 20515

Dear Jim

Thank you for your letter of March 1, 1990, concerning the Narmada projects in India. Before answering your specific questions, I would like to share with you briefly the backdrop to the agriculture development options that face India. They often get lost in the project debate.

If India is to make inroads into poverty over the next few decades, the current annual 2.5% increase in food production will not be adequate. Instead, increases will have to be on the order of 3% to 3.5%. Achieving this rate of growth will not be easy. Expansion of land for cultivation has largely come to an end. Fertilizer use is reaching high levels and diminishing returns are starting to set in. The production surge from the breeding of improved grain varieties may be over. In view of these limited options, the expansion of irrigation is extremely important. We cannot afford to underestimate the sheer scale of the task that is facing India and that the Narmada projects are attempting to address.

With respect to your question on the environmental work plan, as part of the project planning and preparation process, the University of Baroda undertook studies on various environmental aspects. A Bank environmental specialist reviewed these and recommended specific studies in selected areas such as fisheries, forestry and public health. December 31, 1985, was agreed as the date for completion of work plans to guide these tasks. While the plans were made in time, the actual implementation was thrown off by an 18 - month delay in project start-up because the Indian government decided to review previously made environmental decisions. Nonetheless, a World Health Organization team did investigate certain public health aspects, such as bilharzia, and recommended preventative measures.

Since then a series of other environmental studies and actions have been initiated. In Gujarat, studies on wildlife, archeology, religious shrines and fisheries are either completed, nearing completion or already underway. While the Bank has not given specific deadlines for the completion of each study, the completion dates have been set. For example, the wildlife study is expected to be completed by about January 1992. The catchment treatment plan for Gujarat is available and work has started. Compensatory afforestation plans are available and work is underway. Canal-side planting has been done. Incidentally, calculations suggest that at least 100 times more wood will be produced annually after the project than before the project. This is because the irrigated area will have large numbers of trees, and they will have a fast growth rate as a result of regular water supplies. Archeological planning is in hand and funds have been made available to shift some of the monuments. The flora and fauna study in Madhya Pradesh is about to start. The Sloth bear sanctuary in Gujarat has been extended and a five - year plan for that is

available. The Gujarat State Forest Department has been preparing plans for infrastructural facilities for three other sanctuaries that are expected to benefit from the project water. The report of a first phase survey done by the Fisheries Research Institute has been received. A plan for fish hatchery development, training and research has been finalized.

Now let me turn to your question on rehabilitation and resettlement. First, let me assure you that our overarching objective is to ensure that project affected persons find themselves at least as well off - or better - than they were prior to the project. To this end in November 1984, prior to negotiations of the Bank financed projects, a resettlement and rehabilitation plan was completed. This covered all affected states and went into detail on the first phase villages (mid - 1985 to mid - 1987). This plan was discussed, refined and agreed at negotiations. It was based on the requirements set by the Narmada Water Disputes Tribunal. It was agreed that subsequent stages of the program would be discussed with the Bank and carried out in consonance with the construction and inundation schedule. With the passing of time, and as the Bank gained more experience with resettlement, it pushed for the improvement of resettlement and rehabilitation policies.

There is now a range of planning documents, in the three states, including annual financial budgets, village submergence schedules, print outs of individual families holdings, critical path charts, notification procedures etc. We have set a number of conditions to be met by June 1990. These include an updated plan for the first 17 villages to be submerged in Madhya Pradesh, written confirmation of arrangements for transferring land to Madhya Pradesh project affected persons in Gujarat, a statement on the issue of acquiring inaccessible land (e.g. land surrounded by water), a change in the Monitoring and Evaluation Agency in Madhya Pradesh, clearance of forest land for resettlement in Maharashtra, and the filling of certain staffing posts. The challenge now is to get action on the ground at an increasing pace. There is encouraging progress in Gujarat and some progress in Madhya Pradesh, although the bulk of the resettlement in Madhya Pradesh will only come in the mid - 1990s.

With respect to your question on the submergence villages, the total number of villages in each submergence phase has been established for some time in Madhya Pradesh as well as the other two States. Data bases have been developed that go into great detail on each village affected in Madhya Pradesh. This data covers such things as composition of each affected family, its land holding, type of house, its animal holdings, etc. Critical path charts are also available, showing by what dates certain actions (e.g. legal notifications) must be initiated.

You asked about our position on Narmada Sagar. While this dam was originally considered an integral part of the basin development, the Bank has not made a decision to appraise it yet. We would require an environmental assessment in accordance with our new policies, and we would not proceed with the project unless there is continued satisfactory implementation of the Sardar Sarovar projects as well as an agreed financing plan. As you point out, we are moving toward a separate Basin Development Project that would deal mainly with catchment treatment, resettlement and environmental requirements in the basin as a whole. It would be self-standing and justified whether Narmada Sagar proceeded or not. If this project goes ahead, we will involve knowledgeable NGO's and representatives of project affected persons in design and preparation; in fact, the Bank preparation team has been requested to do precisely this.

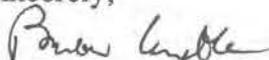
We are reviewing the economics of the Sardar Sarovar and Narmada Sagar projects by updating and adjusting the original analysis. We do not issue terms of reference for such analyses since this is a normal part of our work. As with the recent India National Trust for Art and Cultural Heritage report, which found economic rates of return around 10% (which we would not quarrel with), we will provide a document to relevant government departments and NGO's and will seek comments on both data and methodology.

March 27, 1990

We believe that the extent of consultation with the affected population in the planning and implementation of the Sardar Sarovar project has improved. We are monitoring it carefully.

Finally, may I urge you to try to visit the project yourself, not just the submergence area, but the villages, towns and areas that will receive the water. We believe that a balanced weighing of the benefits against the costs (and economic analysis can be only a part of that process) shows that the waters of the Narmada have tremendous unused potential to benefit the people and the economy of the region.

Sincerely,



Barber B. Conable
President

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

90309008

~~MAH~~
~~215~~

RECEIVED
90 MAR -9 AM 9:21
DUE DATE : 90/03/21

CORRESPONDENCE DATE : 90/03/01

LOG NUMBER : 900308002

FROM : James Scheuer

SUBJECT : Thanking BBC for his response of 11/2/89, Concerned about the Sardar Sarovar project & possible WB funding for Narmada Sagar Da

OFFICE ASSIGNED TO FOR ACTION : Mr. M. Qureshi (E-1241)

ACTION:

- APPROVED
- PLEASE HANDLE
- FOR YOUR INFORMATION
- FOR YOUR REVIEW AND RECOMMENDATION
- FOR THE FILES
- PLEASE DISCUSS WITH _____
- PLEASE PREPARE RESPONSE FOR OPDC's SIGNATURE
- AS WE DISCUSSED
- RETURN TO _____

COMMENTS : MAQ's office: Pls. clear final response with Mr. Aguirre-Sacasa prior to submission for Mr. Conable's signature.
cc: Mr. Aguirre-Sacasa



completion of the studies. The committee received evidence at the October 24, 1989 Congressional hearing that the environmental work plan (required per the World Bank loan agreement) which was to be finished by December 31, 1988 has not yet been started. This fact was recorded by Bank staff in the April and December 1989 missions to the valley, and is a clear violation of the loan agreement. Does the Bank intend to take further action on this issue?

With regard to the resettlement and rehabilitation issues, I understand that a comprehensive resettlement plan still has not been established for the 90,000 people to be displaced by the project and furthermore, there has not been identification of adequate resettlement land in the states of Madhya Pradesh and Maharashtra. According to the loan documents, I understood that these issues were to be resolved before the loan would be funded, consequently, I would like to know if the Bank has established a deadline for these conditions to be fulfilled.

According to reports I have received, Madhya Pradesh, the state with the highest number of victims has been severely affected. The number of victims is increasing and has been reported to be in the thousands. The state government has been unable to provide adequate relief to the victims. I would like to know if the Bank has established a deadline for these conditions to be fulfilled.

URN HOUSE
UILDING
ON, DC 20515
(202) 225-5471

DISTRICT OFFICES:

88 NORTHERN BLVD.
USHING, NY 11354
PHONE: (718) 445-8770

708 LYDIG AVE. #203
BRONX, NY 10462
TELEPHONE: (212) 823-6512
NASSAU: (516) 466-3939

Congress of the United States
House of Representatives
Washington, DC 20515

March 1, 1990

JAMES H. SCHEUER
8TH DISTRICT, NEW YORK

COMMITTEE ON SCIENCE,
SPACE, AND TECHNOLOGY

CHAIRMAN, SUBCOMMITTEE ON
NATURAL RESOURCES, AGRICULTURE
RESEARCH AND ENVIRONMENT

COMMITTEE ON ENERGY AND
COMMERCE

JOINT ECONOMIC COMMITTEE

CHAIRMAN, SUBCOMMITTEE ON
EDUCATION AND HEALTH

SELECT COMMITTEE ON
NARCOTICS ABUSE AND CONTROL

CONGRESSIONAL CLEARINGHOUSE
ON THE FUTURE

CO-CHAIRMAN

The Honorable Barber Conable
President
The World Bank
1818 H Street
Washington, D.C. 20433

Dear Barber,

I appreciated your taking the time to respond to the November 2, 1989 letter which my colleagues and I sent to you regarding the Sardar Sarovar dam project in Western India. We remain deeply concerned about the credibility of this project and about possible World Bank funding of the proposed Narmada Sagar Dam, the next major dam on the Narmada River. I continue to be concerned about the justification for continuing with this project in light of the of problems in environmental and resettlement planning and the viability of the original cost/benefit analysis for Sardar Sarovar.

It remains true that there has never been a comprehensive environmental impact assessment done on the Sardar Sarovar Project, and I believe it is essential that all environmental studies and action plans are available as soon as possible. I would like to know what specific deadlines the Bank has given the state governments for completion of the studies. The Subcommittee received evidence at the October 24, 1989 Congressional hearing that the environmental work plan (required per the World Bank loan agreement) which was to be finished by December 31, 1985 has not yet been started. This fact was recorded by Bank staff in the April and December 1989 missions to the valley, and is a clear violation of the loan agreement. Does the Bank intend to take further action on this issue?

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According to reports I have received, Madhya Pradesh, the state with the highest number of oustees has been extremely slow in identifying the number of total number of villages to be submerged in resettlement planning and has been remiss in efforts to involve the local communities. Considering the poor planning and implementation record of this state, it is alarming that the Bank is considering funding of a second project, the Narmada Sagar dam, in Madhya Pradesh. I would

The Honorable Barber Conable
March 1, 1990
Page Two

request information on the status of this project including when the appraisal is scheduled, and whether the Bank has required an environmental impact assessment. I understand that the Bank has assured Indian and international NGOs that Narmada Sagar would be put on hold indefinitely until the situation involving resettlement and rehabilitation at Sardar Sarovar had substantially improved; I would appreciate knowing whether the Bank intends to honor this commitment.

In recent meetings between my staff and Bank personnel, the Bank staff revealed that a plan to review the original cost/benefit analysis of the Sardar Sarovar Project is pending. This is also the understanding of representatives of NGOs in India and Washington, D.C. who have met with Bank staff. Under the circumstances of growing local and international opposition to this project, I believe this review should be conducted with an opportunity for public input and debate in India. Please advise me as to when the Bank plans to conduct this review, and what preparations the Bank has made for public participation. I would also request a copy of the terms of reference for this review.

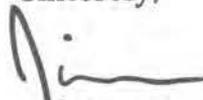
I understand that the Bank is considering IDA credit of up to \$200 million for a freestanding resettlement and rehabilitation project in connection with the Sardar Sarovar Dam and Power Project. Considering the poor record on implementing and enforcing Sardar Sarovar loan conditions notwithstanding the Bank's own policies on resettlement and rehabilitation, the mounting local and international opposition to this project, and in light of the Bank's public commitment to NGO involvement in Bank projects, I strongly believe this new credit must not be planned without the involvement of the affected people.

While I recognize the need for some confidentiality between the Bank and the Indian Government, in this particular case the interests of the affected population and their need for information must also be balanced. In the case of Sardar Sarovar, local opposition to the dam is a direct result of lack of consultation and communication with the affected population. Therefore, I feel it is essential that the World Bank in collaboration with the state governments initiate a concrete mechanism for public debate and input in the Narmada Valley regarding the viability, plans and conditions of the proposed freestanding resettlement credit.

I look forward to your response on these critical issues.

With every warm best wish,

Sincerely,



JAMES H. SCHEUER

JHS/mam

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

BARBER B. CONABLE
President

March 19, 1990

Dear Congressman Gray:

Thank you for your letter of February 15, expressing your interest in the working conditions of the janitors who clean our buildings.

Further to my letter of November 30, 1989, I am pleased to confirm that we have awarded the new contract for custodial services based on significantly improved compensation for the custodial service workers. After a careful review of the compensation practices followed by other private and public organizations in the Washington, D.C. area and the relevant laws of the District of Columbia and the U.S. government, the Bank decided to adopt voluntarily the U.S. Department of Labor's Wage Determination under the Service Contract Act for custodial employees performing services in Federal buildings in the Washington, D.C. metropolitan area. Based on competitive bidding, five companies were prequalified and submitted bids. The contract was awarded to the lowest-priced responsive bidder.

The new contract will result in an increase of about 14% in the wages earned by the people who clean our buildings. In addition, all workers will be provided with health and welfare benefits. I am thus satisfied that this contract meets the Bank's objective of ensuring that the compensation for custodial workers in Bank buildings be equitable. I would like to emphasize, however, that the custodial workers are employees of the contractor and not of the Bank.

With respect to your concern for the contractor's record in participating in fair and meaningful collective bargaining, unionization is, of course, a matter to be resolved between an employer and its employees, and it would not be appropriate for the Bank to intervene; other than as we have done by ensuring that the workers will be adequately compensated.

I appreciate your continued interest in and support for the World Bank.

Sincerely,

(Signed) Barber B. Conable

The Honorable William H. Gray, III
House of Representatives
Washington, D.C. 20515

Cleared with and bcc. Messrs. Alisbah, Aguirre-Sacasa, Lynn
Ms. Lindsay

HSKohl:ab

#K
JWE

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

CORRESPONDENCE DATE : 90/02/15

DUE DATE : 90/03/19

LOG NUMBER : 900222003

FROM : Cong. W. Gray

SUBJECT : Follow-up re his interest in the Bank's selection regarding
the cleaning contractor.

OFFICE ASSIGNED TO FOR ACTION : Mr. Alisbah (D-1250)

ACTION:

- _____ APPROVED
- _____ PLEASE HANDLE
- _____ FOR YOUR INFORMATION
- _____ FOR YOUR REVIEW AND RECOMMENDATION
- _____ FOR THE FILES
- ✓ _____ PLEASE DISCUSS WITH _____
- _____ PLEASE PREPARE RESPONSE FOR BBCs SIGNATURE
- _____ AS WE DISCUSSED
- _____ RETURN TO _____

BA:
 COMMENTS :pls. clear final resp. with Mr. Aguirre-Sacasa prior to
 submission for Mr. Conable's sig.
 cc: FAS

In November 1989 I was in your office expressing my interest in the World Bank's steps to improve the working conditions of janitors. At that time the Bank was preparing to select a cleaning contractor, which according to your reports would provide health benefits as well as wages at or above the prevailing Washington, DC wage levels.

We need to continue our interests in the Bank and its labor relations. I would appreciate a guide on the status of the selection. We understand an contractor when you may discuss with them up to their level in the participation in the collective bargaining.

I look forward to your prompt response.

Sincerely,

Congress of the United States
House of Representatives
Office of the Majority Whip

February 15, 1990

The Honorable Barber Conable
President
World Bank
1818 "H" Street, N. W.
Washington, D. C. 20433

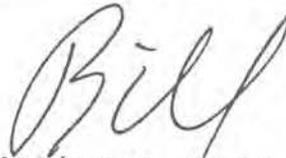
Dear President Conable:

On November 15, 1989 I wrote to you expressing my interests in the World Bank's steps to improve the working conditions of its janitors. At that time the bank was preparing to select a new cleaning contractor, which according to your mandate would provide health benefits as well as wages at at least the prevailing Washington, DC wage levels.

As part of my continuing interests in the Bank and its labor relations, I would appreciate an update on the status of your selection, and information on any contractor whom you may have chosen with respect to their record in the participation in fair and meaningful collective bargaining.

I look forward to your prompt response.

Sincerely,



William H. Gray, III

January 19, 1990

The Honorable Jon Kyl
U.S. House of Representatives
Washington, D.C. 20515

Dear Congressman Kyl:

Thank you for your letter of December 20, 1989. I would like to address the issues raised by your constituent, Mr. John Pamperin, concerning the Sardar Sarovar projects in India, which the World Bank is helping to finance.

The projects are designed to bring irrigation, electricity, and drinking water to millions of people in several drought-prone states of western India. The task is formidable yet vitally important to this part of the country; about five million people were estimated to be living in the rural sections of the Sardar Sarovar command area alone in 1981. By the time these projects are completed the total population likely to benefit may approach 15 million. The scanty and erratic rainfall in the benefitting areas does not provide a reliable basis for productive modern agriculture; water for domestic and animal consumption is frequently in extremely short supply and the availability of electric power continues to be a major constraint to non-agricultural economic growth in the region.

Several alternative development options were investigated by the special Narmada Water Disputes Tribunal that was set up by the Government of India in the 1970s. These alternatives included a series of smaller dams, as well as varying heights to the large dam. The conclusion was that the dam currently under construction offered the best solution, taking into account technical, economic and other considerations.

The construction of the dam will necessitate the resettlement of a large number of people. The provisions to be made for families whose land and homes will be affected by the project were the subject of very extensive discussion between the Bank and the Indian authorities. The ruling of the Narmada Tribunal, together with agreements reached with the Government of India and the participating states as conditions for Bank support to the project, provide a comprehensive resettlement plan which will ensure that those families whose land and homes are affected by the dam will be appropriately compensated. The program will ensure that all affected persons will at least regain their previous economic status, and that many will be significantly better off. All those wishing to continue to derive their livelihood from agriculture will be able to do so. Due attention to other aspects of their rehabilitation—for example, by resettling villages as far as possible in contiguous groups—is also provided for under our agreements with the implementing agencies. Bank staff have met, and will continue to meet, non-governmental organizations who are active in the project area to ensure that the information available is as complete and representative as possible.

The environmental impact of the project was investigated carefully by the Water Disputes Tribunal and again by the Bank appraisal mission. A special environmental study was commissioned by the Bank, and a United States consultant completed this study before project implementation began. In addition, several specific studies and work programs are underway relating to fisheries, public health and forestry. On the latter, the project provides for a complete

replacement of affected forest areas which, incidently, are severely degraded and likely to be completely lost without the project. Archeological and water resources aspects are also receiving attention. The most recent report from the field, prepared by a Bank Environmental Specialist, indicates significant progress in all these areas over the last few months.

While the Narmada projects have generated a great deal of concern and criticism in some quarters, there is also considerable support for them in India. On September 26 last year the legislative assembly of Gujarat (which includes the elected representatives of areas in Gujarat which constitute a small but significant proportion of the affected people submerged by the reservoir as well as areas which will benefit from the project) unanimously passed a resolution affirming support for the projects, which was described as the "lifeline" for the state.

I do not wish to underestimate the difficult resettlement issues associated with these projects. However, we are working closely with project authorities and others, including non-governmental agencies, to deal with them fairly and thoroughly. In time, we feel that the projects will prove to be of enormous benefit to the people and the economy of the area.

You also asked about the United States' position on this issue and my thoughts about Bank lending and environmental protection generally. The United States, through the Executive Director's office, has followed the progress of the Sardar Sarovar project very carefully and has been briefed periodically by Bank staff working on the project, particularly about the resettlement and environment aspects. As for the general issue, I am very much concerned about the potential environmental consequences of all our development projects. I believe the World Bank has a special responsibility to help developing nations better integrate the management of natural resources into development planning and involvement. Without question, the battle against global poverty is also the fight for a sustainable environment.

Sincerely,

(Signed) Barber B. Conable

Barber B. Conable
President

cc: Mr. E. Patrick Coady, Executive Director

Cleared with and cc: Messrs. Wijnand (AS4AG); Ritchie (AS4DR); and Ms. Maguire (EXTPA)

cc: Messrs./Mesdames.: Qureshi, Vergin (OPNSV); Karaosmanoglu, Thalwitz (ASIVP); Humphrey (AS4DR); Stanton (EXC); Aguirre-Sacasa, Piddington (ENVDR); Davis (ASTEN); Blinkhorn(AS4AG); Kraske, Baxter (NDO); Black Book

TBlinkhorn/mg

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

900105015 ^{14/Jan}
P

CORRESPONDENCE DATE : 89/12/20 DUE DATE : 90/01/15 ¹⁹
LOG NUMBER : 900104005 FROM : Congressman Jon Kyl
SUBJECT : constituent concern about Sardar Sarovar dam in India
 constituent's name is John Pamperin
OFFICE ASSIGNED TO FOR ACTION : Mr. M. Qureshi (E-1241)

ACTION:

- _____ APPROVED
- _____ PLEASE HANDLE
- _____ FOR YOUR INFORMATION
- _____ FOR YOUR REVIEW AND RECOMMENDATION
- _____ FOR THE FILES
- _____ PLEASE DISCUSS WITH _____
- _____ PLEASE PREPARE RESPONSE FOR BBC's SIGNATURE
- _____ AS WE DISCUSSED
- _____ RETURN TO _____

COMMENTS : MAQ: Please clear final response with EXT

cc: Mr. Aguirre-Sacasa

JON KYL

4TH DISTRICT, ARIZONA

DEPUTY REPUBLICAN WHIP

ARMED SERVICES COMMITTEE

SUBCOMMITTEES

RESEARCH AND DEVELOPMENT

INVESTIGATIONS

GOVERNMENT OPERATIONS COMMITTEE

SUBCOMMITTEES

LEGISLATION AND NATIONAL SECURITY

HOUSING AND EMPLOYMENT

Congress of the United States
House of Representatives
Washington, DC 20515

REPLY TO

WASHINGTON OFFICE

313 CANNON HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
PHONE: (202) 225-3361

DISTRICT OFFICE

4250 EAST CAMELBACK ROAD
SUITE 140-K
PHOENIX, AZ 85018
PHONE: (602) 840-1891

TELEPHONE FOR
THE HEARING-IMPAIRED
(602) 840-6663

December 20, 1989

The Honorable Barber B. Conable, Jr.
President
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433

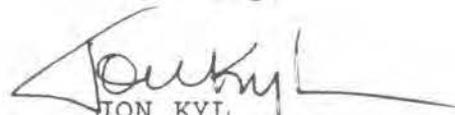
Dear Mr. Conable:

A constituent of mine, Mr. John Pamperin, contacted me recently about the environmental impact of a recent World Bank loan to India. A copy of his letter is enclosed.

I would appreciate it if you could let me know what consideration the U.S. delegation gave to this issue, and your thoughts on linking environmental protection and World Bank lending practices in general.

Thank you, in advance, for your attention to this request.

Sincerely,


JON KYL
Member of Congress

JK:tg
Enclosure

191223
23631 DEC 19 RECD

Dir Rep. Kyl:

I am writing to you on a number of issues.

The first being the loan by the World Bank to India for the construction of the Sardar Sarovar Dam on the Narmada River. The World Bank cannot be allowed to use US funds and those of other nations to finance projects that are socially and environmentally destructive, and result in massive destruction of the world's natural resources.

Furthermore, the Indian government has not fulfilled its obligations to complete environmental studies and resettlement plans and must not be rewarded for its lack of action with any more World Bank funds for Sardar Sarovar. The cancellation of this loan will demonstrate that the World Bank refuses to throw our money into destructive assaults on our planet.

I also ask your support of three clean-air bills: H.R. 1470, H.R. 2585, & H.R. 2323.

I feel these three bills have much more effect in the battle to control acid rain, Air toxics & urban smog. Please support these important measures.

Another issue of importance is the National Energy Policy.

Congress should immediately set to work on the development of a comprehensive national energy policy to guide federal government in this important field.

Many of the external costs - from environmental destruction to economic and national security disruptions to public health disorders - are not reflected in the price of energy.

U.S. energy policy must emphasize energy conservation and safe reliable, renewable energy sources. We must stop subsidizing oil, coal & nuclear power at ever greater public expense and ever greater economic disruptions.

My final issue for your consideration is the future of the Tiajris Atlas Mountains in S.W. Arizona.

I am concerned that the Tinajas Altas needs protection and I don't feel that the Marine Corps or the BLM are ~~the~~ the appropriate managers of the area.

This precious area is not a lost cause and we may still have a chance of ~~a~~ success in saving this culturally and environmentally special area.

Please do everything in your power to help protect this area.

I would like to add one more concern of which I have just become aware of.

The last lowland tropical rain forest in the U.S., located on the Island of Hawaii, is about to be destroyed if plans for a giant geothermal electric generating project on the Puu district of the Big Island.

I urge you to institute least cost energy in Hawaii, emphasizing conservation, wind and solar as alternatives to the expensive and destructive geothermal project.

If the U.S. can't protect its only lowland tropical forest, how can we ask our neighbors to the south to do the same?

I only hope you will find these concerns of interest to you and do what you can to make the world a better place for all.

Thank you,

Sincerely,

John Pomper

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

*noted, filed
& closed in
1/23 m*

BARBER B. CONABLE
President

December 18, 1989

The Honorable Mel Levine
U.S. House of Representatives
Washington, D.C. 20515

Dear Congressman Levine:

Thank you for your letter of November 16, 1989, which was also signed by your colleagues, Congressmen Bosco, Lagomarsino and Lantos, concerning the dispute between Security Pacific Trade Finance, Inc. (Security Pacific) and the People's Construction Bank of China (PCBC). Security Pacific brought this situation to our attention in October. Since then, we have discussed the matter with both the Chinese and Security Pacific. I am sure you will appreciate that this commercial dispute, as in so many other cases of its kind, has a complex history of events and obligations to which both sides apply differing interpretations.

In response to Security Pacific's inquiry, we initiated contacts with Chinese authorities, including PCBC. Those discussions indicated that meetings between PCBC and Security Pacific had taken place, and the PCBC wishes to resolve the matter amicably. We understand that the funds have been frozen in a Chinese bank by a local court in Shenzhen. Hopefully, both parties will take appropriate steps to resolve this dispute without undue delay.

The World Bank, as a matter of policy, does not intervene in commercial disputes of this nature. That having been said, if you can suggest any other way in which we might be helpful, please let me know.

Sincerely,

Barber Conable

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

BARBER B. CONABLE
President

December 18, 1989

The Honorable Douglas H. Bosco
U.S. House of Representatives
Washington, D.C. 20515

Dear Congressman Bosco:

Thank you for your letter of November 16, 1989, which was also signed by your colleagues, Congressmen Lagomarsino, Lantos and Levine, concerning the dispute between Security Pacific Trade Finance, Inc. (Security Pacific) and the People's Construction Bank of China (PCBC). Security Pacific brought this situation to our attention in October. Since then, we have discussed the matter with both the Chinese and Security Pacific. I am sure you will appreciate that this commercial dispute, as in so many other cases of its kind, has a complex history of events and obligations to which both sides apply differing interpretations.

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Sincerely,



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

BARBER B. CONABLE
President

December 18, 1989

The Honorable Robert J. Lagomarsino
U.S. House of Representatives
Washington, D.C. 20515

Bob -
Dear Congressman Lagomarsino:

Thank you for your letter of November 16, 1989, which was also signed by your colleagues, Congressmen Bosco, Lantos and Levine, concerning the dispute between Security Pacific Trade Finance, Inc. (Security Pacific) and the People's Construction Bank of China (PCBC). Security Pacific brought this situation to our attention in October. Since then, we have discussed the matter with both the Chinese and Security Pacific. I am sure you will appreciate that this commercial dispute, as in so many other cases of its kind, has a complex history of events and obligations to which both sides apply differing interpretations.

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Sincerely,

Barber Conable

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

BARBER B. CONABLE
President

December 18, 1989

The Honorable Tom Lantos
U.S. House of Representatives
Washington, D.C. 20515

Tom
Dear ~~Congressman~~ Lantos:

Thank you for your letter of November 16, 1989, which was also signed by your colleagues, Congressmen Bosco, Lagomarsino and Levine, concerning the dispute between Security Pacific Trade Finance, Inc. (Security Pacific) and the People's Construction Bank of China (PCBC). Security Pacific brought this situation to our attention in October. Since then, we have discussed the matter with both the Chinese and Security Pacific. I am sure you will appreciate that this commercial dispute, as in so many other cases of its kind, has a complex history of events and obligations to which both sides apply differing interpretations.

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Sincerely,

Barber Conable

CD3 to handle

cc: AKI log file

WORLD BANK OTS SYSTEM
SENIOR VICE PRES. OPERATIONS

CORRESPONDENCE DATE : 89/11/16

DUE DATE : 89/12/18

LOG NUMBER : 891211002

FROM : EXC

SUBJECT : CHINA - LETTER CONG. LEVINE ET AL RE BANK'S FIN. RELATIONS WQITH
CHINA - IMPLICATIONS FOR RELATIONS WITH US BANKS - SECURITY PACIF

OFFICE ASSIGNED TO FOR ACTION : Mr.Karaosmanoglu/E-10-071

ACTION:

- APPROVED
- PLEASE HANDLE
- FOR YOUR INFORMATION
- FOR YOUR REVIEW AND RECOMMENDATION
- FOR THE FILES
- PLEASE DISCUSS WITH _____
- PLEASE PREPARE RESPONSE FOR H. Conable SIGNATURE
- AS WE DISCUSSED
- RETURN TO _____

COMMENTS : PRIORITY #1

PLEASE CLEAR REPLY WITH MR. STERN AND MR. AGUIRRE-SACASA BEFORE
SUBMITTING TO MR. QURESHI

8912110021. JHS
~~ml~~

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

RECEIVED
89 DEC 11 AM 10:46

CORRESPONDENCE DATE : 89/11/16

DUE DATE : 89/12/198:46

LOG NUMBER : 891205007

FROM : Cong. Levine, etc.

SUBJECT : RE: WBank's financial relations with the People's Republic of
China's implications with banks/financial institutions.

OFFICE ASSIGNED TO FOR ACTION : Mr. M. Qureshi (E-1241)

ACTION:

- APPROVED
- PLEASE HANDLE
- FOR YOUR INFORMATION
- FOR YOUR REVIEW AND RECOMMENDATION
- FOR THE FILES
- PLEASE DISCUSS WITH _____
- PLEASE PREPARE RESPONSE FOR BBCs SIGNATURE
- AS WE DISCUSSED
- RETURN TO _____

COMMENTS :MAQ's office: pls. coordinate resp. with Messrs. Stern & FAS
prior to submission for Mr. Conable's signature.
cc: Messrs. Stern, Aguirre-Sacasa

EXPEDITE

* L. LEVINE
DISTRICT, CALIFORNIA
COMMITTEE ON FOREIGN AFFAIRS
COMMITTEE ON INTERIOR
AND INSULAR AFFAIRS
SELECT COMMITTEE ON NARCOTICS
ABUSE AND CONTROL
CO-CHAIR
HOUSE EXPORT TASK FORCE

Congress of the United States
House of Representatives
Washington, DC 20515

WASHINGTON OFFICE:
132 CANNON HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
TELEPHONE: 202-225-6451

DISTRICT OFFICE:
5250 WEST CENTURY BOULEVARD
SUITE 447
LOS ANGELES, CA 90045
TELEPHONE: 213-410-9415
213-393-4135 (SANTA MONICA)

November 16, 1989

The Honorable Barber B. Conable
President
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433

Dear Mr. Conable:

I wish to call to your attention a matter which, if not resolved, is likely to adversely affect our United States financial relations with the People's Republic of China.

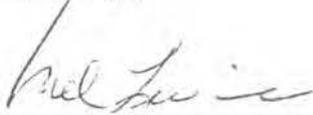
Security Pacific Trade Finance, Inc. of New York ("Security Pacific") is a wholly-owned subsidiary of Security Pacific Bank of California. We have been informed that Security Pacific is the holder in due course of three matured bills of exchange (banker's acceptances) totalling over \$7.4 million, guaranteed by the People's Construction Bank of China ("People's Bank"). Demand for payment has been made at maturity, but the People's Bank has refused to pay. They claim that there was fraud in the underlying export transaction financed with the bills of exchange. We are advised, however, that fraud, or other irregularities in the underlying transaction cannot, as a matter of law, operate as a defense or reason for not paying vis-a-vis a holder in due course without notice of the irregularity such as Security Pacific. Last month, Security Pacific consequently declared the People's Bank in default.

We believe that the People's Bank's continuing default could have serious implications for China's financial relations with United States banks and international financial institutions. The default could also trigger "cross-default" provisions in numerous Chinese loans from Japanese and European lenders.

We would be grateful to you if the World Bank would use its good offices and raise this matter on a priority basis with the appropriate Chinese authorities.

Thank you in advance for your assistance.

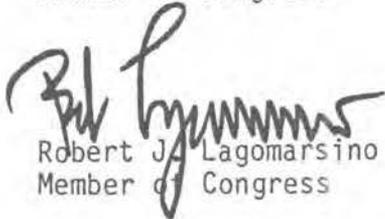
Sincerely,



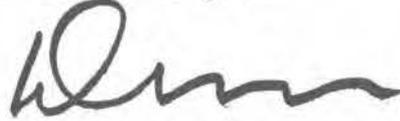
Mel Levine
Member of Congress



Tom Lantos
Member of Congress



Robert J. Lagomarsino
Member of Congress



Douglas H. Bosco
Member of Congress

US Rep

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

BARBER B. CONABLE
President

November 20, 1989

The Honorable Claudine Schneider
U. S. House of Representatives
Washington, D.C. 20515

Claudine

Dear Representative Schneider:

Thank you for your letter of November 2 concerning the Sardar Sarovar projects in India.

As I mentioned to Congressman Scheuer in a previous communication on this matter, we share your concerns about the resettlement and environment aspects of the project and have been working very closely with the Indian authorities to ensure that policies and programs to deal with these aspects are formulated and implemented with the utmost care.

There have been lapses in implementation. On occasion, performance has not always conformed to the plans. But remedial action has been taken and, on balance, we feel that progress is being made.

As you know, the projects are designed to bring irrigation, electricity and drinking water to millions of people in several drought-prone states of western India. The task is formidable yet vitally important to this part of the country; about five million people were estimated to be living in the rural sections of the Sardar Sarovar command area alone in 1981 and the population growth rate is greater than 2% a year.

Several alternatives to a large dam were investigated by the special Narmada Water Disputes Tribunal that was set up by the Government of India in the 1970s. These alternatives included a series of smaller dams as well as varying heights to the large dam. The conclusion was that the dam currently under construction offered the best solution, given the enormity of the objective and taking into account technical, economic and other considerations. For example, a series of small dams presents many more potential difficulties than a single large one. Finding appropriate sites for them is very difficult and the cost per hectare irrigated escalates rapidly as one moves from relatively easy to increasingly difficult locations. The percentage of inundated area to command area, which is high even in the better small dam sites, increases rapidly as greater numbers of sites are pursued. Simultaneously, resettlement and environmental problems mount. Then, smaller dams do not provide the kind of power benefits that a large structure affords.

We monitor alleged violations of Bank policy or of the Bank's Loan and Credit agreements on resettlement and environment, and other aspects at least twice a year through on-site visits by Bank staff and consultants. From time to time, an exact deadline for certain actions may not be met fully. Oftentimes, unforeseen circumstances are at work. For example, the Government of India decided, after the projects had been approved, to undertake another detailed environmental assessment and this resulted in an implementation delay of about 18 months. As long as project authorities are making a best effort to implement the project in accordance with legal agreements and are prepared to take remedial action when necessary, our position is that we should

continue to support the project. However, where this commitment is not evident and where there has been a clear violation of an agreement, the Bank is not averse to taking appropriate action, including suspension of disbursements, and this has been done in other projects in India.

Environmental aspects of the project were investigated carefully by the Water Disputes Tribunal and again by the Bank appraisal mission. A special environmental study was commissioned by the Bank and a United States consultant completed this before project implementation began. In addition, several specific studies and work programs are underway relating to fisheries, forestry and public health. Archeological and water resources aspects are receiving required attention. Terms of reference have been agreed for studies of wildlife management. The project does have some environmental benefits also. For example, it will help wildlife parks, through the provision of more regular water supplies.

On the issue of the Bank's economic analysis, a very comprehensive examination was conducted as part of the appraisal work in 1984/85. Rehabilitation and resettlement requirements were costed as was forest land and land lost to inundation. Public health costs were not included originally since it was not obvious, and is still not, that the assumed health costs will outweigh the health benefits from assured water supplies for drinking and washing. Future levels of siltation were studied and indicated a reservoir life for the SSP dam in the range of 180 to 340 years.

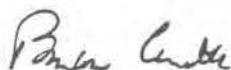
As I noted in my earlier letter to Congressman Scheuer, staff of the Bank's India department have made a preliminary review of Mr. Paranjpye's assessment for the Indian National Trust for Art and Cultural Heritage (INTACH) and have concluded that our original decision to support this project remains sound. While some costs have increased, so have some benefits. For example, benefits from power generation are much greater than originally estimated and the original benefits ascribed to municipal and industrial water were almost certainly undervalued. Overall, we do not think the economic rate of return has changed significantly from the 13 percent calculated in 1985. The INTACH report estimates the return for the SSP project at 10.8% and for the proposed Narmada Sagar project at 12.2%.

While the Narmada projects have generated a great deal of concern and criticism in some quarters, there is also considerable support for them in India. On September 26 this year the legislative assembly of Gujarat, after a two-hour discussion of the issues, unanimously passed a resolution affirming support for the projects, which have been described as "lifelines" for that state.

In closing, I would like to emphasize how very much concerned I am about the potential environmental consequences of all our development projects. I would also like to underscore the importance of IDA to poor countries such as India. As you know, one of the original motivations behind the creation of IDA was to help India grow out of a very dismal economic condition. The United States Congress was the principal instigator for this decision and in many different ways the success of IDA can be seen in India today. For example, the country, which in the 1960s had to import massive quantities of food grains, is now self sufficient, thanks in large part to IDA assistance, which supplemented India's very impressive effort, particularly in developing irrigated agriculture.

We believe this performance can be duplicated in the future -- in India and elsewhere -- as we continue the battle against global poverty through sustainable development.

Sincerely,



Barber B. Conable
President

Identical letters were sent to the following Members of Congress: Scheuer, Owens, Morrella, Pallone, Brown

Environmental aspects of the project were investigated carefully by the Water Disputes Tribunal and again by the Bank appraisal mission. A special environmental study was commissioned by the Bank, and a United States consultant completed this study before project implementation began. In addition, several specific studies and work programs are underway relating to fisheries, forestry and public health. Archeological and water resources aspects are receiving required attention. Terms of reference have been agreed for studies of wildlife management.

On the economic analysis, as I mentioned in my November 1 letter, we have reviewed Mr. Paranjpye's assessment and have concluded, for reasons explained in my previous letter, that our original decision to support the project remains sound. Siltation also was examined by engineers in the project preparation stages and they estimated a reservoir life for the Sardar Sarovar project in the range of 180 to 340 years.

I do not wish to underestimate the difficult resettlement and environmental issues associated with these projects. However, we are working closely with project authorities and others, including non-governmental agencies, to deal with them fairly and thoroughly. In time, we feel that the projects will prove to be of enormous benefit to the people and the economy of the area.

Sincerely,

Barber B. Conable
President

Cleared with and cc: Alisbah (AS4DR); Wijnand (AS4AG); Ritchie (AS4CO); Maguire (EXTPA)
cc: Mr. E. Patrick Coady, Executive Director
cc: Messrs./Mme.: Qureshi (OPNSV); Karaosmanoglu (AS1VP); Humphrey (AS4DR); Stanton (EXC); Aguirre-Sacasa, H. Nicholas (EXTDR); Piddington (ENVDR); Davis (ASTEN); Blinkhorn (AS4AG); Kraske, Baxter (AS4NA)

(ALL LETTERS HAVE BEEN CLEARED WITH THE ABOVE)

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT
THE WORLD BANK
Washington, D.C. 20433
U.S.A.

Handwritten initials/signature

BARBER B. CONABLE

CORRESPONDENCE DATE : 89/11/02

DUE DATE : 89/11/02 ²¹

LOG NUMBER : 891106004

FROM : Claudine Schneider

SUBJECT : Members of Congress: re testimony received that the WBank
continues to support the Sardar Sarovar Dam Project in India.

OFFICE ASSIGNED TO FOR ACTION : Mr. M. Qureshi (E-1241)

ACTION:

- APPROVED
- PLEASE HANDLE
- FOR YOUR INFORMATION
- FOR YOUR REVIEW AND RECOMMENDATION
- FOR THE FILES
- PLEASE DISCUSS WITH _____ *BBG* SIGNATURE
- PLEASE PREPARE RESPONSE FOR _____ SIGNATURE
- AS WE DISCUSSED
- RETURN TO _____

COMMENTS : MAQ's office: pls. clear final resp. with Mr. Aguirre-Sacasa
prior to submission for Mr. Conable's signature.
cc: Mr. Aguirre-Sacasa

Congress of the United States

Washington, DC 20515

November 2, 1989

The Honorable Barber Conable
President
The World Bank
1818 H Street N.W.
Washington, D.C. 20433

Dear Mr. Conable:

We are writing to you regarding the urgent issue of World Bank financing of the Sardar Sarovar Dam project in India and its consequences for the institutional credibility and viability of the World Bank. Last week in a special hearing, the Subcommittee on Natural Resources, Agriculture Research and Environment of the Committee on Science, Space, and Technology received testimony that the Bank continues to support this project despite four years of systematic negligence in resettlement and rehabilitation for the 90,000 people who will be displaced, and scandalous environmental and economic mismanagement. As a result of this hearing and discussions with Bank staff, we believe that there is sufficient and compelling reasons that this loan should be cancelled immediately.

We call for this bold action with a sense of regret, committed as we are to the World Bank's role in providing developmental aid to counties and to improvements in the sustainable economic development of India, in particular. We feel that in this case, the World Bank has backed a project without comprehensively comparing available alternatives which rely on decentralized, low-cost energy and irrigation approaches, and which could be more productive and less disruptive in the long-run.

The Sardar Sarovar Dam project has been fraught with violations of the World Bank's loan and credit agreement conditions on resettlement and environment, and violation's of the Bank's own policy on involuntary resettlement. The demonstrations which have taken place in India over the past few months, provide persuasive evidence that the putative "beneficiaries" of this developmental assistance will in fact bear disproportional costs, in terms of loss of homes, land and incomes, as a result of this project.

Testimony from Indian representatives of non-government organizations (NGOs) detailed the lack of regional environmental planning and a total absence of a comprehensive environmental assessment -- four years after the Bank approved this project. The absence of an environmental work plan is a clear violation of the loan agreement. In light of the progressive environmental policies you have sought to implement and your personal commitment to environmentally sound development, it is extremely troubling that the Bank would continue its support of this project.

The Honorable Barber Conable
Page 2
November 1, 1989

Other testimony revealed a total lack of comprehensive economic planning and an inadequate cost/benefit analysis. Full costs of the project, such as the cost of resettlement and rehabilitation of the 90,000 people who are being displaced, the environmental costs associated with loss of forest and farmland and the cost of public health impacts have never been assessed. Bank staff familiar with the project have admitted that the economic analysis of the project is seriously flawed and have belatedly stated the need to review the original cost benefit analysis. An economic appraisal of the project sponsored by the Indian National Trust for Art and Cultural Heritage states that the present level of siltation in the Narmada River will reduce the efficiency of the Sardar Sarovar dam by at least 50%.

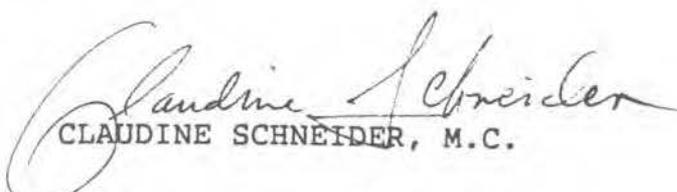
As you know, the issue of replenishment for the International Development Association (IDA) will soon be before the Congress. We believe that this funding increase would be particularly difficult to justify to U.S. taxpayers unless the World Bank takes immediate steps to insure that all of the projects funded by IDA are in compliance with the stated policies of the Bank. Continued funding of the Sardar Sarovar project -- and the possibility of funding other dams in the Narmada Valley such as Narmada Sagar, the feeder dam for Sardar Sarovar -- raise questions about the Bank's ability to assure donor countries that minimal environmental, social and economic standards will be met in future IDA projects.

The credibility of the Bank's public commitment to environmentally and socially sound development is balanced on a precipice. Continued World Bank involvement in the Sardar Sarovar project sends a clear signal to borrower countries that the environmental and social conditions in the loan agreements are not enforced and bona fide established. In light of the overwhelming evidence of the unsoundness of this project, and its broader implications for the Bank, we believe it would be a gross misuse of public funds to consider an increased replenishment for an institution which has demonstrated its disregard for human rights and environmental concerns.

We urge you to maintain the credibility of the World Bank and reconsider your support of this project.

Sincerely,

JAMES H. SCHEUER, M.C.


CLAUDINE SCHNEIDER, M.C.

Wayne Owens
WAYNE OWENS, M.C.

Connie Morella
CONSTANCE A. MORRELLA, M.C.

Frank Pallone, Jr.
FRANK PALLONE, Jr., M.C.

George E. Brown, Jr.
GEORGE E. BROWN, Jr., M.C.

7ep

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

BARBER B. CONABLE
President

November 20, 1989

The Honorable Jim Moody
Congress of the United States
House of Representatives
Washington, D.C. 20515

Dear Jim:

Many thanks for your note on Poland. As you clearly appreciate from your recent visit, things are moving rapidly there, and concerted assistance from all donors will be extremely important in supporting these developments.

Let me say at the outset that the Government of Poland and the Bank have been and are working to prepare a program which would effectively assist Poland in solving the daunting problems it now faces. We believe that the linchpin in this process is the Government's program to stabilize the economy and establish a supportive macroeconomic and institutional environment. We were much encouraged by our discussions with the new Government's economic team during the Annual Meetings in late September, shortly after Prime Minister Mazowiecki took office. We look forward to supporting a strong and credible Polish program.

Once this program is in place, we are prepared to provide sustained support for the Polish reform process. The World Bank is prepared to offer substantial amounts in loans to the Polish Government over the next twelve months. This lending would include policy-based, investment and technical assistance loans, in addition to the continuation of our ongoing program of economic and sector work. Each loan has been and will be designed and prepared in the context of an overall country strategy.

The International Finance Corporation, a World Bank affiliate, is already an active partner in efforts to foster the growth of private sector, market-based enterprises in Poland. Last year IFC approved a DM29 million loan to help finance a series of investments in a cooperative owned by some 50,000 small-scale private farmers. The loan is facilitating the expansion of exports of high-quality fruits and vegetables for the Western European market. IFC is also providing advice to the Government on privatization of state industries and establishment of foreign joint venture banks.

One of the most important constraints to Poland's development is its foreign debt and the lack of creditworthiness. External debt amounts to over \$39 billion, more than five times the current annual level of convertible currency earnings. The reform program has a particularly strong and well formulated set of measures to promote exports, which must be increased if convertible currency earnings are to rise. The Bank is, therefore, giving priority to operations which would support these crucial reforms. Two Bank loans, totalling some \$350 million, are now ready for negotiations with

Poland. These would help finance projects which would assist with the modernization and expansion of a number of export-oriented manufacturing and agro-processing enterprises; they would both expand overall exports and increase the value-added of existing export products.

The Bank will also provide support in a number of other high-priority areas--energy efficiency and conservation, environment, transportation, agriculture development, financial institution development, telecommunications, and industrial restructuring. These projects will not only offer significant benefits in terms of improved efficiency, environmental protection, increased output, etc., but they will also serve as vehicles for us to support institutional strengthening and the practical details of the reform program.

Most importantly, however, the Bank is concerned with improving the quality of life of the Polish people. No reform effort aimed at restoring growth can be sustained without the existence of an adequate social safety net to provide a cushion for the disadvantaged or those adversely affected by the reforms. Providing such a safety net in reforming socialist countries poses a serious challenge both for the Bank and for the entire development community.

The magnitude of the problems facing Poland calls for a high degree of cooperation and coordination on the part of all interested parties--the multilateral financial institutions, bilateral donors, and commercial bank creditors. We understand that the Polish authorities are making good progress in reaching agreement with the IMF on a stabilization program. We are following these discussions with great interest, and are prepared to move forward with our own program at the appropriate moment.

However, we believe that Poland's current creditors (bilaterals as well as commercial banks) will remain the key factor in any financial plan. Initial calculations show that, of the \$20 billion or so needed over the next three years, over half should come from reduction, rescheduling, or other relief measures on principal and interest due on current debt. Additional stabilization or bridging loans will be needed to increase reserves and help tide Poland over the process of exchange reforms.

I appreciate your interest in the World Bank's role in Poland. Please let me know if we can provide further information about our activities and other aspects of the Government's reform program.

All best wishes.

Sincerely,

(Signed) Barber B. Conable

Barber B. Conable ✓
President

Cleared with and bcc: Messrs. Lari, Nouvel (EM4), Aguirre-Sacasa (EXTDR)
bcc: Messrs. Qureshi (OPNSV), Coady (EDS)
Mmes. Perera (EXC), Saona (EXT), Loos (EM4)
JMaguire:gl/mct

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

~~copy~~
~~path~~

CORRESPONDENCE DATE : 89/10/24 DUE DATE : 89/11/20
LOG NUMBER : 891106005 FROM : Cong. Jim Moody
SUBJECT : Re - Poland, the new solidarity recovery plan.

Extended
(21) before
4 P.M.

OFFICE ASSIGNED TO FOR ACTION : Mr. M. Qureshi (E-1241)

ACTION:

- APPROVED
- PLEASE HANDLE
- FOR YOUR INFORMATION
- FOR YOUR REVIEW AND RECOMMENDATION
- FOR THE FILES
- PLEASE DISCUSS WITH _____
- PLEASE PREPARE RESPONSE FOR BBCs SIGNATURE
- AS WE DISCUSSED
- RETURN TO _____

COMMENTS :MAQ's office: pls. clear final resp. with Mr. Aguirre-Sacasa
prior to submission for Mr. Conable's signature.
cc: Mr. Aguirre-Sacasa

Congress of the United States
House of Representatives
Washington, DC 20515

WASHINGTON, DC 20515
(202) 225-3571

135 WEST WELLS ST.
ROOM 618
MILWAUKEE, WI 53203
(414) 291-1331

Dear Barber -

10/24

Hanning recently returned from Poland, where I spoke with a number of Solidarity economists, I can't stress enough how bold and time-sensitive the new Solidarity recovery plan is.

In Congress we're hearing how cautious and 'go-slow' your European human is, and how project-loan oriented it is when here what is urgently needed is a structural or policy loan normally appropriate for an LDC.

This colloquy represents how many of us feel.

Best regards. Tim



United States
of America

Congressional Record

PROCEEDINGS AND DEBATES OF THE 101st CONGRESS, FIRST SESSION

Vol. 135

WASHINGTON, THURSDAY, OCTOBER 19, 1989

No. 142

House of Representatives

Mr. MOODY. Mr. Chairman, I had the opportunity to visit Poland in 1984 and again this September of 1989. I can report personally on the tremendous, dramatic changes that have taken place in that country, something that no one, I think, would have expected even as early as the spring of this year.

Our congressional group met with Lech Walesa, and with Prime Minister Mazowiecki, as well as other members of Solidarity, both journalists and parliamentarians, and we met with top government officials. As others have mentioned, truly momentous times are happening in Poland.

At the same time Poland faces truly monumental problems. They face structural problems of 40 years of a centrally planned economic system with all of its lack of incentives. They are facing hyperinflation. They are facing shortages. They are facing unemployment.

Solidarity, which some felt would be timid because of their constituencies in the labor movement, has come in with an incredibly bold program to move the country forward. However, that program entails enormous sacrifices on the people of that country, including the workers of Solidarity. But that program, I think, will succeed if it receives adequate support from the West.

The ability of Poland to get through this difficult time and the sacrifices will be the key to its success. The main points of that program are: No. 1, privatization of state enterprises; No. 2, the devaluation and then eventually the convertibility of the zloty; and No. 3, cutting of government budgets by up to as much as 10 percent of GNP.

In the short term, this program will mean even increased unemployment and increased inflation. Therefore, Poland's greatest need in this immediate period ahead is for stabilization assistance to get through this period and structural assistance keyed to structural change. The funds that would be provided as stabilization and structural assistance are needed to finance imported goods to dampen inflation, and to help fund unemployment assistance. Mr. Chairman, in this context, speed of response is essential. If we delay at all, a great opportunity could be lost. The matter is truly urgent.

In this context, multilateral assistance is, of course, a vital part. The World Bank is ideally suited, with its experience in policy and structural loans, to be of assistance.

Mr. Chairman, I would appreciate a chance to engage in a colloquy with the chairman of the European Subcommittee, Mr. HAMILTON of Indiana. Mr. Chairman, we have heard that the World Bank can play an essential role. The World Bank has in the past made policy and structural loans to Third World nations that have literally made the very difference. We have a situation here of not a Third World nation but of a European nation; one that is nonetheless in a very comparable situation of needing rapid, short-term assistance of a structural and stabilization nature. Would the gentleman agree that the U.S. representation in the World Bank ought to press for just this sort of assistance, and press for its urgent consideration?

Mr. HAMILTON. Mr. Chairman, will the gentleman yield?

Mr. MOODY. I am happy to yield to the gentleman from Indiana.

Mr. HAMILTON. Mr. Chairman, I think the gentleman makes a very good observation. I agree with him entirely. The United States ought to encourage the Bank to act on an urgent basis.

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

BARBER B. CONABLE
President

November 1, 1989

The Honorable James H. Scheuer
U.S. House of Representatives
Washington, D. C. 20515

Dear Jim:

Thank you for your letter of October 25 regarding the Sardar Sarovar projects in India, which the Bank is helping to finance.

As you know, the projects are designed to bring irrigation, electricity and drinking water to millions of people in several drought-prone states of Western India. However, there are environmental and social costs associated with the effort. Consequently from the beginning of our involvement, we have tried to make sure that policies and programs to mitigate these costs are carefully formulated and implemented by the state governments.

Mrs. Conable and I visited Gujarat, where the dam is being built, during our trip to India in November 1987; we discussed the resettlement and rehabilitation programs at length with state and project authorities. In addition, I met separately in Delhi with Ms. Patkar and other representatives of non-governmental organizations. I regret that my schedule did not permit a meeting with Ms. Patkar and her associates last week, but I understand she met with several members of the Bank's Board of Executive Directors and their staffs.

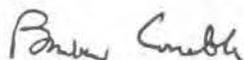
On the issue of reappraisal of the costs and benefits associated with the projects, staff of the Bank's India Department have made a preliminary review of Mr. Paranjpye's assessment and have concluded that our original decision to support this project remains sound. The economic rate of return is viable, in our view. While some costs have increased, so have some benefits. For example, benefits from power generation are much greater than originally estimated. Overall, we do not think the economic rate of return has changed significantly from the 13 percent calculated in 1985.

While the Narmada projects have produced a great deal of concern and criticism in some quarters, there is also considerable support for them in India. On September 26, 1989 the legislative assembly of Gujarat, after a two-hour discussion of the issue, unanimously passed a resolution affirming support for the projects, which have been described as "lifelines" for the state. The Bank intends to continue working with the responsible agencies and institutions to assure that all aspects of the agreed projects are implemented, including suitable resettlement and rehabilitation provisions.

Suggested development alternatives do not deal adequately with the scale of the problems addressed by these projects. The rural population alone living in the Sardar Sarovar command area was estimated in 1981 to be almost five million. Modest alternatives would be inadequate in helping to meet the basic needs of a population that large, particularly a population growing at a rate of more than 2 percent a year. Nor would modest alternatives do much to the degradation of soils and forest areas, or the loss of substantial water resources afforded by the Narmada river.

I am very much concerned about the potential environmental consequences of all our development projects. I believe the World Bank has a special responsibility to help developing nations better integrate the management of natural resources into development planning and involvement. Without question, the battle against global poverty is also the fight for a sustainable environment.

Sincerely,



Barber B. Conable
President

cc and cw: Messrs. W. Humphrey (AS4DR), J. Wijnand (AS4AG)
 Ms. J. Maguire (EXTPA)
cc: Mr. E. Patrick Coady, ED
cc: Messrs. M. Qureshi (OPNSV), A. Karaosmanoglu (ASIVP), B. Alisbah (AS4DR)
 Pidlington (ENVDR), J. Kraske/M. Baxter (AS4NA)
 D. Ritchie (AS4CO), R. Nelson, T. Blinkhorn (AS4AG)
 H. Nicholas (EXTDR)
 Ms. G. Davis (ASTEN)
 Black Book

TBlinkhorn/rkm



HOUSE OF REPRESENTATIVES
WASHINGTON, D. C. 20515

JAMES H. SCHEUER
5TH DISTRICT
NEW YORK

October 25, 1989

Dear Barber,

Yesterday my Subcommittee on Natural Resources, Agriculture Research and Environment held a hearing on the social, cost-benefit, and environmental issues surrounding the construction of the Sardar Sarovar Dam in India.

Based on the testimony, I urge you to call for a reappraisal of the costs and benefits associated with this project. As an ardent supporter of the Bank, I am deeply concerned that the World Bank's reputation will be seriously compromised by continued association with this project.

I know that there are many complex issues requiring your attention, but none are more critical than this one. I think it is important that you meet - however briefly -- with sociologist, Medha Patkar and economist, Vijay Paranjpye, very articulate representatives of the affected people, who are in town this week -- to hear their concerns.

Let's work together on this!

With every warm best wish,

Yours,

A handwritten signature in black ink, appearing to be "J. Scheuer", written over the word "Yours,".

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

BARBER B. CONABLE
President

October 24, 1989

Dear Congressman Gejdenson:

Thank you for your letter of September 29, 1989 regarding the situation in Somalia. I, too, am concerned with developments there and the Bank has been following them carefully.

The Bank assistance program to Somalia goes back some 25 years and, given the poverty and development needs of the Somali people, it is important for the Bank to maintain some minimum presence in that country. In the past we have approved 16 operations now at various stages of implementation. I believe we must continue to oversee completion of those projects that remain economically viable and implementable.

The remaining operation is a quick-disbursing credit for imports cofinanced by Italy and the African Development Bank. When the Government of Somalia and the IMF reached agreement in June 1988 on a program of macroeconomic reforms intended to put the economy back on a growth path, Somalia requested the Bank to provide financial support for the program. Working very closely with the Fund, and within the context of an agreed Policy Framework Paper, the Bank approved an Agricultural Sector Adjustment Program (ASAP) of 70 million dollars in June 1989. The Program is being disbursed in two tranches and cofinanced by Italy and the African Development Bank. The first tranche review will take place in January/February 1990. We and the IMF have the Somalia program under careful review, and I do not intend to recommend release of the second tranche of ASAP unless I am satisfied that the economic program is on track and the specific conditions of release have been fully met.

I appreciate and share your concern, and hope that conditions in Somalia will improve before long. Meanwhile, the World Bank intends to act in an appropriately prudent fashion.

Sincerely,

Barber Conable

The Honorable Sam Gejdenson
U.S. House of Representatives
Washington, D.C. 20515

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

J. Maguire ~~AK~~ ~~AK~~
JMS

CORRESPONDENCE DATE : 89/09/29 DUE DATE : 89/10/16
LOG NUMBER : 891002019 FROM : Cong. Gejdenson
SUBJECT : Enclosing a copy of a letter to Sec. Baker re - the World Bank's
loan program to the government of Somalia.
OFFICE ASSIGNED TO FOR ACTION : Mr. M. Qureshi (E-1241)

ACTION:

- _____ APPROVED
- _____ PLEASE HANDLE
- _____ FOR YOUR INFORMATION
- _____ FOR YOUR REVIEW AND RECOMMENDATION
- _____ FOR THE FILES
- _____ PLEASE DISCUSS WITH _____
- ✓ _____ PLEASE PREPARE RESPONSE FOR BBCs SIGNATURE
- _____ AS WE DISCUSSED
- _____ RETURN TO _____

COMMENTS : MAQ's office: pls. clear final resp. with Mr. Aguirre-Sacasa
prior to submission for Mr. Conable's sig.
cc: Mr. Aguirre-Sacasa



file - copy to JM



Congress of the United States
House of Representatives
Washington, DC 20515

September 29, 1989

Barber B. Conable
President
International Bank for
Reconstruction and
Development
Room E 1227
19th Street N.W.
Washington, D.C. 20433

BARBER
Dear Mr. Conable:

Attached is a copy of a letter to Secretary of State James A. Baker III signed by several of my colleagues. It states the obvious. World Bank lending to Somalia should be reconsidered in light of the deteriorating human rights, economic, and political situation in Somalia.

Plain good sense requires a reexamination of the Bank's loan program to the government of Somalia. It is not politics, but prudence. It is not abandonment of the Somali people; it is sound loan management.

The international donor community must work together to help the people of Somalia. Just as the Bank looked at China, the time has come to reexamine the Bank's portfolio to Somalia. I appreciate your attention to this matter.

With best regards, I remain,

Sincerely,

[Signature]
SAM GEJDENSON
Member of Congress

Congress of the United States

House of Representatives

Washington, DC 20515

September 29, 1989

The Honorable James A. Baker III
Secretary of State
Washington, D.C. 20520

Dear Secretary Baker:

Thank you for having Janet G. Mullins respond to the Congressional letter of July 28, 1989, and especially your acknowledgement that "the deplorable violations in Mogadishu last month compel us to give careful scrutiny to World Bank loans for Somalia in light of provisions of the Act (International Financial Institutions Act)."

We also want to commend you and your staff, particularly Robert L. Funseth, Ambassador Herman J. Cohen, Kenneth Bleakley, and Alison Rosenberg, for sponsoring and endorsing the report by Robert Gersony, "Why Somalis Flee." This thorough document underscores the State Department's annual human rights report on Somalia, and confirms the pattern of gross human rights violations that have been reported by Amnesty International, Human Rights Watch, and the National Academy of Sciences, among others.

Furthermore, we commend and support your decision to reprogram the major bilateral economic support funds and to halt U.S. military aid to Somalia. We believe this decision is a sound one and reflects the only tenable option given the existing circumstances.

Since the State Department is so clearly concerned about the deplorable human rights abuses in Somalia, however, we are puzzled by the vague response to our legitimate concern that U.S. policy toward Somalia be consistent and effective. Specifically, the State Department letter focused on the fact that the law would permit the U.S. to vote in favor of loans that served basic human needs. However, what is needed is U.S. moral leadership to oppose previously approved broad sector lending and new programs that do not "serve the basic human needs of the citizens."

Therefore, we respectfully request again that you instruct the U.S. Executive Director of the World Bank to urge his colleagues to reconsider and reevaluate the Bank's loan program to the government of Somalia. As you know, without U.S. aid it will be difficult for the Somali government to repay interest arrearages

to the International Monetary Fund. And given the dramatic deterioration in the political and economic situation in Somalia, it will be increasingly difficult for the World Bank and the IMF to have a coherent long-term coordinated strategy for Somalia.

We also note that such a U.S. effort would reflect the same prudence we have exercised and urged upon Bank members with respect to proposed loans to China.

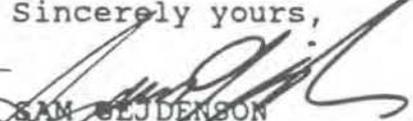
In order to be consistent with our stated policy toward Somalia, our concern for human rights, and our recognition of the major deterioration in the economic and political situation in Somalia since the approval of the loan program in April, we firmly believe that it is critical for the United States to exercise the leadership within the multilateral development banks that it has now so aptly demonstrated on a bilateral basis. Since the situation in Somalia so clearly warrants placing a hold on our aid, both political consistency and plain good sense would seem to require us to urge our partners in the international lending agencies to exercise a similar restraint.

Thank you in advance for looking into this matter.

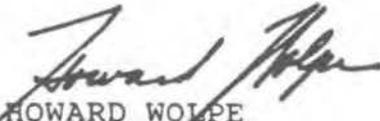
Sincerely yours,



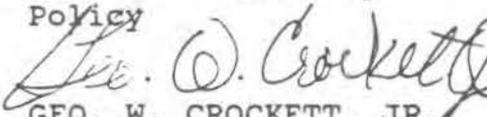
WALTER E. FAUNTROY
Chairman, Subcommittee
Subcommittee on
Development, Finance,
Trade and Monetary
Policy



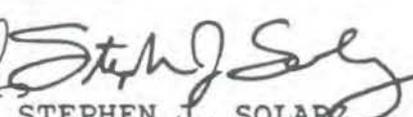
SAM SEIDENSON
Chairman, Subcommittee
on International
Economic Policy and
Trade



HOWARD WOLPE
Chairman,
Subcommittee
on Africa



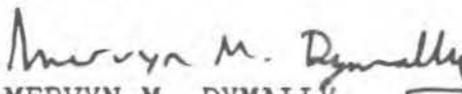
GEO. W. CROCKETT, JR.
Chairman, Subcommittee
on Western Hemisphere
Affairs



STEPHEN J. SOLARZ
Chairman, Subcommittee
on Asian and Pacific
Affairs



LEE HAMILTON
Chairman,
Subcommittee
Europe and the
Middle East



MERVYN M. DYMALLY
Chairman, Subcommittee on
International Operations



GUS YATRON
Chairman, Subcommittee on
Human Rights and International
Organizations

William H. Gray III
WILLIAM H. GRAY III
Member of Congress

Donald M. Payne
DONALD M. PAYNE
Member of Congress

John Edward Porter
JOHN EDWARD PORTER
Member of Congress

Tom Lantos
TOM LANTOS
Member of Congress

Chet Atkins
CHET ATKINS
Member of Congress

Morris K. Udall
MORRIS K. UDALL
Member of Congress

Joseph P. Kennedy II
JOSEPH P. KENNEDY II
Member of Congress

Elizabeth J. Patterson
ELIZABETH J. PATTERSON
Member of Congress

Vic Fazio
VIC FAZIO
Member of Congress

Major B. Owens
MAJOR B. OWENS
Member of Congress

Kweisi Mfume
KWEISI MFUME
Member of Congress

Charles A. Hayes
CHARLES A. HAYES
Member of Congress

Ronald V. Dellums
RONALD V. DELLUMS
Member of Congress

Peter A. DeFazio
PETER A. DEFAZIO
Member of Congress

Patricia Schroeder
PATRICIA SCHROEDER
Member of Congress

John Conyers, Jr.
JOHN CONYERS, JR.
Member of Congress

Edolphus Towns
EDOLPHUS TOWNS
Member of Congress

Jim Moody
JIM MOODY
Member of Congress

Robert J. Mrazek
ROBERT J. MRABEK
Member of Congress

Jim Bates
JIM BATES
Member of Congress

Jaime B. Fuster
JAIME B. FUSTER
Member of Congress

Cardiss Collins
CARDISS COLLINS
Member of Congress

Howard Berman
HOWARD BERMAN
Member of Congress

George E. Brown
GEORGE BROWN
Member of Congress

Tim Penny
TIMOTHY J. PENNY
Member of Congress

Gary L. Ackerman
GARY L. ACKERMAN
Member of Congress

William J. Hughes
WILLIAM J. HUGHES
Member of Congress

Helen Delich Bentley
HELEN DELICH BENTLEY
Member of Congress

Albert G. Bustamante
ALBERT G. BUSTAMANTE
Member of Congress

Gerry Sikorski
GERY SIKORSKI
Member of Congress

Peter H. Kostmayer
PETER H. KOSTMAYER
Member of Congress

Mike Espy
MIKE ESPY
Member of Congress

Barbara B. Kennelly
BARBARA B. KENNELLY
Member of Congress

David R. Nagle
DAVID R. NAGLE
Member of Congress

Ted Weiss
TED WEISS
Member of Congress

Mel Levine
MEL LEVINE
Member of Congress

John Lewis
JOHN LEWIS
Member of Congress

Albert Gore Jr.
ALBERT GORE
Member of Congress

Martin Olav Sabo
MARTIN OLAV SABO
Member of Congress

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

BARBER B. CONABLE
President

October 10, 1989

Dear Bill,

Thank you for your letter and its enclosures concerning the situation of Voith Hydro, Inc. of York Pennsylvania.

Voith is a supplier of nine turbines for the Yacyreta project in Argentina. Its contract was financed by the U.S. Exim-Bank until August 1988, at which date U.S. Exim-Bank suspended the loan.

We at the World Bank, jointly with the Inter-American Development Bank, are financing the civil works contracts of Yacyreta and are concerned about the potential delays that the Exim-Bank suspension may entail for the completion of Yacyreta.

We hope your efforts in seeking support from the Executive Branch of the U.S. Government to release Exim-Bank Credit No. 7145 with Entidad Binacional Yacyreta are successful.

Sincerely,

Barber Conable

*Since we are financing a portion of this project of the Argentine gov't,
we have no leverage with respect to a U.S. suspension of credit
to Argentina*

B.C.

The Honorable Bill Goodling
Member of Congress
Congress of the United States
House of Representatives
Washington, D.C. 20515

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

CORRESPONDENCE DATE : 89/09/22 DUE DATE : 89/10/10
LOG NUMBER : 890926007 FROM : Cong. B. Goodling
SUBJECT : Release of an Eximbank credit, for the Yacyreta power project -
Argentina.
OFFICE ASSIGNED TO FOR ACTION : Mr. M. Qureshi (E-1241)

ACTION:

____ APPROVED
____ PLEASE HANDLE
____ FOR YOUR INFORMATION
____ FOR YOUR REVIEW AND RECOMMENDATION
____ FOR THE FILES
____ PLEASE DISCUSS WITH _____
✓ _____ PLEASE PREPARE RESPONSE FOR ABC's SIGNATURE
____ AS WE DISCUSSED
____ RETURN TO _____

COMMENTS :MAQ's office: pls. clear final resp. with Mr. Aguirre-Sacasa
prior to submission for Mr. Conable's signature.
cc: Mr. Aguirre-Sacasa



BILL GOODLING
19TH DISTRICT, PENNSYLVANIA

TOLL FREE DISTRICT NUMBER:
800-832-1811

RANKING MINORITY:
COMMITTEE ON
EDUCATION AND LABOR

COMMITTEE ON
THE BUDGET



Congress of the United States
House of Representatives
Washington, DC 20515

September 22, 1989

ROOM 2263
RAYBURN HOUSE OFFICE BUILDING
TELEPHONE: (202) 225-5836

DISTRICT OFFICES:
FEDERAL BUILDING
200 SOUTH GEORGE STREET
YORK, PA 17405-9999

CHAMBER BUILDING
212 NORTH HANOVER STREET
CARLISLE, PA 17013-2423
140 BALTIMORE STREET
ROOM 210
GETTYSBURG, PA 17325-2311

2020 YALE AVENUE
CAMP HILL, PA 17011-5456
44 FREDERICK STREET
HANOVER, PA 17331-3598

The Honorable Barber B. Conable, Jr.
President
World Bank
1818 H Street, NW
Washington, D.C. 20433

Dear Barber:

Today I received the enclosed letter from a company located in my district, Voith Hydro, Inc., of York, Pennsylvania, concerning the upcoming visit of President Menem of Argentina to Washington, D.C. I will appreciate your attention to this matter as it has the potential to be a discussion item during Dr. Menem's visit.

Specifically, it concerns the release of an Eximbank credit, for the Yacyreta power project, which has been suspended since August 1988. Voith Hydro accepted a contract for this project based upon this loan agreement.

His visit is timely as Voith faces a difficult financial situation in the near future because current payments will cover work only through December of this year.

I sincerely hope you will personally review this matter carefully both in terms of its impact on our relations with Argentina and with the impact this project has on an important domestic manufacturer.

Thank you in advance for your consideration of this matter. I will sincerely appreciate any update you might provide on discussions regarding Yacyreta during Dr. Menem's visit. I look forward to your response.

Sincerely,

A handwritten signature in cursive script that reads "Bill".

BILL GOODLING
Member of Congress

WFG/je

SEP 21 1989

East Berlin Road
York, Pennsylvania
(717) 792-3511
Telex 4764013
Telefax (717) 792-3862

Mail Address P.O. Box 712, York, PA 17405

September 20, 1989

The Honorable William F. Goodling
2263 Rayburn House Office Building
Washington, DC 20515

Dear Congressman Goodling:

The purpose of this letter is to request your assistance in seeking the support of the Executive Branch, in particular, Secretary of State Baker and Secretary of Commerce Brady, in order to release Eximbank Credit No. 7145 with Entidad Binacional Yacyreta, which credit agreement was signed in 1985 and suspended by Eximbank since August 1988. It was on the basis of the above existing loan agreement that Voith Hydro accepted a \$135,000,000 contract for the supply to Yacyreta of 9 - 135,000 kW Kaplan turbines and associated equipment.

President Saul C. Menem, President of Argentina since July 8, 1989 will arrive in the U.S.A. the week of September 22, on an official visit which will include discussions with President Bush and other members of the Executive Branch and the heads of the World Bank, the Inter-American Development Bank and the International Monetary Fund.

During his visit Dr. Menem will highlight the serious crisis affecting Argentina, the drastic and unprecedented measures his administration has taken since acceding to power and the assistance and support Argentina seeks from the U.S. Government in order to restore normalcy and continue the process of consolidation of the democratic system in Argentina initiated in 1983 with President Raul Alfonsin.

The Argentine energy sector, a fundamental ingredient in the plans for the country's economic recovery is in disarray, with an increasing demand which exceeds, during peak periods, the available generating capacity. Since late 1988 daily black-outs and brown-outs occur, particularly in the heavily loaded industrial centers and despite expensive stop-gap measures, the situation will continue until major electricity generating plants currently under construction come on-line; thus the timely completion of the Yacyreta Hydroelectric Project is an objective very high in Dr. Menem's priority list.

Statistics regarding project scope and payments to Voith are included in the attached Exhibit 1. The latest payment received in August will only allow Voith to continue its work through the end of December 1989. Unless the U.S. Eximbank releases the now blocked funds in the meantime Voith will likely have to then serve Entidad Binacional Yacyreta notice of termination of contract.

The termination of the Yacyreta contract would indeed have very serious consequences for Voith Hydro such as:

- The loss of 25% of planned production through 1993 at Voith Hydro in York, Pennsylvania.
- The loss of approximately 2,500 man-years of employment in U.S. industry, half of that amount at Voith Hydro and the balance primarily among Pennsylvania steel industries supplying 45,000 tons of U.S. steel for this project.

In view of the seriousness of the issue and its implications to U.S. industry and labor we request your bringing this matter to the attention of Secretaries Baker and Brady and other senior government officials involved in the bilateral relations between Argentina and the U.S.

Your continued support and attention to this urgent matter is highly appreciated.

Sincerely,



G. E. Pfafflin

GEP/jg

Attachment: Exhibit 1

YACYRETA HYDROELECTRIC PROJECT

OWNER: Entidad Binacional Yacyreta
(Governments of Argentina and Paraguay)

INSTALLED CAPACITY: 2700 MW

TOTAL PROJECT COST: Estimated at \$7,500 Million

ON-LINE DATE: 1993 Through 1996

CURRENT STATUS:

- Civil works 56% complete.
- Civil works financed mainly by World Bank & Inter-American Development Bank

STATUS OF EXIMBANK CREDIT NO. 7145:

- Loan Agreement Signed 1985
- Approximately \$70.0 Million disbursed to finance construction equipment.
- No disbursements to finance turbine equipment.
- Loan agreement suspended August 1988.

VALUE OF VOITH CONTRACT: \$135 Million

PAYMENTS RECEIVED BY VOITH TO-DATE:

Down Payment:	\$15.1 Million	- April 1988
Bridging Payment #1:	\$ 6.7 Million	- March 1989
Bridging Payment #2:	\$ 3.7 Million	- August 1989

CMT/jg
09/19/89

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

BARBER B. CONABLE
President

September 1, 1989

The Honorable Bill Archer
U.S. House of Representatives
Washington, D.C. 20515

Dear Bill:

Further to my letter of August 2 on Baker Sand Control of Houston, we have been informed by the Tanzanian Petroleum Development Corporation (TPDC) that the dispute with Baker has been submitted to their Board, and that the Board resolved to refer the matter to the Government legal machinery for advice. This advice has not yet been provided. We have asked TPDC to see how this can be expedited.

TPDC informs us that they have explained their detailed position to Baker. I hope that this matter will now be cleared up speedily.

Sincerely,

(Signed) Barber B. Conable

cleared w/cc:

S. Sandstrom (AF6DR)
D. Cook (AF6IE)
G. Nkojo (AF6CO)
S. Al Habsy (LEGAF)

DRAFT: ESDAFFERN:prgm

Ms Perera

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

BARBER B. CONABLE
President

August 30, 1989

The Honorable Walter E. Fauntroy
Chairman, Subcommittee on International
Development, Finance, Trade and Monetary Policy
House of Representatives
Washington, DC 20515

Dear Walter:

Many thanks for your letter concerning our recent decision to rehabilitate the Bank's main complex buildings. I appreciate your concerns on this issue, and agree that we should keep in close contact on this and other matters concerning the Bank. Indeed, it was precisely in this spirit that I copied to you a letter on the rehabilitation project which I sent to Congressman Gonzalez on March 21, 1989. Another copy of this earlier correspondence is attached.

Our Executive Directors overwhelmingly approved the main complex rehabilitation project in March. The project itself had been under study for years and grew out of a realization that the older buildings in our headquarters complex -- whose average age is 35 years -- required substantial investment to resolve serious health and safety issues (including the presence of asbestos). The rehabilitation of these buildings was also needed to replace obsolete plant and equipment, to facilitate the cost-effective introduction of modern office technologies and to make optimal use of Bank-owned space.

The rehabilitation project will bring our headquarters complex up to current national and local codes -- particularly those pertaining to fire, safety and health. It will also enable the Bank to make large annual savings. Some of these will flow from lower operating costs in the more modern buildings. Still others will be derived from the fact that we shall be able to house in Bank-owned property an additional 1,750 Bank staff who are currently occupying leased offices. The corresponding annual savings in rental expenditures will be high.

Let me assure you that the decision to move ahead with the rehabilitation project was made only after careful study and consultation. Many options were considered, including possible relocation of the Bank outside the city. In the end, the Executive Directors settled upon a project which will entail the reconstruction of four of our six central buildings and the retrofit of the two newest buildings in the complex. Total project costs are estimated at \$186 million which, I hasten to add, will come out of the Bank's net income and not out of appropriated funds.

August 30, 1989

The project itself will actually get underway in late 1989. It will be executed over a six and a half year period and will generate several hundred jobs which will benefit the community. We are also determined that the buildings to be constructed should enhance the beauty of Washington, the Bank's host city. To this end, you may be interested to know that we are holding an international design competition. Competing architects have been asked to come up not only with practical, unostentatious designs but also with architectural plans that will make the cityscape more attractive.

I am attaching a copy of the memorandum on the rehabilitation project which I sent to the Executive Directors last Spring. It provides a great deal of useful information on this undertaking. Please let me know if you have any further questions on this matter and thank-you, once again, for your continued interest in the Bank. We strongly value your friendship and support.

All best wishes.

Sincerely,

(Signed) Barber B. Conable

Barber B. Conable
President

Enclosures

bcc and cleared with Mr. R. Blackwell

bcc: Messrs. W.A.Wapenhans o/r
H. Kohli o/r
J.W. Stanton
Ms. J. Maguire o/r

F.Aguirre-Sacasa/L.Roberts/avs

Log: 890809002

ROUTING SLIP		DATE	8/11
FROM THE OFFICE OF THE SENIOR VICE PRESIDENT, EXTERNAL AFFAIRS AND ADMINISTRATION			
NAME		ROOM NO.	
Mr. Aguirre-Sacasa			
APPROPRIATE DISPOSITION		NOTE AND RETURN	
APPROVAL		NOTE AND SEND ON	
COMMENT		PER OUR CONVERSATION	
FOR ACTION		PER YOUR REQUEST	
INFORMATION		PREPARE REPLY	
INITIAL		RECOMMENDATION	
NOTE AND FILE		SIGNATURE	
REMARKS Francisco, You will have to deal with this one during my absence.			
FROM W.A. Wapenhans			

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

cc: J. Maguire

CORRESPONDENCE DATE : 89/08/04

DUE DATE : 89/08/24

LOG NUMBER : 890809002

FROM : Cong. Fauntroy

SUBJECT : Re impressions on WBank's salaries and upcoming IDA9 authorizatio

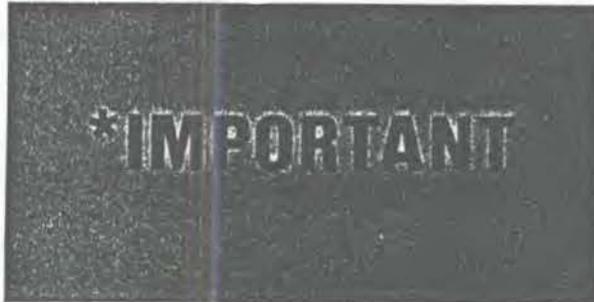
Other concern on major new construction program, bldg. demolition

OFFICE ASSIGNED TO FOR ACTION : Mr. Wapenhans (D-1250)

ACTION:

- _____ APPROVED
- _____ PLEASE HANDLE
- _____ FOR YOUR INFORMATION
- _____ FOR YOUR REVIEW AND RECOMMENDATION
- _____ FOR THE FILES
- ✓ _____ PLEASE DISCUSS WITH _____
- _____ PLEASE PREPARE RESPONSE FOR BBC'S SIGNATURE (*see comments*)
- _____ AS WE DISCUSSED
- _____ RETURN TO _____

COMMENTS :Attn. WW: Pls. clear final resp. with Messrs. Stern and Aguirre-Sacasa prior to submission for Mr. Conable's signature.
cc: Messrs. Stern, Aguirre-Sacasa



WALTER E. FAUNTROY, DISTRICT OF COLUMBIA
CHAIRMAN

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JOHN J. LAFALCE, NEW YORK
ESTEBAN E. TORRES, CALIFORNIA
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PETER HOAGLAND, NEBRASKA

U.S. HOUSE OF REPRESENTATIVES

SUBCOMMITTEE ON
INTERNATIONAL DEVELOPMENT, FINANCE, TRADE AND MONETARY POLICY
OF THE

COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS

ONE HUNDRED FIRST CONGRESS

Room 139, Annex #2
WASHINGTON, DC 20515

JIM LFACH, IOWA
DOUG BEREUTER, NEBRASKA
NORMAN D. SHUMWAY, CALIFORNIA
AL McCANDLESS, CALIFORNIA
JIM SAXTON, NEW JERSEY
PATRICIA F. SAIKI, HAWAII
JIM BUNNING, KENTUCKY
RICHARD BAKER, LOUISIANA
CLIFF STEARNS, FLORIDA
BILL PAXON, NEW YORK

ROBERT S. BROWNE
Staff Director

(202) 226-7511
Fax No (202) 226-0153

August 4, 1989

Mr. Barber Conable, President
The World Bank
1818 H Street N.W.
Washington, D.C. 20433

Dear Barber:

I apologize for taking so long to respond to your letter of May 26th in which you alerted me to the salary increases which were being put into effect at the Bank. Other priorities here on the Hill have prevented my focussing on your letter until now.

As you will probably recall from your time here in the Congress, the salaries and perks of the employees of the international organizations are always a fractious issue. There is a general impression that World Bank and other international organization employees are quite generously remunerated, enjoy attractive tax status, travel and eat well at taxpayer expense, etc. To what extent Bank remuneration is actually excessive by some reasonable norm is not known here and even if it were not the facts would probably not make too much difference anyway, at least in the short run, because the belief is so strong.

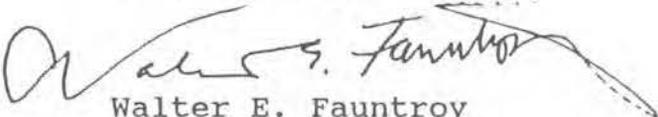
In any case, I conclude from your letter that the deed is done and you are merely alerting me to the fact. Only one rumble about it has been brought to my attention and since we have no World Bank legislation scheduled to go before the House this year we may be over the hump on it (although it could rise to haunt us when the IDA-9 authorization comes to us next year).

What is causing me some concern, however, is a rumor that the Bank is considering a major new construction program, including the demolition of its present building and the erection of a new structure. Were such a proposal to come to fruition in the present climate I shudder to think of the consequences. The Bank's program is regularly attacked by those who argue that it does more for the well off than for the poor, and a new headquarters building, following on the heels of substantial salary increases, would add plenty of additional grist to that mill.

The fact that the World Bank, together with the IMF and the Inter-American Development Bank, are situated within the shadow of the Capitol may indeed subject them to undue scrutiny, at least with respect to their housekeeping matters. This is, however, today's reality and we must all remain sensitive to it.

Let's keep in touch on these matters.

Very truly yours,



Walter E. Fauntroy

Walter E. Fauntroy

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

MA
JWS

OK
SP

CORRESPONDENCE DATE : 89/09/15 DUE DATE : 00/00/00
LOG NUMBER : 890921005 FROM : Tony Hall
SUBJECT : re World Bank/IMF policy statements on - economic adjustment --
to ensure the practices reflect the policy directions set out.
OFFICE ASSIGNED TO FOR ACTION : Mr. B. Conable (E-1227)

ACTION:

o/n

- _____ APPROVED
- _____ PLEASE HANDLE
- _____ FOR YOUR INFORMATION
- _____ FOR YOUR REVIEW AND RECOMMENDATION
- _____ FOR THE FILES
- _____ PLEASE DISCUSS WITH _____
- _____ PLEASE PREPARE RESPONSE FOR _____ SIGNATURE
- _____ AS WE DISCUSSED
- _____ RETURN TO CP. file

COMMENTS : This is a "copy" to Bank. Rec'd after Dvlp. Cte. mtg. Copy sent to EXT. This should be saved f/BBC to see, then filed. No reply needed. (JWS - 10/2/89). cc: Messrs. Qureshi, Stern, Hopper

U.S. House of Representatives
WASHINGTON, DC 20515
PUBLIC DOCUMENT
OFFICIAL BUSINESS

Wm. P. Hall
M.C.

COPY FOR MR. CONABLE

OHIO

Congress of the United States

House of Representatives

Washington, D.C. 20515

September 15, 1989

The Honorable Nicholas F. Brady
Secretary
Department of the Treasury
15th and Pennsylvania Avenue, N.W.
Washington, D. C. 20220

Dear Mr. Secretary:

As you know, World Bank and IMF policy statements have recently begun to give greater emphasis to protecting the poor from adverse effects of economic adjustment and have given greater emphasis to enhancing the economic opportunities of the poor. This is a welcome development, and we appreciate the Administration's role in encouraging the two institutions to adopt these policies. However, it is important to ensure that Bank and Fund practices reflect the policy directions which have been set out.

To this end we are requesting your support for the inclusion of specific language in the Development Committee communique following the upcoming World Bank/IMF annual meeting the week of September 25. Parliamentarians in other countries are also writing their Treasury or Finance Ministers with parallel requests. The points are identical to or an outgrowth of language found in letters signed by more than 800 Parliamentarians and sent to World Bank President Barber Conable in June, 1988. The requested language is as follows:

In accordance with its September, 1988 decision to periodically review progress made in addressing poverty issues, the Committee reviewed recent developments in this area. The Committee welcomed the enhanced emphasis being given to poverty concerns by the managements of the Bank and Fund.

Members noted, however, that absolute poverty in the developing world continues to increase. In that context, the Committee took the following steps:

First, the Committee called on the Bank to ensure that Bank-supported adjustment programs in each country include specific targets for improvements in key social areas including the under-five mortality rate, the female literacy rate, the percentage of the population with access to clean water, the nutritional status of children, and the proportion of the population living in absolute poverty.

Second, the Committee urged the Bank and Fund to ensure that

structural adjustment policies should include measures which do not merely compensate the poor, but bring positive benefit to the most vulnerable and disadvantaged groups, especially poor women, their children and the elderly. Such policies should be designed and implemented in consultation with public sector agencies and local nongovernmental organizations, especially those that have grass roots involvement with poor people.

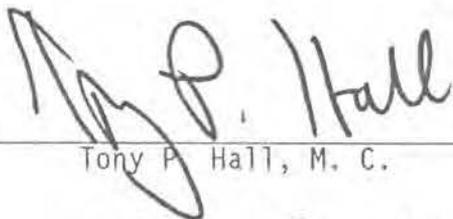
Third, the Committee called upon the Bank to renew its commitments of 1988 and give greater priority to projects and programs which enhance the economic productivity of the poorest 20% of the population. The means to accomplish this could include access to land, irrigation, credit, and broader opportunities in the informal sector. The Bank staff should provide information on the planned level of lending devoted primarily to increasing the economic productivity of the poorest 20%.

Fourth, the Committee encouraged the Bank and the Fund to include borrowing countries' efforts to reduce poverty as a major and separate criterion for the allocation of assistance, including assistance in support of debt reduction. The Bank should assist countries in developing and achieving national poverty alleviation plans. Countries that are not actively carrying out poverty alleviation plans should be deemed ineligible for structural adjustment loans.

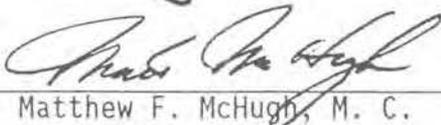
To assist the Committee in its future work in the area of poverty, Members requested the staffs of the Bank and Fund to prepare, in time for the Committee's meeting in the fall of 1990, an updated report on the anti-poverty measures being undertaken by the two institutions, including measures pursuant to the above points.

Your support in the Development Committee for a positive response to our concerns and the inclusion of this language would be most appreciated.

Sincerely,



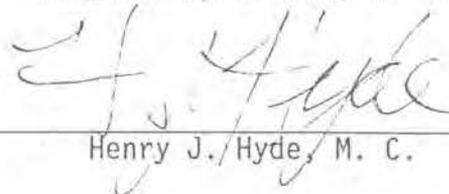
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Matthew F. McHugh, M. C.



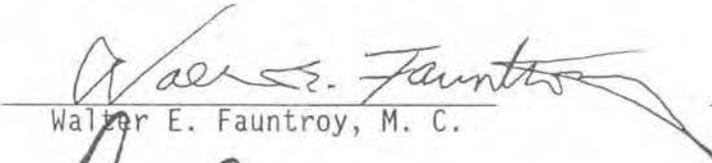
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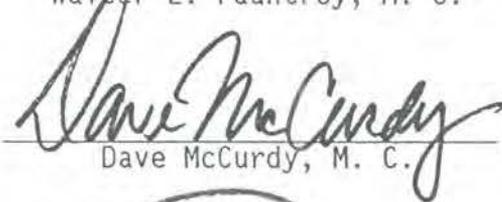
Henry J. Hyde, M. C.


Byron L. Dorgan, M. C.


Marge Roukema, M. C.

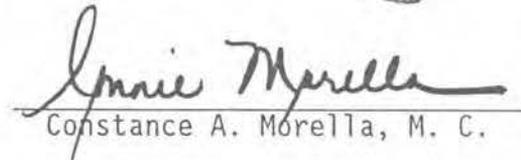

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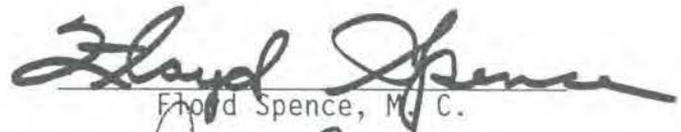

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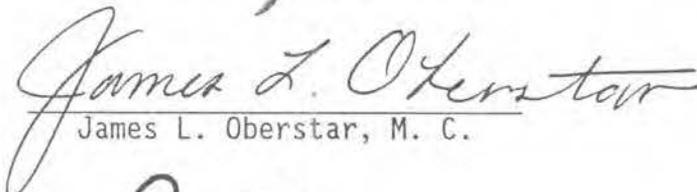

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Leon E. Panetta, M. C.


Constance A. Morella, M. C.

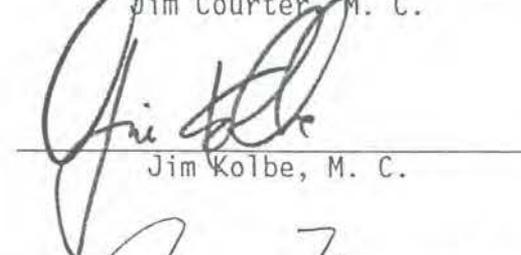

Robert W. Kastenmeier, M. C.


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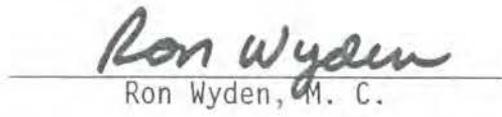

Jim Courter, M. C.

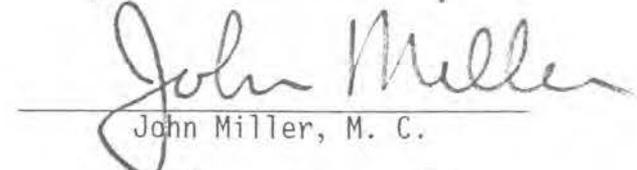

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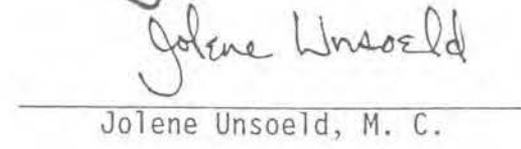

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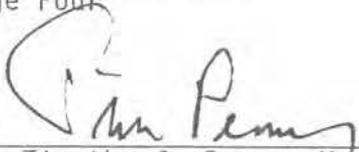

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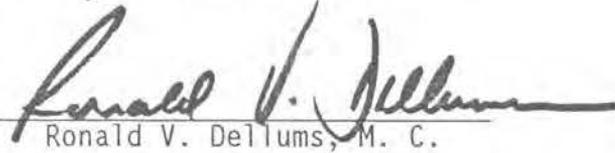

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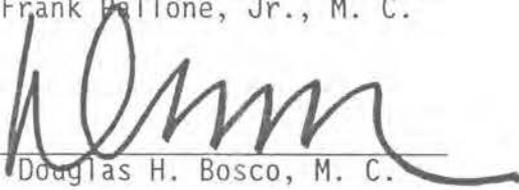
Gary L. Ackerman, M. C.



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Douglas H. Bosco, M. C.



Richard H. Stallings, M. C.



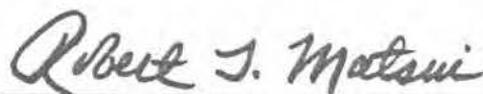
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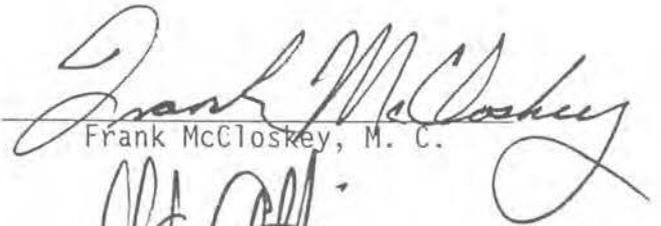
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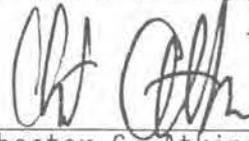
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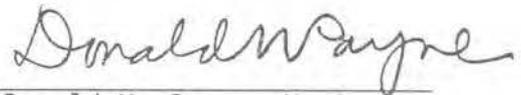
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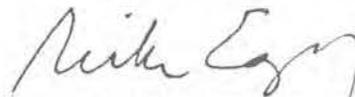
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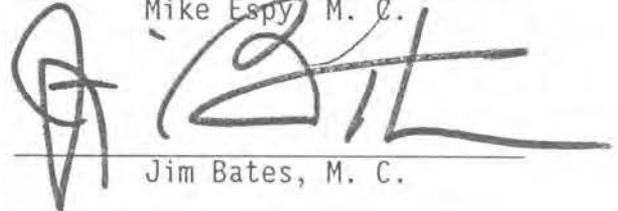
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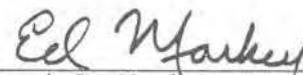
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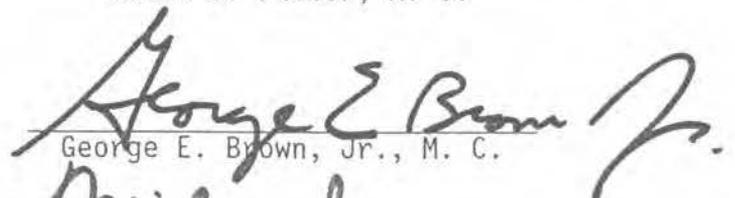
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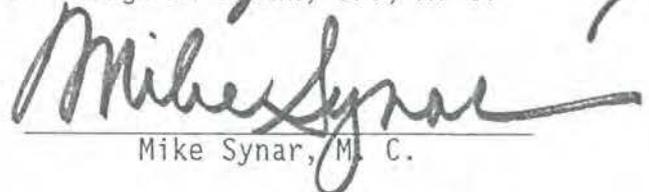
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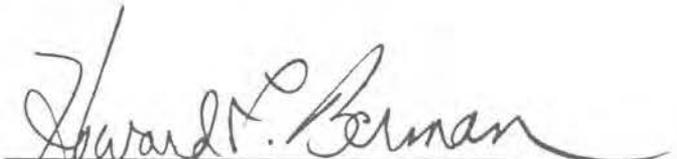


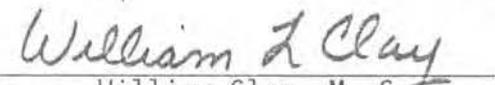
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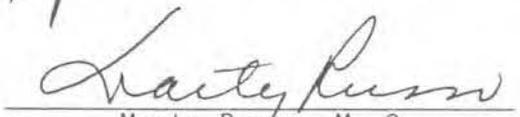


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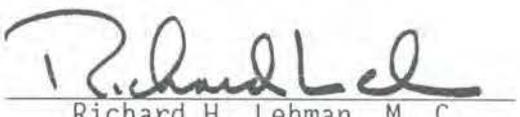

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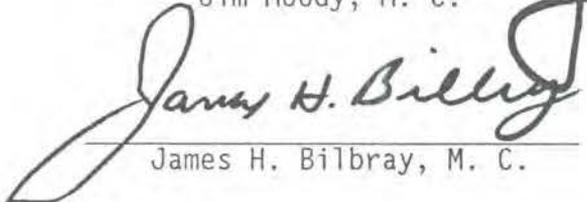

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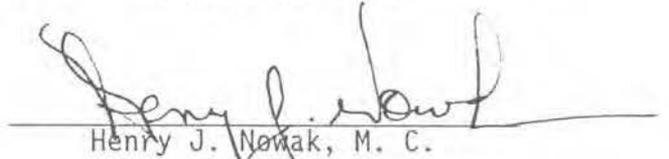

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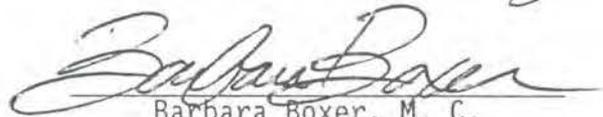

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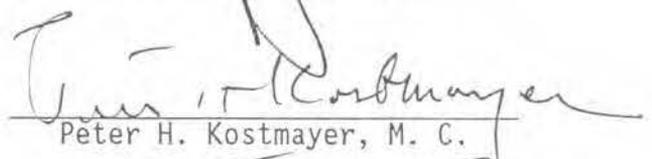

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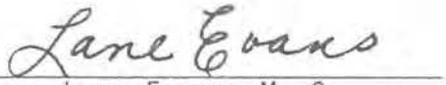

Don Edwards, M. C.


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Barbara Boxer, M. C.


Peter H. Kostmayer, M. C.


Lane Evans, M. C.

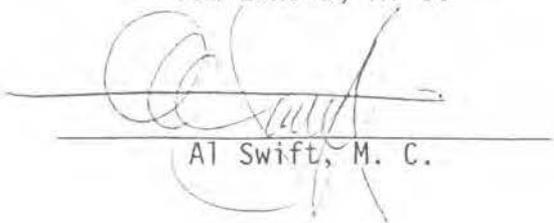

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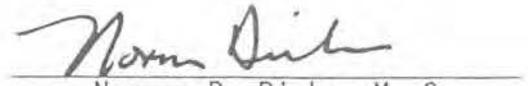

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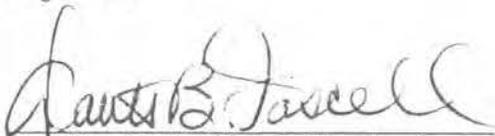

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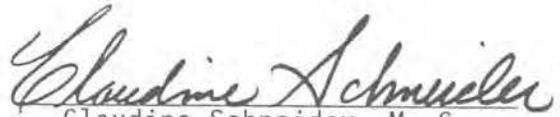

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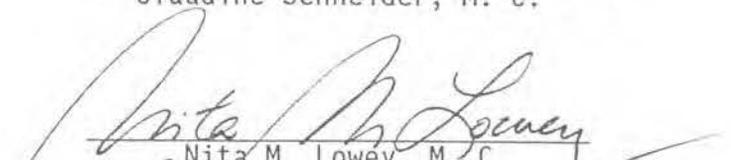

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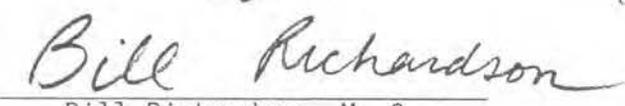

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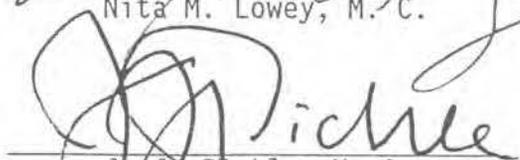

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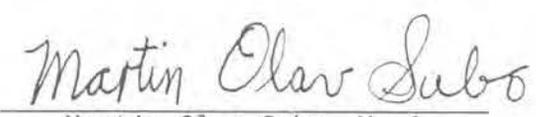

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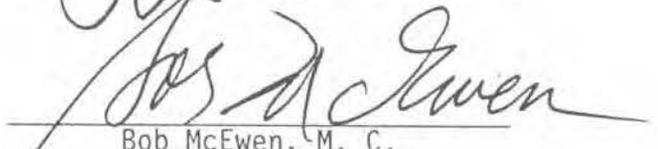

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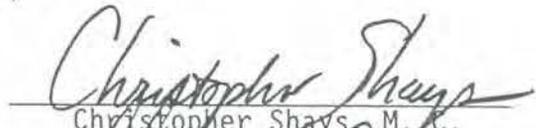

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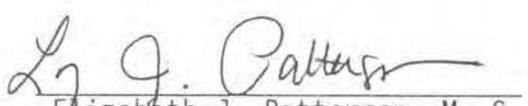

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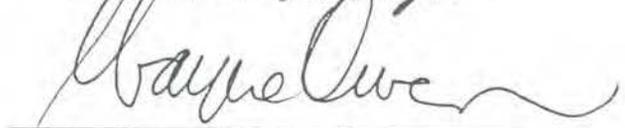

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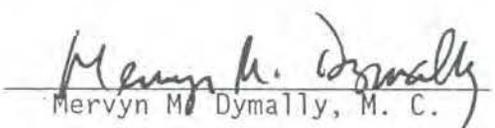

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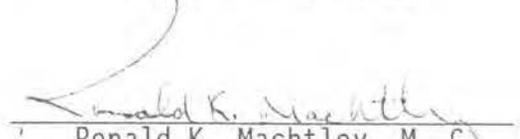

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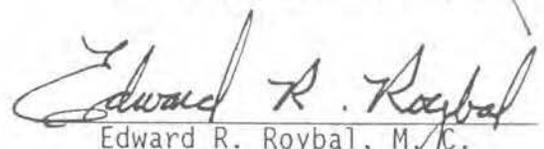

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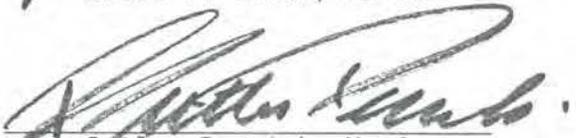

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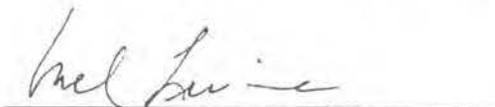

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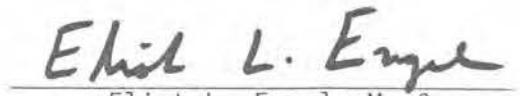

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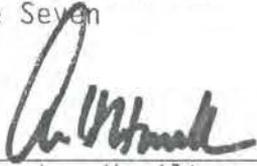

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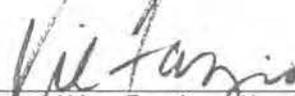

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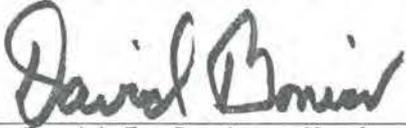

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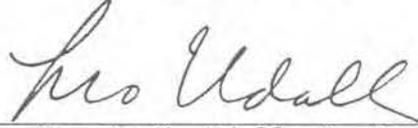
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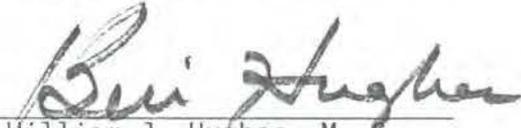
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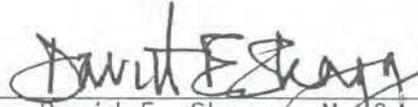
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Morris K. Udall, M. C.



William J. Hughes, M. C.



David E. Skaggs, M. C.



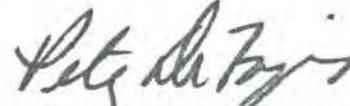
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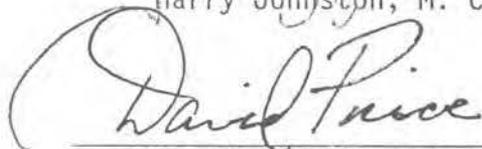
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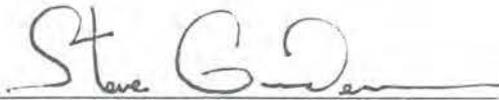
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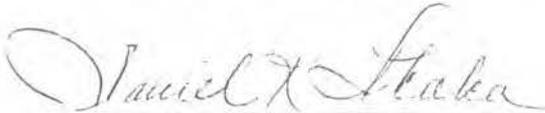
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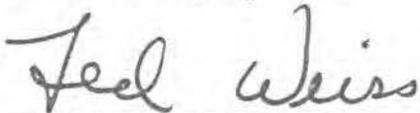
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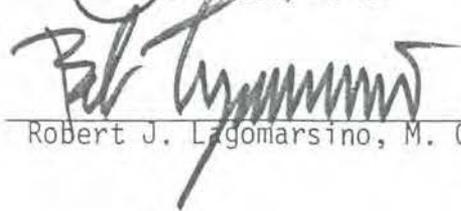
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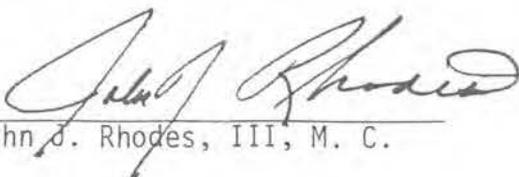
Joe Skeen, M. C.



Ted Weiss, M. C.



Robert J. Lagomarsino, M. C.



John J. Rhodes, III, M. C.

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

BARBER B. CONABLE
President

June 27, 1989

Dear Ray:

Thank you for your letter informing me of the important work your constituents, Dr. and Mrs. Burton Bronsther, are involved in with SACOW, Surgical Aid for Children of the World, and its local chapter in Kenya, SACOK.

As you know, Ray, the World Bank is an international development institution which lends money to its member governments on clear conditions and supervises the ways in which these funds are used. It is not a grant-making institution. The limited grant money that is available generally goes to United Nations organizations which then provide funds to organizations such as SACOW. I was pleased to see by your letter that SACOW does receive funding from UNICEF and WHO.

Non-governmental organizations around the globe play an important role in the improvement of the quality of life for the people in the developing world, and I was pleased to learn about the efforts of SACOW to improve the health of children in the Third World. I have provided this information to others here at the Bank who have specific expertise on health issues, although I expect they are well aware of SACOW's important contributions in this area.

Sincerely,

Barber Conable

The Honorable
Raymond J. McGrath
U.S. House of Representatives
Washington, D.C. 20515

cc: Mr. Hopper
Mr. Aguirre-Sacasa

~~* 2/10/1~~

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

CORRESPONDENCE DATE : 89/06/02 DUE DATE : 00/00/00
LOG NUMBER : 890609001 FROM : Raymond McGrath
SUBJECT : Writing on behalf of Dr. and Mrs. Burton Bronsther of Hewlett.
Dr. Bronsther is President of SACOW. Would like WB funding.
OFFICE ASSIGNED TO FOR ACTION : Mr. B. Conable (E-1227)

ACTION:

- _____ APPROVED
- _____ PLEASE HANDLE
- _____ FOR YOUR INFORMATION
- _____ FOR YOUR REVIEW AND RECOMMENDATION
- _____ FOR THE FILES
- _____ PLEASE DISCUSS WITH _____
- * _____ PLEASE PREPARE RESPONSE FOR BBC's SIGNATURE *(interim resp.) ??*
- _____ AS WE DISCUSSED
- _____ RETURN TO _____

COMMENTS :

11

RAYMOND J. McGRATH
5TH DISTRICT, NEW YORK

MEMBER
COMMITTEE ON
WAYS AND MEANS
SUBCOMMITTEE ON
SELECT REVENUE
MEASURES
SUBCOMMITTEE ON
OVERSIGHT

Congress of the United States
House of Representatives
Washington, DC 20515

WASHINGTON OFFICE:
ROOM 205
CANNON HOUSE OFFICE BUILDING
(202) 225-5516

DISTRICT OFFICE:
203 ROCKAWAY AVENUE
VALLEY STREAM, NY 11580
(516) 872-9550

June 2, 1989

Mr. Barber B. Conable
President
The International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433

Dear Barber:

I am writing on behalf of my constituents, Dr. and Mrs. Burton Bronsther of Hewlett, NY. Dr. Bronsther is President of SACOW, Surgical Aid for Children of the World, and Mrs. Ellyn Bronsther is Executive Vice President of SACOW, a non-profit foundation whose purpose is to improve the health of children throughout the world, particularly in Third World nations.

SACOW is dedicated to bridging the gap of pediatric medical and surgical knowledge and pediatric health care in developing nations and reinforces the education in their medical schools. The program focuses upon "training of trainers" in areas where the need and desire for such activities is present. SACOW responds to requests from developing nations made by Ministers of Health, Deans of Medical Schools and Aid Agencies.

SACOW has the support of the American Pediatric Surgicals Association, Anesthesia Overseas, International Society of Pediatric NeuroSurgeons, and the cooperation of the foremost children's hospitals in the United States and Canada. The affiliation with these organizations facilitates the selection of an appropriate faculty to participate in working in the developing nations. The cooperation of the children's hospitals affords SACOW the opportunity to bring doctors and medical personnel to the United States for further training for periods of three months to one year. In January 1987, SACOW was elected a full member of World Federation Association of Pediatric Surgeons which opens the doors of Europe to SACOW programs and participating developing nations.

Paramount in their program is the sending of Internationally recognized academicians, who may include pediatricians, internists, pediatric surgeons, nurses, anesthesiologists, nutritionists, and physiotherapists to the host nation for overlapping rotations. It is the responsibility of the host country to house, feed the SACOW volunteers and at their own expense, where necessary, upgrade health care facilities that SACOW team and host country team find inadequate. However, recognizing the economic problems and food shortage in Africa, SACOW has amended its standard contract and covers most costs for its faculty in Ethiopia.

Mr. Barber B. Conable
Page 2
June 2, 1989

SACOW faculty teach their colleagues, medical students, and residents workable and cost-effective means of improving local health care. They aim toward creating self-sufficiency in health care provision and teaching; and keep open the avenue of exchange of medical knowledge. To reinforce the educational arm of the program, selected local senior physicians are invited back to the United States for post-graduate training at children's hospitals for three months to one year.

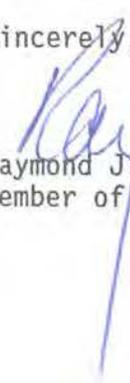
SACOW has executed missions in countries such as China, Haiti, Gaza-Israel, India, Guatemala, Kenya, and Ethiopia. Feasibility trips have been made by SACOW staffers in countries such as Sri Lanka, Uganda, and Somalia. Presently, SACOW is considering missions in the countries of the Dominican Republic and the Ivory Coast.

Current sources of funding for SACOW include: Members of SACOW Board, Private Individuals, UNICEF, WHO, Salvation Army, United Methodist Committee Overseas Relief, Union American Hebrew Congregation, United Nation Development Program, Roman Catholic Diocese of Rockville Centre, and Stanley and Rita Kaplan Foundation.

In order to provide future programs to improve the health of children throughout the world, SACOW requires additional sources of funding. The purpose of my writing is to seek any sources of financial assistance you may be able to render for SACOW. Any assistance you may provide will be greatly appreciated.

I look forward to hearing from you in the near future.

Sincerely,



Raymond J. McGrath
Member of Congress

RJM/ks

Enclosures (3)

Kenya

HEALTH

A Very Special Children's Hospital

COPY

If all goes well and sufficient funds are raised, Kenya should have a children's hospital specialising in surgery in the next five or so years. The hospital, to be situated in Nairobi is the brainchild of Professor Burton "Burt" Bronsther, a world-renowned Jewish-American paediatric surgeon who founded the Surgical Aid to Children of the World (SACOW) together with his wife, Ellyne, in 1979. The Bronsther's were in Nairobi last week on the first leg of an African trip that also included Ethiopia. At a meeting with president Daniel arap Moi and the local chapter of SACOW known as Surgical Aid for the Children of Kenya (SACOK), it was announced that a children's hospital would be built in Nairobi. President Moi said the hospital was long overdue and pledged the government's support for the project, which he said would be of great help to the many children who require surgical treatment in Kenya. President Moi also urged the establishment of a proper infrastructure, starting with the training of paediatricians, nurses and technical staff, before the idea becomes a reality.

In an interview with *The Weekly Review* shortly before he departed for Addis Ababa on Friday last week, Bronsther said he was greatly encouraged by the activities of SACOK, which was established last year under the chairmanship of the permanent secretary in the ministry of foreign affairs and international co-operation, Mr. Bethwell Kiplagat, as well as the Kenya government's attitude towards the project. "I am deeply impressed by what is taking place in this great country, especially the fact that there are citizens who are willing to take full responsibility for the sake of the children of the country," he said. According to Bronsther, the hospital will take between three and five years to complete and cost about US \$ 30-35 million (approximately shs. 600 to 700 million). SACOW will give some material assistance to the project but it is unlikely to amount to much since the New York-based charitable organisation itself needs aid in order to enable it to fulfil its rapidly-growing international obligations. Much of the

funding for the Kenyan hospital will have to come from local private and public sources, perhaps with some help from bilateral and multilateral sources. A fund-raising committee of SACOK has already been formed under the chairmanship of Mr. Shanti Shah, an insurance firm manager.

The recent sojourn was Bronsther's fifth trip to Kenya since 1985. SACOW — Bronsther is the organisation's president while his wife is executive vice-president — has helped Kenya in the training of paediatricians and paediatric surgeons both locally and overseas during the past few years. The man who started and has been co-ordinating the local training programme is Prof Julius Kyambi, head of the department of surgery at the University of Nairobi's college of health sciences. Four years ago, Kyambi wrote a friend, Dr. J. Lister, chief of the surgery department at the Great Ormond Street Children's Hospital in London, asking for help in training Kenyan paediatric surgeons. Lister did not offer direct help but forwarded Kyambi's letter to Bronsther at SACOW. Bronsther came to Kenya shortly after in 1985 to gather first hand information on local paediatric surgery training requirements. Bronsther says that during the past four years, SACOW has sent more than 20 specialists in paediatric surgery to work and teach at the Kenyatta National Hospital. The specialists have come from leading universities in France, Canada and the United States.

Bronsther explained that it has become obvious that Kenya needs a special children's hospital not only for treatment purposes but also as a training centre for paediatric specialists for Africa. And so SACOK was formed last year like the New York-based international organisation, SACOW is a charitable body whose main objective is to improve paediatric surgery for the vast number of children who need it. Kyambi, who is Kenya's leading paediatric surgeon, told *The Weekly Review* early this week that babies and children have special surgical requirements that may not be adequately catered for by a general medical institution like the Kenyatta National Hospi-

Kenya



The Bronsther's call on President Moi: project long overdue

tal, hence the decision to establish a special hospital for children. Congenital abnormalities such as obstructions in the urinary tract, the brain, genitalia, heart and intestines, injuries from accidents and benign and malignant tumours pose the major surgical problems for Kenyan children.

As secretary of SACOK, Kyambi is enthusiastic about the idea of a special children's hospital in Kenya; but he warns against over-optimism about the project which, he says, will take many years as well as a concerted national and international effort to realise. His chief concern is the colossal sums of money that will be required to construct, equip and run the hospital. Kyambi dismisses the idea of expanding one of the existing facilities such as the Gertrude's Garden Children's Hospital or the children's wing of the Kenyatta National Hospital, as impractical. "Kenya has so many children requiring surgery and at one time, here at Kenyatta, we had a three-year waiting list of children in need of surgery. The Gertrude's Garden Children's Hospital is a small privately-owned facility with around 70 beds and deals with all kinds of paediatric problems, not just surgery. What we need is a 200 to 300-bed facility whose main work would be paediatric surgery and the teaching of paediatric surgeons. We envisage a facility that would be partly public and partly private," he explained.

According to Kyambi, the training of local paediatric surgeons has come a

long way since 1978, when he returned to Kenya after 20 years of studying and working in West Germany. "When I came back to Kenya and joined the University of Nairobi faculty staff in 1978, I was the only paediatric surgeon in the country. Now we have four fully trained paediatric surgeons as well as three in various stages of training. The training of paediatric surgeons is a very difficult and long process because one must first become a qualified general surgeon. From the general surgeons, we select only a few who show the aptitude steady nerves and the dexterity of the hands and fingers to be able to perform delicate operations on the much smaller organs of children," he said. Much of the help in the training of Kenyan paediatric surgeons has come from SACOW and Kyambi is grateful for the fact that the US-based organisation has sent only reputable and internationally-recognised specialists to work with and teach Kenyans modern techniques of paediatric surgery at the Kenyatta National Hospital. He also said that it was the Americans, who, after noticing "the great amount of work that we had to do" as well as the appalling congestion at the Kenyatta National Hospital, suggested that Kenya needs a special public hospital for children.

After finishing his schooling in Kenya, Kyambi went on an undergraduate scholarship to the University of Heidelberg in West Germany in 1962. He graduated with his first degree in medi-

cin and surgery in 1967 and then went on internship to several hospitals in that country. Between 1970 and 1975, he did his post-graduate studies in surgery at the University of Giesen before returning to Kenya. On his return he looked around for a suitable occupation but could not find any, so he decided to return to West Germany to specialise further. Back in Germany he joined the *Staedtische Kinderprankenhaus* (City Children's Hospital), a part of the University of Cologne, to study paediatric surgery. He returned to Kenya in 1978 and joined the University of Nairobi's faculty of medicine, now the college of health sciences). He was disturbed by the lack of facilities and personnel at the Kenyatta National Hospital (which is also a teaching hospital) for paediatric surgery and so, in 1981, he decided to start a paediatric surgery unit at the hospital and sent appeals for aid to various children's hospitals and universities in different European and North American countries, at first with little response. "It was very discouraging at first and I almost gave up the whole idea. Some of the American friends I met at various international meetings scoffed at the idea, telling me that what an underdeveloped country like Kenya needed was primary health care and not some highly complex idea such as paediatric surgery," Kyambi recalls. Despite the discouragement, he doggedly pursued his goal and in 1985 managed to get in touch with SACOW, which was in the process of starting a similar project in Colombia. Bronsther and his wife travelled to Kenya during the same year and, after examining the requirements, agreed to offer SACOW's help in training local specialists in paediatric surgery through an exchange programme. "What we needed was a demonstration of the modern paediatric surgery techniques and a transfer of technology. We got that from SACOW," Kyambi says. Since then, the bonds between SACOW and Kenya have grown stronger and led to the formation of SACOK (*Saidia Watoto*) in 1987. Apart from chairman Kiplagat and fund-raising boss Shah, all the other members of the SACOK committee are medical specialists. They include Prof. Nimrod Bwibo (principal of the University of Nairobi's College of Health Sciences), Professor Peter Odhiambo, Professor Gerishom Sande and Dr. John Kariuki. ■



DEPARTMENT OF HEALTH & HUMAN SERVICES

The Surgeon General of the
Public Health Service
Rockville MD 20857

FEB 3 1987

COPY

Mr. Burnton Bronsther
195 North Village
Rockville Center, New York 11570

Dear Burt:

I've been meaning to write you for some time and just unofficially tell you how much I appreciate how much SACOW is doing for children of the world. Your heart and mine have always been associated with those things that afflict children that be corrected surgically. I am delighted that so much progress has been made by you and your colleagues around the world.

I guess the real reason for my writing you at this time is because I have just heard about the possibility of a children's hospital in Nairobi. I think this is a marvelous idea because it could become the center for pediatric training for all of Africa. Knowing what I do about that continent, both from my formal life, as director of the MAP Readers Digest Fellowship Program, and as Surgeon General, I know what the possibilities and pitfalls are. I really think that with the right effort, Kenya could pull off the teaching center for pediatrics and pediatric surgery in Africa.

At any rate, you certainly have my unofficial support and once again my approval and appreciation for all you're doing for children.

Sincerely yours,

C. Everett Koop, M.D.
Surgeon General

北京儿童医院

BEIJING CHILDREN'S HOSPITAL

Nan Lishi Road, Beijing, China

COPY

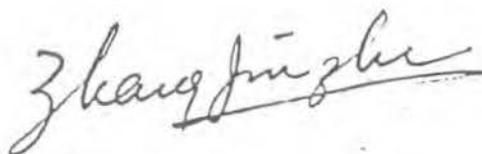
China Society of Pediatric Surgeons

May 31, 1988

Burton Bronsther, M.D.

Your excellent lectures on selected topics of modern pediatric surgery, given in Beijing, Jinan, and Hefei, China, in May, 1988, have contributed greatly to the improvement of the pediatric surgical works of this country.

On behalf of the China Society of Pediatric Surgeons, I like to extend our cordial thanks and sincere appreciation.



Zhang Jin-zhe, M.D.

President of C.S.P.S, CMA

张金哲



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

BARBER B. CONABLE
President

June 21, 1989

Honorable David R. Obey
Chairman, Appropriations Subcommittee
on Foreign Operations
Congress of the United States
House of Representatives
Washington, DC 20515

Dear David:

Thank you for your letter of June 9 conveying your continuing concern over the use of asbestos and other toxic substances in the Third World, and the World Bank's response to this issue.

My investigation into this matter, prompted by our earlier discussion, confirms that the Bank has taken steps which significantly strengthen mechanisms that have been in place here for over a decade. Since our discussion last year, we have been concentrating on putting in place a broader and more complete environmental review process which includes directives on asbestos and pesticides, among other hazardous substances. The result is to impose much closer control over Bank projects. We are now creating panels to advise us in making decisions on individual toxic substances. The first of these is on pesticides and the next one, to be created shortly, will be on asbestos. The high-level body as originally envisaged may take longer to establish.

On the question of asbestos, you can rest assured that we apply no double standard. Our concern has been not only with the working environment in the Bank, which, as you rightly note, has been a factor in the decision to rehabilitate the Bank's older buildings, but also with our borrower countries. The Bank proscribes the use of asbestos as an insulation material in all its projects. This prohibition will be reinforced when it is listed in our new procedures for environmental review.

Where there is a genuine difference of view is on the use of asbestos cement, typically in roofing material or water pipes. We accept the WHO guideline which allows this use -- on the grounds that the risk from asbestos is respiratory, and is not created by ingestion of the fibre. There is, however, a need to ensure worker safety when such materials are being manufactured, installed or removed. There is also a need to ensure that with certain aggressive waters, which attack the structure of the pipe, the more costly plastic materials are used. Again, these safeguards are covered by the standard guidelines and it is our practice to ensure that staff and consultants are constantly reminded of the risk factors.

June 21, 1989

We are thus putting into place an environmental review process for all Bank projects that combines strict operational and technical safeguards with strong scientific advice. It is in the latter context that we have begun to establish the panels on specific toxic substances. The scientific advice will have to be used by Bank staff to make judgements that lead to practical and cost-effective decisions. This, I think, is a set of objectives on which we both agree and which the Bank is implementing.

I will, of course, continue to follow this issue closely. I believe sincerely that we have acted responsibly to contain the public health costs in this and in other areas of toxicity. I certainly agree that such costs must be reduced in the light of available knowledge and much of our work is directed to the wider issues of health and environment in the developing world.

I appreciate your interest in this issue and hope that you will find useful this information on our position.

Sincerely,

(Signed) Barber B. Conable

Barber B. Conable
President

Honorable David R. Obey

- 3 -

June 21, 1989

Clrd. w&bcc: Mr. Colaco
Ms. Haug
Mr. Aguirre-Sacasa
Mr. Shakow
Mr. Hopper (o/r)
cc: Mr. Rajagopalan (o/r)
Mr. Warford
Mr. Listorti
Mr. Baratz

KWP/et

THE WORLD BANK

Office of the President

June 14, 1989

Mr. David Hopper

David:

This is extremely urgent. I would like to have a response prepared for Congressman Obey's letter by Friday, June 16. Please ensure clearance with Francisco Aguirre-Sacasa.

Barber

Barber Conable

URGENT

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

CORRESPONDENCE DATE : 89/06/09

DUE DATE : 89/06/16

LOG NUMBER : 890613012

FROM : Cong. Obey

SUBJECT : Req. an immediate attention re the Bank's loans does not support
the use of asbestos and other toxic substances in the Third World

OFFICE ASSIGNED TO FOR ACTION : Mr. Hopper (D-1202)

ACTION:

____ APPROVED
____ PLEASE HANDLE
____ FOR YOUR INFORMATION
____ FOR YOUR REVIEW AND RECOMMENDATION
____ FOR THE FILES
____ PLEASE DISCUSS WITH _____
✓ _____ PLEASE PREPARE RESPONSE FOR BBC's SIGNATURE
____ AS WE DISCUSSED
____ RETURN TO _____

COMMENTS :

cc: Mr. Aguirre-Sacasa , Mr. Stanton



DISTRICT OFFICE:
 FEDERAL BUILDING
 317 FIRST STREET
 WAUSAU, WI 54401
 PHONE: 715-842-5606

DISTRICT REPRESENTATIVE:
 JERRY MADISON

FIELD REPRESENTATIVE:
 MARTIN HANSON

Congress of the United States
House of Representatives
 Washington, DC 20515

SUBCOMMITTEES:

CHAIRMAN:
 FOREIGN OPERATIONS AND
 EXPORT FINANCING

MEMBER:
 LABOR-EDUCATION, HEALTH
 AND HUMAN SERVICES

MEMBER:
 LEGISLATIVE

JOINT ECONOMIC COMMITTEE

WASHINGTON OFFICE:
 2462 RAYBURN HOUSE OFFICE
 BUILDING
 PHONE: 202-225-3365
 EXECUTIVE ASSISTANT:
 LYLE STITT

June 9, 1989

The Honorable Barber Conable
 President
 The World Bank
 Washington, D.C. 20433

Dear Barber:

I am very concerned about the World Bank's lack of action in ensuring that its loans do not support the use of asbestos and other toxic substances in the Third World.

You will recall that we met over a year ago to discuss this issue, and you assured me that you would keep me apprised of the progress the Bank was making. Present at that meeting was my friend, Dr. Irving Selikoff, one of the world's leading experts on the public health implications of asbestos, as well as staff members of the Environmental Defense Fund concerned with toxics and international development.

Last summer I was sent a copy of a letter from the Bank to the Environmental Defense Fund, dated July 1, 1988, in which the Bank committed itself to establishing a high level Toxics Chemical Advisory Panel "to review toxic chemicals issues in relation to World Bank lending activities. This group would need to set up expert sub-panels to make recommendations relating to individual chemicals..." The letter further stated that use of asbestos cement and support of tobacco crops would be the first issues to be addressed, followed by several others. At that time, I was encouraged by this statement of intentions, and assumed that our meeting and your promise meant that the Bank was taking action. If, as I understand it, the Bank has taken no action on its commitments of July 1988, then I would urge you to look into this as quickly as possible.

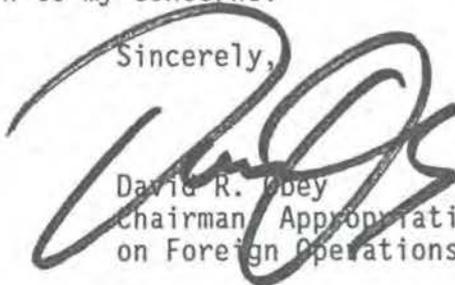
If the Bank is not addressing the asbestos issue with respect to its lending program, I believe that is especially ironic. I understand the Bank recently made the decision to renovate, at a cost of millions of dollars, several of the Bank's older, central office buildings. This decision was prompted in part by the risk to Bank employees posed by asbestos in the construction. While I support these efforts to protect the Bank's employees, I am not pleased that the Bank is continuing to delay development and implementation of scientific guidelines for use of asbestos and other toxic substances in Bank projects. Failure to implement such guidelines could result in huge public health costs to the Third World over the next generation. I think you would agree that it is unacceptable that U.S. taxpayers' support of the World Bank should underwrite such a double standard.

The Honorable Barber Conable
Page 2
June 9, 1989

I very much appreciate your personal involvement in this issue and I ask that you would ensure that independent scientific guidelines are in place and implemented for use of asbestos and other toxics in Bank projects within a reasonably short time frame.

I appreciate your attention to my concerns.

Sincerely,

A large, stylized handwritten signature in dark ink, appearing to read 'D. Obey', is written over the typed name and title.

David R. Obey
Chairman, Appropriations Subcommittee
on Foreign Operations

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

BARBER B. CONABLE
President

May 31, 1989

Dear John:

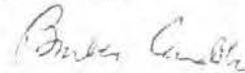
Several months ago, you and Tom Lantos wrote to me enclosing a preliminary proposal of the Congressional Human Rights Foundation for an international conference on "The Role of Financial Institutions in Promoting Human Rights" to be held at the World Bank/IMF Annual Meetings in September 1989. I understand our staffs have discussed this proposal, but I wanted to be sure you were informed of the specific reasons for our response to your request.

Concern for the economic and social welfare of people in countries receiving development assistance from the Bank, as well as concern for the social impact of the operations it finances, are reflected in the Bank's day-to-day work. Under its Articles of Agreement, the Bank is prohibited, however, from interfering in the political affairs of any member and from being influenced in its decisions by the political character of the member concerned. The Bank's Articles state specifically that "only economic considerations", weighed impartially, are relevant to the decisions of the Bank and its officers.

As you can understand, John, for these reasons it would be inappropriate for us to hold such a conference in conjunction with the Bank/Fund Annual Meetings.

Best personal wishes.

Sincerely,



The Honorable John E. Porter
U.S. House of Representatives
Washington, D.C. 20515

CC: Messrs. Shabata, Aguirre-Abasco

05/30/89

While the Bank promotes economic and social rights as a result of its development finance efforts, and its concern for the social impact of the operations financed by it, it is prohibited by its Articles of Agreement from interfering in the political affairs of any member and from being influenced by the political character of the member concerned. "Only economic considerations", weighed impartially are relevant to the decisions of the Bank and its officers. (Article IV, Section 10).

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

JT/JWS
~~HTT~~/BBC(9A)

file

CORRESPONDENCE DATE : 89/04/21 DUE DATE : 00/00/00
LOG NUMBER : 890425007 FROM : Mr. I. Shihata
SUBJECT : Human Rights - Proposal of "The Association of the Bar of the
City of New York."
OFFICE ASSIGNED TO FOR ACTION : Mr. B. Conable (E-1227)

ACTION:

- _____ APPROVED
- _____ PLEASE HANDLE
- _____ FOR YOUR INFORMATION
- _____ FOR YOUR REVIEW AND RECOMMENDATION
- _____ FOR THE FILES
- _____ PLEASE DISCUSS WITH _____
- _____ PLEASE PREPARE RESPONSE FOR _____ SIGNATURE
- _____ AS WE DISCUSSED
- _____ RETURN TO _____

COMMENTS :

Chitra - pls. cc: FAS

OFFICE MEMORANDUM

DATE: April 21, 1989

TO: Mr. Barber B. Conable

FROM: Ibrahim F.I. Shihata, LEGVP

EXTENSION: 74945

SUBJECT: Human Rights - Proposal of "The Association of the Bar
of the City of New York"

Four members of the Board of Directors of the Association of the Bar of the City of New York, including its Chairman, James Silkenat, a former IFC lawyer, visited me on April 19 to discuss the role of the Bank in the promotion of human rights. They mentioned that they were also meeting with Senator Claiborne Pell and senior officials of the State Department to discuss proposals on how the US can further promote human rights through the World Bank Group. Discussion focused on their proposal to request the Bank to establish a Human Rights Department along the lines of the Environment Department, a proposal which they were considering submitting to supporters in the Congress to strengthen the objective of not lending to countries with a record of human rights violations.

I have advised the delegation as follows:

- (1) If their concern is economic and social rights, rather than civil and political rights, this concern is reflected in the bulk of the Bank's day-to-day work and no particular purpose may be served by a separate department focusing on this issue.
- (2) If their concern is the civil and political rights, the Bank's Articles are explicit in stating that "the Bank and its officers shall not interfere in the political affairs of any member" and that "only economic considerations shall be relevant to their decisions."
- (3) Even if the Articles of Agreement were to be amended in this respect (a highly unlikely proposition), the Bank's Board is not likely to approve a proposal which would greatly politicize the Bank's work.
- (4) When the issue of political human rights was raised in the past as a basis for a vote in the Bank's Board this was done in a very selective manner, and was questioned as inappropriate by many Board members.

- (5) It is not clear in any event why, if a government violates political and civil rights, the Bank should further penalize the population of such a country by denying them the benefits of Bank-supported development, thus adding economic injury to the political insult.1/
- (6) In situations where the stability of the country is in question and raises issues of creditworthiness or of the Bank's ability to supervise projects financed by it, the Bank takes these factors into consideration as a matter of course.

I urged the delegation to reconsider their proposal, pointing out that it may do more harm than good and assuring them that the Bank is paying increasing attention to poverty, environment and women in development issues without invoking any of the objections which would certainly arise if these or other issues were addressed in a highly charged political context.

cc: Mr. Hopper, Mr. Wapenhans
Mr. Stanton

1/ It should be noted that US Public Law 95-118 of 1977 does instruct the US Executive Director to oppose the extension of loans or any other form of financial or technical assistance to any government with "a consistent pattern of gross violations of internationally recognized human rights...unless such assistance is directed specifically to programs which serve the basic human needs of the citizens of such country."

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

CORRESPONDENCE DATE : 88/11/14 DUE DATE : 00/00/00
LOG NUMBER : 881130019 FROM : John Porter
SUBJECT : Preliminary proposal for an international conf. on The Role of
Financial Institutions in Promoting Human Rights sched in Sept 89
OFFICE ASSIGNED TO FOR ACTION : Mr. Aguirre-Sacasa(E8065)

ACTION:

_____ APPROVED
_____ PLEASE HANDLE
_____ FOR YOUR INFORMATION
_____ FOR YOUR REVIEW AND RECOMMENDATION
_____ FOR THE FILES
_____ PLEASE DISCUSS WITH _____
_____ PLEASE PREPARE RESPONSE FOR _____ SIGNATURE
_____ AS WE DISCUSSED
_____ RETURN TO _____

COMMENTS :cc: Messrs. Hopper & Thahane
Note: Judy, I don't think we should do this but thought should be
given as to the proper way to say it - JWS.



Congressional Human Rights Foundation

Congressman Tom Lantos
Congressman John Edward Porter
Co-Chairmen

901 31st Street, N.W.
Washington, D.C. 20007
(202) 333-1407

November 14, 1988

The Honorable Barber Conable
President
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433

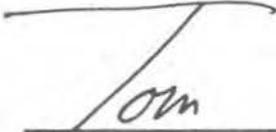
Dear Barber,

Enclosed is a preliminary proposal for an international conference on "The Role of Financial Institutions in Promoting Human Rights." This will be held at the World Bank/IMF Annual meeting in September 1989.

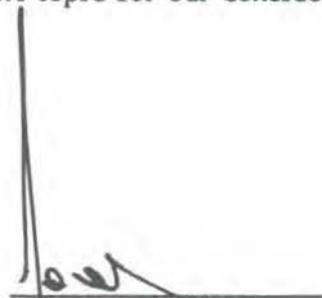
The Congressional Human Rights Foundation is a private non profit educational organization which we co-chair. It works closely with the Congressional Human Rights Caucus. We feel this proposal represents an important topic for our consideration.

We look forward to discussing it with you.

Sincerely,



Tom Lantos
Co-Chairman



John Edward Porter
Co-Chairman

PRELIMINARY
PROPOSAL
FOR AN
INTERNATIONAL CONFERENCE ON THE ROLE OF
FINANCIAL INSTITUTIONS IN PROMOTING HUMAN RIGHTS

Submitted by:

Congressional Human Rights Foundation
901 31st Street, N.W.
Washington, D.C. 20007-3838

Contact:

David L. Phillips
(202) 333-1407

INTERNATIONAL CONFERENCE ON THE ROLE OF FINANCIAL INSTITUTIONS IN PROMOTING HUMAN RIGHTS

I. Purpose

The World Bank, the International Monetary Fund and the Congressional Human Rights Foundation will organize an International Conference to provide a forum to discuss the role of international public and private financial institutions in promoting human rights. The Conference will be a first step in a constructive dialogue examining ways financial institutions can encourage human rights in countries where human rights violations occur or where indigenous populations are at risk.

The International Conference on the Role of Financial Institutions in Promoting Human Rights will seek to build consensus in determining that:

- lending does impact human rights.
- lending can promote human rights.
- key institutions can work together to address these issues. These institutions include:
 - o public financial institutions;
 - o private financial institutions;
 - o U.S. Congress; and
 - o human rights/environmental advocates.

As part of Phase 2, within six months of the International Conference on the Role of Financial Institutions in Promoting Human Rights, a follow-up working conference will be held by the Congressional Human Rights Foundation to examine common interests between public/private financial institutions and the development of human rights in countries where portfolios are maintained or where the implementation of projects effect human rights.

The objective of the conferences is to compile the suggestions of the participants in a manual, "Recommendations to Promote Human Rights in the Lending Process." This will be developed and distributed in conjunction with the American Bankers Association.

II. Proposed Attendees

Officials of the World Bank

Officials of IMF

Members of the Congressional Human Rights Caucus; other members of Congress and the U.S. Senate

Representatives of major financial institutions:

- o commercial banks

Topic III: Experience and prospects for legislative strategies to encourage human rights in public and private lending. (Chairman of the House Banking Committee or other Congressional leader in the banking field)

Topic IV: The role of public financial institutions in supporting economic development in a way that preserves indigenous cultures and environments. (To be determined)

Each speaker will present information over 15 minutes and will receive questions from a panel of questioners for an additional 15 minutes. A Co-Chairman of the Congressional Human Rights Foundation will guide the discussion. Questions will be asked by representatives of the following organizations:

- World Bank
- International Monetary Fund
- U.S. commercial bank
- Congressional Human Rights Caucus/Foundation
- Human rights organization
- Environmental/indigenous persons organization.

12:15 Luncheon - Summary and Conclusion of Conference.
(Congressman Lantos or Porter, Messrs. Conable or Mr. Camdessus)

V. Major Sponsors

A. The World Bank

The International Bank for Reconstruction and Development (World Bank) was established following the United Nations Monetary and Financial Conference at Bretton Woods in 1944. The objectives of the World Bank are "to help raise standards of living in developing countries by channeling financial resources from developed countries to the developing world." Over the years it has become increasingly obvious that private sector financial institutions have played and continue to play a vital role in this process. It has also become clear that raising living standards is not solely an economic process, but a social and political process as well. Economic progress must go hand in hand with progress on human rights.

B. The International Monetary Fund (IMF)

The International Monetary Fund is an organization of more than 145 member nations that works to establish a freer system of world trade. It seeks to help its members achieve economic growth, a high level of employment, and improved standards of living by providing a framework that facilitates the exchange of goods, services and capital among countries. The IMF serves as an agency for consultation and cooperation on world monetary problems. Established following the Breton Woods Conference of 1944, the IMF began operating in May of 1947. The IMF is a specialized agency of

- o merchant banks
- o investment banks

Representatives of various human rights organizations, environmental groups, and organizations representing indigenous populations, for example:

- o Lawyers Committee on Human Rights
- o Environmental Defense Fund
- o Cultural Survival (Harvard University)

Academic and research institutions:

- o Fletcher
- o SAIS
- o the Brookings Institution
- o The Institute of International Finance
- o The Institute for International Economics

Representatives of international business and financial organizations:

- o The US Council for International Business
- o The Global Economic Action Institute
- o American Bankers Association
- o The African Development Bank

III. Time and Location

Washington, D.C. during the 1989 WB/IMF Annual meetings.

IV. Proposed Schedule

- | | |
|-------|--|
| 8:30 | Registration (coffee and danish to be served) |
| 9:00 | Opening Remarks - Congressman Lantos or Porter |
| 9:30 | Keynote Address - Mr. Barber Conable or Mr. Michel Camdessus |
| 10:15 | Coffee/Stretch Break |
| 10:30 | Program - Speakers will present information on the following proposed topics: |
| | Topic I: Possibilities for combining political, economic and financial resources to encourage human rights. (Assistant Secretary of State for Human Rights and Humanitarian Affairs) |
| | Topic II: Role of Private Financial institutions in promoting human rights in portfolio countries. (CEO of a private financial institution) |

the United Nations. The agency is closely connected with the World Bank. A nation must be a member of the IMF before it can belong to the Bank.

C. The Congressional Human Rights Foundation

The Congressional Human Rights Foundation is a bipartisan non-profit educational organization that encourages Congressional and international parliamentary awareness on human rights. The Foundation's Board of Directors includes leaders in Congress, the human rights community, individuals with broad foreign policy experience, and concerned citizens.

Established in 1985 by Congressmen Tom Lantos (D-California) and John Edward Porter (R-Illinois), the Foundation addresses political, ethnic, religious and racial persecution around the world. It represents a broad bipartisan view of universal human rights and focuses on educating Members of Congress, their staff, and constituents about the critical role of human rights in international relations.

The Foundation works closely with the 160-member Congressional Human Rights Caucus, the leading Congressional voice on human rights. The Foundation also collaborates with agencies of the U.S. government, parliaments, and human rights organizations to help human rights advocates communicate with international policy makers.

D. A Private Financial Institution

(To Be Announced)

CONGRESSIONAL HUMAN RIGHTS FOUNDATION

PURPOSE

The greatest example the United States has offered the world is its fundamental commitment to individual human rights. Today, we are challenged to adjust to a changing world; to uphold human rights and democratic principles - while respecting the differences and diversity of many people and nations.

Established in 1985 by Congressmen Tom Lantos (D-California) and John Edward Porter (R-Illinois), the Congressional Human Rights Foundation is a bipartisan, non-profit educational organization which actively addresses political, ethnic, religious, racial, and other human rights violations around the world. The Foundation helps to educate Members of Congress, their staff, and constituents about the role of human rights in international relations and to support Congressional action on behalf of human rights.

The Foundation works closely with the 160-member Congressional Human Rights Caucus, the leading Congressional voice on human rights. It also collaborates with agencies of the U.S. government, international parliaments, and leading human rights organizations.

LEADERSHIP

Congressmen Tom Lantos and John Edward Porter serve as the Co-Chairmen of the Congressional Human Rights Foundation. The Foundation is directed by its governing Board of Trustees and guided by a Congressional Advisory Board and a National Advisory Board.

- o **Board of Trustees:** Prominent citizens who have a strong commitment to human rights and broad foreign policy experience, including leaders in Congress and representatives of the human rights community.

- o **Congressional Advisory Board:** Members of Congress who have played a major role in supporting human rights issues, including members of the Congressional Human Rights Caucus and U.S. Senators.

- o **National Advisory Board:** Human rights specialists and prominent Americans who have held key government and private sector positions involving foreign policy and human rights.

Congressman Tom Lantos has a deep commitment to human rights that stems from his early experiences and has continued through his public life. Elected to Congress in 1980, he is the first and only survivor of the Holocaust to serve in Congress. Congressman Lantos sits on the Committee on Foreign Affairs, where he is a member of the Subcommittee on Human Rights and International Organizations and the Subcommittee on Europe and the Middle East. He is also Chairman of the Permanent United States Congressional Delegation to the European Parliament of the European Common Market. With Congressman John Porter, he is founder and Co-Chairman of the 160-member bipartisan Congressional Human Rights Caucus. Tom's commitment to human rights is shared by his wife, Annette, whom Tom refers to as "my most trusted advisor." Mrs. Lantos is Chair of the International Free Raoul Wallenberg Committee and an active advocate for humanitarian causes, including Tibetan and South African human rights.

Congressman John Edward Porter and his wife Kathryn Cameron Porter visited the Soviet Union in 1982 and were so moved by the plight of refuseniks that they decided to form the Congressional Human Rights Caucus. Today, Congressmen Porter and Lantos are co-Chairmen of both the Caucus and the Congressional Human Rights Foundation. In 1983 Mr. Porter was appointed to the Commission on Security and Cooperation in Europe, the Helsinki Commission. He is a member of the House Appropriations Committee and serves on the Subcommittee on Foreign Operations which administers the U.S. foreign aid budget. Mr. Porter's deep concern about human rights is shared by Kathryn Cameron Porter, who has been on the Advisory Board of the International Parliamentary Group, and is the Chair of the Cypriot Women's Association. She and Mrs. Lantos are Founders of the "Committee of 21" which assists linkages between prominent women in the U.S. and international human rights victims.

Foundation Staff are human rights and organizational management professionals with diverse experience and accomplished backgrounds. The Executive Director, Mr. David L. Phillips, has worked around the world in international social welfare and refugee assistance.

ACTIVITIES

Through the direct involvement of Congressional human rights leaders, the Congressional Human Rights Foundation works to assure that human rights are fully considered in the development of United States foreign policy. Foundation programs include:

- o ***International Human Rights Conferences*** - Congressional involvement is a principal theme of conferences organized by the Foundation. Conferences inform participants and help develop policy options in response to global situations involving human rights.
- o ***Information and Consensus Building Seminars*** - In cooperation with members of the Congressional Human Rights Caucus and other Congressional organizations, the Foundation holds symposia involving Congressional human rights leaders, Congressional staff, administration officials, academicians, and human rights specialists.
- o ***Fact Finding and Crisis Intervention Trips*** - The Foundation assists Members of Congress to undertake direct action in behalf of human rights victims. A congressional site visit forces the foreign government to acknowledge the human rights issue, stimulates international press and parliamentary interest, and raises the issue's profile to give it greater priority with international organizations and agencies of the U.S. government.
- o ***International Parliamentary Discussions*** - To promote participation in human rights by the parliamentarians of other countries, the Foundation organizes international parliamentary discussions, conferences, and exchanges. These dialogues help encourage a greater interest in human rights among legislatures around the world.
- o ***Strategic Planning for Human Rights Organizations*** - The Foundation's links with Congress are used to assist other human rights organizations. The Foundation undertakes activities with a wide variety of organizations, helping them to understand the structure and organization of Congress and the role of individual Member and staff involvement in human rights.
- o ***Cultural Events, Exhibitions, and Performances*** - To call attention to human rights, the Foundation organizes cultural events, exhibitions, and performances. The principal place of exhibition has been the Cannon Rotunda and other public buildings on Capitol Hill. Some of these programs are also presented in other parts of the United States with the involvement of local Members of Congress.

INSTITUTIONAL RELATIONSHIPS

The principal focus of Congressional Human Rights Foundation is the Congress of the United States. Congress is in the forefront of action to assure a human rights component in American foreign policy. Established in 1985, the Foundation works to develop increasingly active Congressional involvement in human rights.

The Foundation undertakes a broad range of joint activities with the Congressional Human Rights Caucus -- a bipartisan legislative service organization of the House of Representatives with 160 members. Additional activities are conducted with other Congressional organizations and individual Members of Congress. The Foundation also works with agencies of the United States government. At the State Department, the Bureau of Human Rights and Humanitarian Affairs has been the principal contact, as well as the geographical bureaus of the Department.

Foundation activities are closely coordinated with other human rights organizations. The Congressional Human Rights Foundation has no geographical or topical focus, but seeks to encourage respect for human rights wherever human dignity is compromised or human rights violations occur. The constituents of the Congressional Human Rights Foundation are those who suffer and are oppressed.

For more information about human rights in United States foreign policy, contact:

Congressional Human Rights Foundation

901 31st Street, N.W.

Washington, D.C. 20007-3838

Telephone: (202) 333-1407

Fax: (202) 333-1638 or (202) 944-5121

The Congressional Human Rights Foundation is a non-profit 501(c)(3) organization incorporated in the District of Columbia. Activities of the Foundation are supported by private contributions.

QUOTATIONS TO BE INSERTED IN BOXES THROUGHOUT THE TEXT:

"We rely so much on each other and are so interconnected that without a sense of universal responsibility, a feeling of universal brotherhood and sisterhood, and an understanding that we really are part of one big human family, we cannot hope to overcome human suffering, let alone bring about peace and happiness." -- *The Dalai Lama of Tibet*

"We are unwilling to witness the undoing of those human rights to which this nation has always been committed and to which we are committed today at home and around the world." -- *John F. Kennedy*

"Does there exist a nobler inspiration than the desire to be free? It is by his freedom that a man knows himself, by his sovereignty over his own life, that a man measures himself. To violate that freedom, to flout that sovereignty, is to deny man the right to live his life -- to take responsibility for himself with dignity." -- *Elie Wiesel*

"It means a great deal to those who are oppressed to know that they are not alone. And never let anyone tell you that what you are doing is insignificant. The sea is made up of drops of water. There is no way injustice can ever prevail over goodness. Love must always prevail over hate." -- *Bishop Desmond Tutu*

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

BARBER B. CONABLE
President

May 26, 1989

The Honorable Mickey Edwards
House of Representatives
Washington, D. C. 20515

Dear Mickey:

A new compensation system was recently adopted by the World Bank and the IMF. The system is market-based, with pay increases determined by job performance. It was developed over four years by a Joint Compensation Committee of members of the Executive Boards of the Bank and the IMF; the U.S. was represented on this Committee.

There is no question that a new salary structure was necessary, as World Bank salaries were no longer competitive in the international job market. As a result, the Bank was experiencing difficulty in attracting qualified staff from many of its European member countries, Japan, the United States and even some developing countries.

This problem had been long in the making. For four years beginning in 1984, pay increases granted to staff had lagged significantly behind the market. The end result was a salary structure about 17 percent below market comparators. (This is analogous to the situation in which the U.S. Government now finds itself; after years of pay compression, U.S. civil service salaries are about 26 percent below actual market comparators).

The deterioration in Bank salaries also meant that the Bank was unable to recruit outstanding candidates with a wide range of skills. This not only included debt management and finance specialists, where Bank salaries were significantly below the market in virtually every country where such people can be recruited (including the U.S.), but also economists, lawyers, industrial experts, specialized agriculturists, energy and environmental experts.

....2

The Honorable Mickey Edwards

May 26, 1989

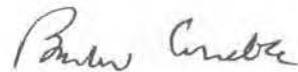
Once the new structure was agreed, our Board of Directors approved an overall pay increase of 11.1 percent in staff salaries. (The Board also approved additional funding to bring a limited number of Bank staff whose salaries are below the minimum of the new range for their grade, to that minimum.) The 11.1 percent increase in the salary pool will be distributed to individual staff on the basis of established performance criteria. Pay increases will be tied to merit, and will range from 3.9 to 17.5 percent. Seventy percent of the staff will receive increases of less than 11.1 percent.

The specific increases which will be awarded to individual staff have not as yet been determined. Bank managers are now completing the annual performance reviews for their staff, and salary increases will be fixed on the basis of these reviews. This process will be completed by the end of June.

I believe that the current adjustments are reasonable, and that they are essential to preserve the high quality of our staff and international character of this institution.

I thought it important to tell you about this myself, and to explain why these changes were made. I will be happy to answer any questions you may have on this issue.

Sincerely,



Barber B. Conable

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

BARBER B. CONABLE
President

May 26, 1989

The Honorable Walter E. Fauntroy
Chairman, Subcommittee on International
Development, Finance, Trade and Monetary Policy
House of Representatives
Washington, D. C. 20515

Dear Walter:

A new compensation system was recently adopted by the World Bank and the IMF. The system is market-based, with pay increases determined by job performance. It was developed over four years by a Joint Compensation Committee of members of the Executive Boards of the Bank and the IMF; the U.S. was represented on this Committee.

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The Honorable Walter E. Fauntroy

May 26, 1989

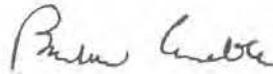
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Sincerely,



Barber B. Conable

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

BARBER B. CONABLE
President

May 26, 1989

The Honorable David Obey
Chairman, Subcommittee on Foreign Operations
Committee on Appropriations
House of Representatives
Washington, D. C. 20515

Dear Congressman Obey:

A new compensation system was recently adopted by the World Bank and the IMF. The system is market-based, with pay increases determined by job performance. It was developed over four years by a Joint Compensation Committee of members of the Executive Boards of the Bank and the IMF; the U.S. was represented on this Committee.

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....2

The Honorable David Obey

May 26, 1989

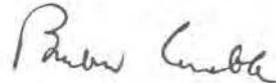
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Sincerely,



Barber B. Conable

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

BARBER B. CONABLE
President

May 12, 1989

Dear Representative Meyers:

Thank you for your letter of May 2 about the situation regarding Black and Veatch International and Mr. Acheson's letter of December 15, 1988 concerning payment for services his firm provided to the Government of Punjab in India.

The circumstances of this case give the World Bank very little leverage for intervention. The IDA Credit for the water supply project, under which the contract was made, was committed and legally closed in September 1985. Nonetheless, we urged the Government of India to try to resolve the matter, and this resulted in the payment of \$3,473.25 which Mr. Acheson acknowledges was made last year. The remaining amount, which to our knowledge has not been paid, is under dispute by the Government of Punjab. We will, again, bring notice of the situation to the Government of India, through the World Bank Executive Director from India, with a request that efforts be made to bring the matter to a satisfactory conclusion.

Thank you for writing and best wishes.

Sincerely,



The Honorable Jan Meyers
The House of Representatives
Washington, D.C. 20515

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

~~PTT~~
~~JWS~~

CORRESPONDENCE DATE : 89/05/02

DUE DATE : 89/05/12 ✓

LOG NUMBER : 890505002

FROM : Cong. Jan Meyers

SUBJECT : Would appreciate further action re Black & Veatch Int'l. and
balance of payment due to Mr. Malise Graham.

OFFICE ASSIGNED TO FOR ACTION : Mr. M. Qureshi (E-1241)

ACTION:

(Attn. Mr. Blinkhorn)

- APPROVED
- PLEASE HANDLE
- FOR YOUR INFORMATION
- FOR YOUR REVIEW AND RECOMMENDATION
- FOR THE FILES
- PLEASE DISCUSS WITH _____
- PLEASE PREPARE RESPONSE FOR BBC's SIGNATURE
- AS WE DISCUSSED
- RETURN TO _____

COMMENTS :cc: Mr. Aguirre-Sacasa

Pls. have resp. ready for Mr. Conable's signature by 5/12/89.



NOTE: previous corresp. to EXClog #881222026 has comments from T. Blinkhorn that no further resp. is necessary after approp. discussions with the Indian ED's office 1/13/89.

JAN MEYERS
3D DISTRICT, KANSAS

FOREIGN AFFAIRS COMMITTEE

SUBCOMMITTEES:

EUROPE AND THE MIDDLE EAST
HUMAN RIGHTS AND INTERNATIONAL ORGANIZATIONS

SMALL BUSINESS COMMITTEE

SUBCOMMITTEES:

SBA, AND THE GENERAL ECONOMY
REGULATION AND BUSINESS OPPORTUNITIES

SELECT COMMITTEE ON AGING

Congress of the United States
House of Representatives

Washington, DC 20515

May 2, 1989

WASHINGTON OFFICE
315 CANNON HOUSE OFFICE BUILDING
(202) 225-2865

DISTRICT OFFICE:
204 FEDERAL BUILDING
KANSAS CITY, KS 66101
(913) 621-0832

DISTRICT OFFICE:
7133 WEST 95TH STREET
SUITE 217
OVERLAND PARK, KS 66212
(913) 383-2013

Mr. Barber Conable
President
International Bank for
Reconstruction and Development
1818 H. Street N.W.
Washington,, D.C. 20433

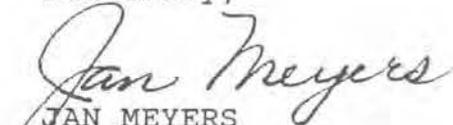
Dear Mr. Conable:

Enclosed is a copy of a letter Allen Acheson sent to the World Bank last December regarding India's payment for services and transportation costs to Black & Veatch International, a company headquartered in Kansas City, Missouri.

I would appreciate knowing whether this situation has been resolved to Black & Veatch International's satisfaction. It is my understanding that only a partial payment has been made to reimburse the company for Mr. Malise J. Graham's expenses.

Thank you for your help in this matter. I look forward to your response in the near future.

Sincerely,


JAN MEYERS
Member of Congress

JM:js

Enclosure

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

BARBER B. CONABLE
President

April 17, 1989

Dear Carroll:

Thank you for your letter of March 31, 1989 and for sharing with me your views and those of your constituent, Mr. Mark Miculis, on the Bank's power and agricultural sector loans to Brazil.

As you know, the World Bank is committed to the principle of sustainable economic development and shares Mr. Miculis' and your concerns for the protection of the environment. The Bank has never, of course, participated in the financing of any environmentally harmful hydroelectric project in Brazil and has no intention of doing so in the future. On the contrary, by helping the Brazilian Government with measures to mitigate the adverse environmental impact of previous non-Bank projects, and through a proposed new loan for environmental reform and energy conservation, the Bank hopes to strengthen the implementation of environmental protection plans. The new loan will support measures that will establish more stringent licensing and comprehensive screening procedures for all future hydroelectric projects, as well as energy conservation measures that will significantly reduce the need to build new power facilities.

As you may be aware, since 1986 the World Bank has supported the strengthening of environmental guidelines and action plans in the Brazilian power sector through an Environmental Master Plan. Future projects including the Electricity Transmission and Conservation Loan and the Electricity Distribution and Conservation Loan in the Power Sector, and the Rondonia Resource Management Loan in the Agriculture Sector will continue to support the Brazilian Government's environmental efforts in these areas. Furthermore, a proposed National Environmental Project will strengthen Brazilian institutional capability, nationwide, to more effectively deal with environmental and tribal issues.

Our staff will be pleased to provide you with more details, if you so wish.

With best regards.

Sincerely,

(Signed) Barber B. Conable

Honorable Carroll Hubbard
Chairman
Subcommittee on General
Oversight and Investigations
Room B-304 Rayburn House Office Building
Washington, DC 20515

cc: Mr. S. Husain, LACVP; Mr. A. Choksi, LA1DR; Mr. G. Nankani, LA1CO;
Mr. J. L. Vietti, Mr. J. A. Larrieu, LA1IE

MMunasinghe:rb

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

HH
JWS

4/17/89

CORRESPONDENCE DATE : 89/03/31

DUE DATE : ~~89/04/14~~

LOG NUMBER : 890403008

FROM : Cong. Hubbard

SUBJECT : Would like to hear further attention re:power sector loan to
Brazil for his constituents, Mark Miculis.

OFFICE ASSIGNED TO FOR ACTION : Mr. M. Qureshi (E-1241)

ACTION:

- APPROVED
- PLEASE HANDLE
- FOR YOUR INFORMATION
- FOR YOUR REVIEW AND RECOMMENDATION
- FOR THE FILES
- PLEASE DISCUSS WITH _____
- PLEASE PREPARE RESPONSE FOR BBC'S SIGNATURE
- AS WE DISCUSSED
- RETURN TO _____

COMMENTS :Mr. Qureshi's office: Pls. clear final resp. w/Mr. Aguirre-Sacasa
prior to submission for BBC's sign. cc: Mr. Aguirre-Sacasa
"The Honorable Carroll Hubbard" Dear Carróll:

CARROLL HUBBARD, JR., KENTUCKY, CHAIRMAN

HENRY B. GONZALEZ, TEXAS
DOUG BARNARD, JR., GEORGIA
PAUL E. KANJORSKI, PENNSYLVANIA
CHARLES E. SCHUMER, NEW YORK
BUDDY ROEMER, LOUISIANA
BEN ERDREICH, ALABAMA
ELIZABETH J. PATTERSON, SOUTH CAROLINA
FLOYD H. FLAKE, NEW YORK

TELEPHONE: (202) 225-2828

STAN PARRIS, VIRGINIA
DAVID DREIER, CALIFORNIA
STEVE BARTLETT, TEXAS
AL McCANDLESS, CALIFORNIA
J. ALEX McMILLAN, NORTH CAROLINA
JIM BUNNING, KENTUCKY

U.S. HOUSE OF REPRESENTATIVES

ONE HUNDREDTH CONGRESS

SUBCOMMITTEE ON GENERAL OVERSIGHT AND INVESTIGATIONS

OF THE

COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS

ROOM B-304 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515

March 31, 1989

Honorable Barber Conable
President
World Bank
1818 H Street, NW
Washington, DC 20433

Dear Barber:

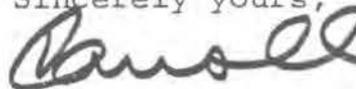
Enclosed please find a copy of the March 3, 1989, letter to you from one of my constituents, Mark A. Miculis of 2381 Kinmont Way, Henderson, Kentucky.

I am writing to advise you of my serious concerns about Mark's comments with regard to the World Bank's future agricultural and power sector loans to Brazil. Thank you for your consideration of these views, and I would be grateful for any information that you could furnish that I could send to my constituent.

Again, many thanks for your attention to the above-mentioned matter, Barber.

With best wishes for you, I am

Sincerely yours,



Carroll Hubbard
Chairman
Subcommittee on General
Oversight and Investigations

CH/mmf
Enclosure

2381 Kinmont Way
Henderson, Kentucky 42420
March 3, 1989

COPY

President Barber Conable
World Bank
1818 H Street
Washington, D.C. 20433

MAR 10 1989

Dear President Conable:

I am asking that you postpone or deny any future agricultural and power sector loans to Brazil until a parallel conservation and ecological program is established; one that is both meaningful and enforceable.

I offer you this example. How would you like to go into a sauna with someone slowly increasing the temperature while slowly cutting off the air supply? You know the situation is terminal, but what you do not know is whether death will come as a result of heat exhaustion or suffocation. The irony is that you are paying for the privilege. In real life, I doubt if anyone would willingly choose this option, yet daily through the devastation of our South and Central American rain forests, we play out a similar drama and still continue to provide financing.

When will we pass the theoretical point of no return when the planet begins to die? It will be too late to elect new finance packages to change an irreversible course. Your action and global moral responsibility is requested now. I would be most interested in your response.

Sincerely,



Mark A. Miculis

cc Secretary Nicholas Brady
The Honorable Wendell H. Ford
The Honorable A. M. "Mitch" McConnell
The Honorable Carroll Hubbard, Jr.

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

March 31, 1989

BARBER B. CONABLE
President

Dear Congressman Frank:

Thank you for your letter expressing concern about certain complaints made by the Justice for Janitors Organizing Committee.

I assure you that Bank Management continues to make every effort to ensure that all those working on our premises have acceptable working conditions. We expect our outside contractors, including the General Maintenance Service Company, to conform fully to the provisions of U.S. and District of Columbia labor laws.

We do not believe there is any foundation to the accusations against either General Maintenance supervisory staff or the head of Bank Security in connection with the protest last summer. General Maintenance has assured us that their supervisory staff would never contemplate locking workers in the basement, and the head of the Bank's Security Office absolutely denies threatening workers with the loss of their jobs. The claim for back wages and overtime stems, apparently, from the allegation that General Maintenance supervisors locked staff in the basement and therefore not only denied them the right to participate in the protest but also denied them their lunch break.

I understand a complaint was filed by workers with OSHA against General Maintenance. I am advised that General Maintenance was found in violation because it did not have a written program formally stating company policy. It is my understanding that the violation was not for ignoring health and safety laws in their implementation.

With regard to the SEIU efforts to organize the janitors, the Bank is prepared to cooperate in an appropriate manner, bearing in mind that the people who clean our buildings are not Bank staff. As noted by Mr. Hessey in his letter to you of February 24, they are employees of our contractor, General Maintenance. We have advised General Maintenance that we have no objection to the janitors working in our buildings deciding if they want to join a union. General Maintenance management has assured us that the company is not interfering with the rights of their employees to organize. I continue to believe that the appropriate way for the janitors to organize, if they wish to do so, is to follow the election procedure which exists under U.S. labor law.

I hope this information helps to clarify the situation.

Sincerely,



The Honorable Barney Frank
United States House of Representatives
Washington, D.C. 20515

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

[Handwritten initials]
[Handwritten initials]

CORRESPONDENCE DATE : 89/03/07

DUE DATE : 89/03/24

LOG NUMBER : 890315004

FROM : Sen. Paul Sarbanes

SUBJECT : Forwarding material received from Jay Hessey, Organizing Director
for Justice for Janitors. Response would be greatly appreciated.

OFFICE ASSIGNED TO FOR ACTION : Mr. Wapenhans (D-1250)

ACTION:

- APPROVED
- PLEASE HANDLE
- FOR YOUR INFORMATION
- FOR YOUR REVIEW AND RECOMMENDATION
- FOR THE FILES
- PLEASE DISCUSS WITH _____
- PLEASE PREPARE RESPONSE FOR BBC's SIGNATURE
- AS WE DISCUSSED
- RETURN TO _____

COMMENTS :

Nina Oberling - 3/28

United States Senate
WASHINGTON, DC 20510

March 7, 1989

Barber B. Conable
President
International Bank for Reconstruction
and Development
1818 H Street, NW
Washington, DC 20433

Dear Mr. Conable:

I am forwarding material I received from Jay Hessey,
Organizing Director for the Justice for Janitors Organizing
Committee, who is very concerned about working conditions and
labor relations for service employees at the World Bank.

Your careful review of the concerns expressed in this
correspondence would be greatly appreciated.

With best regards,

Sincerely,



Paul S. Sarbanes
United States Senator

Enclosure

PSS/gmb

International Finance Corporation

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

(202) 477-1234
Cable Address: CORINTFIN

BARBER B. CONABLE
President

March 31, 1989

The Honorable Jerry Huckaby
House of Representatives
2182 Rayburn House Office Building
Washington, DC 20515

Dear ~~Congressman~~ ^{Jerry} Huckaby:

I have received your letter concerning a pulp and paper project in Guatemala sponsored by Mr. Kent Fulton. IFC would be pleased to consider assisting this venture, since it is located in a qualified developing country.

I have enclosed several brochures which describe IFC's services, investment criteria, and operations. IFC is best known as a project finance institution making loan and equity investments for its own account and assisting in mobilizing funding from other investors. In addition, there is a considerable range of assistance that IFC can provide its clients including financial engineering and corporate restructuring.

Before committing to invest in a project, IFC conducts a thorough appraisal of the technical, financial, and economic merit of the project. Investments are made only after IFC is satisfied as to the soundness of the proposal. The information which we would need to begin such an assessment is listed in general terms in "How to Work with IFC".

Please feel free to provide a copy of these brochures to Mr. Fulton. You may ask Mr. Fulton to contact Mr. Varel Freeman, Divisional Manager for the investment department responsible for Guatemala, at (202) 473-0682, to discuss IFC's services and financing in greater detail.

Sincerely,

Barber Conable

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

CORRESPONDENCE DATE : 89/03/20

DUE DATE : 89/04/07

LOG NUMBER : 890322003

FROM : Cong. Huckaby

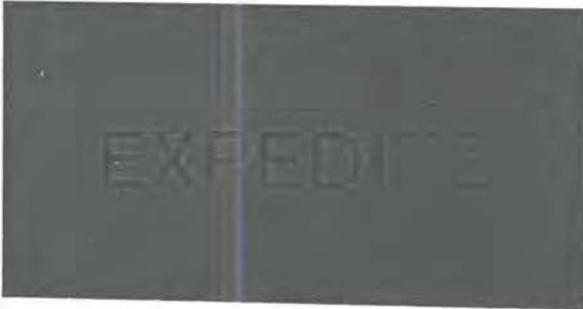
SUBJECT : Would appreciate any advice re international financing for
Karl Fulton's group now ongoing with the government of Guatemala.

OFFICE ASSIGNED TO FOR ACTION : Mr. Ryrie (I 12-015)

ACTION:

- APPROVED
- PLEASE HANDLE
- FOR YOUR INFORMATION
- FOR YOUR REVIEW AND RECOMMENDATION
- FOR THE FILES
- PLEASE DISCUSS WITH _____
- PLEASE PREPARE RESPONSE FOR BBC'S SIGNATURE
- AS WE DISCUSSED
- RETURN TO _____

COMMENTS :Attention Mr. Ryrie's Office: Pls. clear final resp. with
Mr. Aguirre-Sacasa prior to submission for Mr. Conable's
signature. cc: Mr. Aguirre-Sacasa



CULTURE
COMMITTEE ON
SUGAR
THE BUDGET



WASHINGTON OFFICE:
2182 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-2376

DISTRICT OFFICES:
WASHINGTON SQUARE
211 NORTH 3D STREET
MONROE, LA 71201
(318) 387-2244

OLD COURTHOUSE BUILDING
P.O. Box 34
NATCHITOCHE, LA 71458
(318) 352-9000

Congress of the United States
House of Representatives
Washington, DC 20515
March 20, 1989

Mr. Barber B. Conable, President
International Finance Corporation
1818 H Street, N.W.
Washington, D. C. 20433

Dear Mr. Conable:

I have been contacted by Mr. Karl Fulton, owner of Fulton Pulp and Paper Makers Services, Inc., of Ruston, Louisiana.

He and some other investors are interested in purchasing a pulp mill from the government of Guatemala. They have already negotiated with the government of Guatemala and have reached agreements to protect their investment, including no taxes for 10 years, guaranteed wood prices, and the government giving them 75,000 acres of land for the planting of trees.

Mr. Fulton is looking for financial help in this endeavor. He feels it will take an initial investment of about \$50 million, and a total of about \$140 million to purchase, start up, and run for two years. I would appreciate any advice you can give me on international avenues of financing for which Mr. Fulton's group could apply for help.

With kindest personal regards.

Sincerely,


Jerry Huckaby

JH:lgb

OFFICE MEMORANDUM

RECEIVED -035

DATE: March 2, 1989
TO: Mr. Visvanathan Rajagopalan, PREVP
FROM: Judith Maguire, EXTPA *JM*
EXTENSION: 75324
SUBJECT: Letter from Congressman Jones on NEPA Legislation

1989 MAR -2 PM 12: 29

OFFICE OF THE VICE PRESIDENT
SECTOR POLICY & RESEARCH

The letter from Congressman Jones, Chairman of the Merchant Marine and Fisheries Committee, solicited the Bank's views on a proposed amendment to the National Environmental Policy Act (NEPA). Mr. Jones suggested that we could respond either in writing, or verbally, to one of the Committee staff.

I have discussed our views on the proposed amendment with Mr. Charly Moore, a Committee staff member. He assures me that no letter is necessary at this time - although they may ask us later to bring them up to date on what we have done to establish environmental assessment procedures for our projects. Prior to calling the Committee, I informed the Legislative Office at the U. S. Treasury that we had been asked for our views on the amendment. I was told that both the Treasury and USAID support this language, and will communicate these views to Mr. Jones in writing.

To the best of my knowledge, the Bank has never formally commented in writing on a piece of legislation which is before a Committee. Our views on this subject are generally made known in an informal, off-the-record fashion, after consultation with the Treasury. Given the many amendments that are routinely considered by the Congress each year on which our views might be solicited, I think it would be unfortunate to start a precedent of written responses on this issue - especially when the Committee does not insist on it.

Since the Committee does not require a letter from us, my advice would be to do nothing further on this except to inform Mr. Conable's office that the matter has been handled by phone.

cc: Mr. Francisco Aguirre-Sacasa, EXTDR

JM:amg

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 PORTER J. GOSS, FLORIDA

U.S. House of Representatives
 Committee on
 Merchant Marine and Fisheries

Room 1334, Longworth House Office Building
 Washington, DC 20515-6230

CHIEF COUNSEL
 EDMUND B. WELCH

CHIEF CLERK
 BARBARA I. CAVAS

MINORITY STAFF DIRECTOR
 GEORGE D. PENCE

MINORITY CHIEF COUNSEL
 DUNCAN C. SMITH III

February 8, 1989

The Honorable Barber Conable
 President, World Bank
 701 19th Street, N.W.
 Washington, D.C. 20433

Dear Mr. Conable:

I am writing to solicit your comments on the enclosed language that would encourage multilateral development banks (MDBs) to adopt environmental assessment procedures. Under this proposed amendment to the National Environmental Policy Act (NEPA), the Secretary of the Treasury would instruct U.S. executive directors to seek the adoption, by the banks, of procedures for systematically assessing the environmental impacts of development projects funded by those banks. Those procedures would be made available to shareholding and borrowing nations of the MDBs within 18 months after enactment of this amendment.

The issue of encouraging MDBs to assess the environmental effects of development projects arose last year in two legislative proposals that would have amended NEPA. Legitimate concerns were raised by various interest groups about the policy of addressing international environmental problems through a domestic procedural statute.

Because the Committee on Merchant Marine and Fisheries has jurisdiction over NEPA in the House, it has a strong interest in this issue. I instructed the Committee staff to investigate alternative ways to reach the goal of encouraging environmentally sound development projects without unduly interfering with MDB operations or the sovereignty of the borrowing nations.

I would appreciate your taking a moment to review the attached draft and provide any comments you may have to the Committee. You may do so by writing to the Committee at the above address or calling Committee staff, either Dan Ashe or Charly Moore, at 226-2460.

With kind regards, I am

Sincerely,

Walter B. Jones
 WALTER B. JONES
 Chairman

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

BARBER B. CONABLE
President

February 28, 1989

The Honorable Walter B. Jones
U.S. House of Representatives
Committee on Merchant Marine and Fisheries
Room 1334, Longworth House Office Building
Washington, DC 20515-6230

Dear Congressman Jones:

Thank you for your letter of February 8 seeking my comments on the language you are considering to encourage MDB's to adopt environmental assessment procedures. My response has been delayed because of my absence on a Pacific tour, but you will be aware of my concern that the World Bank should in all its activities deal properly with environmental impact and open up the assessment process so that the people who are affected by a project can become part of the environmental decision-making sequence. To this end the Bank is at an advanced stage in working out a framework for environmental assessment which will meet our particular needs.

The timetable set out in the draft amendment therefore poses no problem for this institution. Indeed, I would hope that within six months we can report to our members that a formal set of procedures is in place. I also hope that our work in this area will be of material help to other development institutions, and we will be reporting to our colleagues at the CIDIE (Committee of International Development Institutions on the Environment) meeting in Manila in June with this in mind.

The only-other comment I have to offer at this stage is that the Bank is not in the same position as a national environment agency, which normally has legislative authority to impose a given process on the public or private sector developer. In our loan negotiations we deal with sovereign governments, who are in turn the sponsors of the development in question. There is a great deal we can do to ensure that our environmental assessment code is observed, and for my part I believe that our borrowers will welcome the introduction of the new procedures.

The language of the proposed amendment is therefore very helpful, in that it refers to the use of guidelines developed by UNEP and OECD, together with the need for standardization of approach by the various multilateral banks. This helps to reinforce the fact that the Bank is simply following the best professional practice in environmental assessment and has not developed a separate approach or set out to make the preparation of projects more complicated than need be. Indeed, in all our presentations on the new procedures we will underline the point that they are a management tool and will enable the Bank to do a better job. This is extremely important in view of the perception on the part of many of our borrowing countries that such procedures are only being introduced to meet United States, Canadian or other developed country concerns.

I trust the above comments are helpful in your further discussions on this topic.

Sincerely,

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

*CP checking w/ Hopper's
Office on status
2/28*

CORRESPONDENCE DATE : 89/02/08

DUE DATE : 89/02/28

LOG NUMBER : 890215003

FROM : Walter Jones

SUBJECT : Requesting to review and comments on the enclosed draft that would encourage MDBs to adopt environmental assessment procedures.

OFFICE ASSIGNED TO FOR ACTION : Mr. Hopper (D-1202)

ACTION:

- _____ APPROVED
- _____ PLEASE HANDLE
- _____ FOR YOUR INFORMATION
- _____ FOR YOUR REVIEW AND RECOMMENDATION
- _____ FOR THE FILES
- ✓ _____ PLEASE DISCUSS WITH _____
- _____ PLEASE PREPARE RESPONSE FOR BBC's SIGNATURE
- _____ AS WE DISCUSSED
- _____ RETURN TO _____

COMMENTS :Mr. Hopper's office: Pls. clear final resp. w/Mr. Aguirre-Sacasa → MAQ prior to submission for Mr. Conable's signature.
cc: Mr. Aguirre-Sacasa , MR. OURESTI

The Honorable Walter E. Jones

JM. handled by phone on an informal basis. Dear Congressman Jones:

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CHIEF COUNSEL
EDMUND B. WELCHCHIEF CLERK
BARBARA L. CAVASMINORITY STAFF DIRECTOR
GEORGE D. PENCEMINORITY CHIEF COUNSEL
DUNCAN C. SMITH III

U.S. House of Representatives
Committee on
Merchant Marine and Fisheries
 Room 1334, Longworth House Office Building
 Washington, DC 20515-6230

February 8, 1989

The Honorable Barber Conable
 President, World Bank
 701 19th Street, N.W.
 Washington, D.C. 20433

Dear Mr. Conable:

I am writing to solicit your comments on the enclosed language that would encourage multilateral development banks (MDBs) to adopt environmental assessment procedures. Under this proposed amendment to the National Environmental Policy Act (NEPA), the Secretary of the Treasury would instruct U.S. executive directors to seek the adoption, by the banks, of procedures for systematically assessing the environmental impacts of development projects funded by those banks. Those procedures would be made available to shareholding and borrowing nations of the MDBs within 18 months after enactment of this amendment.

The issue of encouraging MDBs to assess the environmental effects of development projects arose last year in two legislative proposals that would have amended NEPA. Legitimate concerns were raised by various interest groups about the policy of addressing international environmental problems through a domestic procedural statute.

Because the Committee on Merchant Marine and Fisheries has jurisdiction over NEPA in the House, it has a strong interest in this issue. I instructed the Committee staff to investigate alternative ways to reach the goal of encouraging environmentally sound development projects without unduly interfering with MDB operations or the sovereignty of the borrowing nations.

I would appreciate your taking a moment to review the attached draft and provide any comments you may have to the Committee. You may do so by writing to the Committee at the above address or calling Committee staff, either Dan Ashe or Charly Moore, at 226-2460.

With kind regards, I am

Sincerely,

Walter B. Jones
 WALTER B. JONES
 Chairman

COMMITTEE ON MERCHANT MARINE AND FISHERIES STAFF DRAFT

AMENDMENT TO THE NATIONAL ENVIRONMENTAL POLICY ACT

SEC. ____ . ASSESSMENT OF ENVIRONMENTAL IMPACTS OF DEVELOPMENT
FUNDED BY MULTILATERAL DEVELOPMENT BANKS.

"(a) ENVIRONMENTAL ASSESSMENT PROCEDURES.--

"(1) IN GENERAL.--The Secretary of the Treasury shall instruct the executive directors representing the United States at multilateral development banks to propose to the executive boards of the banks--

"(A) the adoption of procedures for systematically assessing, in accordance with the purposes and policies of this Act, the environmental impacts of development projects funded by the banks; and

"(B) that those procedures be made available to shareholding and borrowing nations of the banks not later than 18 months after the effective date of this section.

"(2) PROCEDURES.--In seeking the adoption by multilateral development banks of procedures for assessing environmental impacts pursuant to paragraph (1), the executive directors referred to in that paragraph--

"(A) shall encourage those banks to consider guidelines for environmental assessment developed by the United Nations Environmental Programme and the Development Assistance Committee of the Organization

for Economic Cooperation and Development; and

"(B) shall collaborate with the banks to ensure that, to the extent practicable, those banks adopt the same procedures.

"(b) REPORTS.--Not later than 12 months after the effective date of this section and annually thereafter, the Secretary of the Treasury shall submit to the Congress a detailed report on the implementation of subsection (a). Each report shall include an evaluation of the progress achieved by each multilateral development bank in adopting and implementing procedures for systematically assessing the environmental impacts of development projects funded by the bank."

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

BARBER B. CONABLE
President

March 2, 1989

Dear Congressman Fauntroy:

Thank you for letting me know of your concern, as well as that of your constituents, regarding the Sri Lanka Forestry Development Plan. The environmental concerns regarding this project are being addressed.

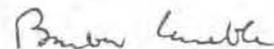
When the World Bank first became involved in the project, our environmental staff initiated a number of environmental studies. Since then, we have been working with several non-governmental organizations to establish sound environmental plans and programs for forestry development in Sri Lanka. One of these NGOs, the International Union for the Conservation of Nature and Natural Resources (IUCN), which is based in Switzerland, is closely involved in the proposed Forestry II project. IUCN has undertaken a comprehensive study that will:

- (a) assess the impact of the proposed forestry operation on the natural environment;
- (b) devise an environmental monitoring system;
- (c) develop a conservation strategy for forestry reserves; and
- (d) draw up a priority research program covering such matters as rehabilitation of forest types, selection of native and exotic species, stand development, agro-forestry technologies and the use of non-timber products.

I assure you the World Bank will take the necessary steps to establish a sound environmental plan and management program for the conservation and the sustained use of forest resources in the project areas.

Again, thank you for bringing these concerns to my attention and giving me the opportunity to respond to them. I look forward to continuing to work with you on these and other important environmental and development issues.

Sincerely,



The Honorable Walter Fauntroy
U.S. House of Representatives
Washington, D.C. 20515

cc: Mr. Keating
Mr. Aguirre-Sacasa
Mr. Asanuma

WALTER E. FAUNTROY, DISTRICT OF COLUMBIA
CHAIRMAN

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JIM BUNNING, KENTUCKY

(202) 226-7511

U.S. HOUSE OF REPRESENTATIVES
SUBCOMMITTEE ON
INTERNATIONAL DEVELOPMENT INSTITUTIONS AND FINANCE
OF THE
COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS
ONE HUNDREDTH CONGRESS
WASHINGTON, DC 20515

February 27, 1989

The Honorable Barber Conable
President
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433

Dear Barber:

A number of constituents have contacted me to recent weeks to express concern regarding the Sri Lanka Forestry Development Plan. Serious environmental problems with this particular project seem to have been identified.

I am, of course, aware of your deep commitment to converting the Bank into a positive force for environmentally responsible development. I salute the many reforms that you have insisted on in this regard.

I would appreciate your letting me know the status of the Sri Lanka Forestry Project. To the extent that further environmental impact study and safeguards are warranted, your vigilance would be of great benefit.

Thank you in advance for your attention. All my best wishes.

Very truly yours,



Walter E. Fauntroy

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

BARBER B. CONABLE
President

March 2, 1989

Dear Representative Pelosi:

Thank you for writing me of your concerns, and those of your constituents, about the Sardar Saravor Dam project in India. I have enclosed a briefing note on the Narmada Projects in India and the World Bank's involvement, which I hope is useful.

I want to assure you that the Bank is concerned about the impact of large water resource development projects on people and environment, and it takes considerable care over the funding of projects involving large dams. These projects, if carefully planned, designed and implemented, are an essential means to support future economic growth of the country and have substantial benefits in improving the quality of life for their people, in terms of drinking water, water for irrigation, electric power, flood control, fisheries, etc.

We recognize, however, that these projects may have consequences in terms of resettlement of people and impact on the natural environment. In the case of the Sardar Saravor project, much of the Bank's dialogue with the Indian Government has been and remains focused on these consequences. Considerable time and effort is devoted by Bank staff to ensuring that appropriate provisions have been incorporated into Bank agreements with the Government and are implemented.

The Government of India has recognized the need for a basin-wide environmental management plan, and is putting into place institutional arrangements to address this need and to coordinate activities. The plan will cover such issues as wildlife, forests, cultural and religious aspects. The Bank fully supports this endeavor.

Thank you for giving me the opportunity to respond to your concerns and those of your constituents. I look forward to working with you on these and other important environmental issues.

Sincerely,

Barber Conable

Enclosure

The Honorable Nancy Pelosi
U.S. House of Representatives
Washington, D.C. 20515

cc: Mr. Keating
Mr. Aguirre-Sacasa, Mr. Blinkhorn

A NOTE ON NARMADA PROJECTS AND WORLD BANK INVOLVEMENT

A. The Narmada River and its Valley

1. The Narmada River is the largest west-flowing river of India. It rises in the highlands of eastern Madhya Pradesh and flows for 1,312 km, mostly in a narrow valley, to the Bay of Cambay, draining a basin of about 98,800 km². In its course, the river drops from an elevation of 1,051 m to sea level. The riparian states are Madhya Pradesh (MP), Gujarat, Maharashtra, in the order of their shares in basin territory.

2. More than 90% of the river's average annual flow of about 41,000 million m³ occurs during the monsoon season (June through September), so that effective use of its water resources can only be achieved through storage of the flows in reservoirs. This is typical for rivers in a monsoon climate. With only few urban concentrations and modest industrial development in the basin, the river has largely been spared any major pollution.

3. The valley falls into the sub-tropical climatic zone, with annual rainfall ranging from 1,500 millimeters in the higher eastern part to 800 millimeters in the drought-prone lower basin. Temperatures range from highs of 45° C in the months of April and May to lows of 15-17° C in December and January.

4. The wetter, hilly upper basin has good forest cover and relatively fewer agricultural areas. The middle basin has large areas of relatively flat lands with deep to medium deep, heavy clay soils ("black cotton" soils) of volcanic origin, which are underlain by substantial groundwater aquifers. Much of the irrigable area in the basin is located in this part, but soil conditions and topography make it prone to water logging without appropriate drainage. Forest cover is sparse, except for the side slopes of the valley. The lower basin has by far the largest storage potential. It is more undulating, with shallow to medium soils, but good agricultural potential. Groundwater aquifers are less substantial than in the middle basin, but generally good drainage conditions make waterlogging less of a hazard. Forest cover is rapidly disappearing, even on the side slopes of the valley, due to pressures of population, livestock and urban/industrial demands. Parts of the lower basin appear also to have the highest rates of soil erosion and general land degradation. The lowest part of the basin is located in the south-central Gujarat plains, west of the Western Ghats, and is very well suited for irrigated agriculture, except where it approaches the coast of the Gulf of Cambay. Waterlogging is a potential hazard if proper subsurface drainage arrangements are not planned and implemented. Forest cover in the Gujarat plains is minimal.

5. The major urban and industrial centers of the basin are the cities of Jabalpur and Hoshangabad in MP, and Bharuch in Gujarat. The cities of Indore in MP and Baroda (Vadodara) in Gujarat are located just outside the basin boundaries, but are the dominant growth centers influencing the valley economy and likely to benefit from its development.

6. The valley falls into the Indian "tribal belt," extending from the hills of Gujarat and Maharashtra to the eastern highlands of MP and further into the hilly areas of Bihar, Uttar Pradesh and Orissa. It has a high population of "scheduled tribes" which distinguish themselves from the dominant Hindu and Muslim groups culturally. Some of these tribals, living in remote forest areas, remain at a rather primitive stage of development, while others live in the "mainstream" of the rural society, pursuing similar economic activities as non-tribals.

B. Narmada River Development

7. Plans for harnessing the Narmada river for irrigation and power generation had been drawn up beginning in 1948. However, the water resources of the Narmada River have so far remained largely undeveloped, mainly due to inter-state water disputes which lasted for over 30 years and were finally resolved by the Narmada Water Disputes Tribunal in 1979. The Tribunal allocated water shares to the three riparian states (MP - 65%, Gujarat - 32%, and Maharashtra - 1%), as well as to Rajasthan - 2%. The main purposes of water resource development are, in the order of priority (but not in terms of volume of water use): provision of drinking water, industrial water supply, irrigation and power generation.

8. The Narmada River Development, a multi-state program that would, if undertaken in full, ultimately comprise some 30 major, many more medium and minor water projects; they would take about 50 years to complete. All the waters will not be used inside the basin, however. MP is planning diversions into the Son-Tons basin and into the Malva Plateau areas to the north. Gujarat is implementing a major project (Sardar Sarovar project, see below) which would divert most of Gujarat's water share into the north-central Gujarat plains.

Salient Features of Narmada Basin Development (Tentative)

	<u>Irrigation</u>		<u>Beneficiaries</u>		<u>Power</u>	
	<u>CCA /a</u> (M ha)	<u>Annual</u> <u>Irrigation</u> (M ha)	<u>Farm</u> <u>Families</u> (M)	<u>Rural</u> <u>Pop.</u> (M)	<u>Installed</u> <u>Capacity</u> (MW)	<u>Annual</u> <u>Production/b</u> (10 ⁶ KWh)
MP	2.8	3.1	0.8	6.0	2,050	4,100
Gujarat	1.9	2.0	0.4	4.5	1,450	3,500
Rajasthan	<0.1	<0.1	<0.1	0.2	-	-
Maharashtra	<0.1	<0.1	<0.1	0.1	-	-
Total	4.8	5.2	1.2	10.8	3,500	7,000
	====	====	====	====	====	====

/a Cultivable command area.

/b At a 25% plant load factor (in the early years of development).

9. The program is not, at this moment, a fully planned sequence of projects coordinated by a single agency; it rather consists of the indicative master plan of MP for a series of projects in MP and the ongoing Sardar Sarovar project in Gujarat. Few major projects in the basin have been completed or are in progress (without World Bank assistance); moreover, plans for others are not likely to materialize in the near future, given financial and other constraints.

10. The creation of large storage facilities is considered a sine-qua-non for harnessing the river's flows. The Tribunal, after examining the technical and economic merits of large facilities versus a series of smaller ones, ruled on the "full reservoir levels" for the two most important storage facilities in the basin, the Narmada Sagar¹ dam in MP and the Sardar Sarovar dam, downstream of Narmada Sagar in Gujarat state and at the lower end of the basin. Either dam would be a key part of a multi-purpose water resource development project. The Narmada Sagar dam would be the centerpiece of the Narmada Sagar Complex of irrigation and power facilities in the lower river basin in MP, which would consist ultimately of three hydropower plants (Narmada Sagar, Omkareshwar and Maheshwar) and two major irrigation schemes (Narmada Sagar and Omkareshwar) with a total command area of some 300,000 ha. The Sardar Sarovar reservoir, located in MP, Maharashtra and Gujarat states, will regulate river flows to provide Gujarat and Rajasthan with part of their allocated shares, but it will not be sufficient to do so. Thus Gujarat must rely on regulated water releases from the proposed Narmada Sagar dam upstream, which, according to the Tribunal, must be completed no later than Sardar Sarovar dam. Some works on the Sardar Sarovar project started in the early eighties, but construction took off on a large scale only in 1987, after the Government of India (GOI) had given its environmental clearance to both the Sardar Sarovar Project (SSP) and Narmada Sagar Project (NSP). The Government of MP intends to start work on the NSP as soon as possible.²

C. World Bank Involvement

Sardar Sarovar Project

11. The World Bank is supporting at this time only the multi-purpose Sardar Sarovar Project in the state of Gujarat. The project consists of a large concrete dam, a 1,200 MW underground riverbed powerhouse, a 250 MW canalhead powerhouse, a regulation weir downstream of Sardar Sarovar at Garudeshwar (for pumpback operation), transmission lines, a water conveyance system including the Narmada main canal (450 km) to the

1/ Now called Indira Sagar dam by the Government of Madhya Pradesh. The earlier name is being retained in this note.

2/ Works on a river diversion tunnel and some preliminary excavations have already started, financed solely by MP.

Rajasthan border, branch and distributary canals to transport municipal and industrial water supplies as well as irrigation water, a water delivery and drainage network to serve an irrigation command area of about 1.9 million ha, groundwater development (both for augmenting surface water supplies and for drainage of excess groundwater) and command area development works such as field supply and drainage channels, land levelling, rural roads, etc. The project also includes a hydro-meteorological network covering the whole Narmada basin, seismic monitoring stations, and the establishment of an effective organization for operation and maintenance of project facilities.

12. The Sardar Sarovar Project is a joint undertaking of the states of Gujarat, MP, Maharashtra and Rajasthan. These states share the cost of the dam (including resettlement) and powerhouses, in proportions specified by the Tribunal. The Narmada main canal is jointly funded by Gujarat and Rajasthan, while all irrigation works in Gujarat are funded only by that state. The responsibility for execution of all project components rests with the Government of Gujarat. It has recently established a public sector corporation (Sardar Sarovar Narmada Nigam Limited) for purposes of project implementation.

13. The Bank is currently funding the multipurpose Sardar Sarovar project through two separate lending operations: (a) an IBRD loan of \$200 million and an IDA credit of \$150 million equivalent for the Sardar Sarovar Dam and Power project, which assists the states of Gujarat, MP and Maharashtra, both approved in 1985, and (b) an IDA credit of \$150 million equivalent, also approved in 1985 for the Sardar Sarovar Water Delivery and Drainage project which assists Gujarat. The first project provides funding for the dam and two powerhouses of the project in Gujarat, over a period of nine years. This includes resettlement and rehabilitation of some 70,000 displaced persons ("oustees", 1981 census data), due to reservoir submergence of about 37,000 ha.³ The IDA credit for the Water Delivery and Drainage Project supports a three-year time slice of the SSP irrigation and water supply system. Both projects have experienced a start-up delay of two years, awaiting environmental and forest clearances from GOI. Construction is now under way on the dam, riverbed powerhouse, main canal and some branch canals. Seven villages have been resettled in Gujarat and one in Maharashtra.

Narmada Sagar Project

14. The Bank has been requested by the Government of India to fund the multipurpose Narmada Sagar Project in MP. The project in its entirety would encompass a large concrete dam across the Narmada river in the Khandwa district of MP, creating a reservoir with a surface of 913 km² and a gross storage volume of about 12,000 million m³, a 1,000 MW powerhouse, transmission line to Indore, and an irrigation and drainage scheme with a command area of about 141,000 ha. The Narmada Sagar reservoir would provide regulation of river flows not only for the Narmada Sagar project itself, but also for the future Omkareshwar multipurpose project located

3/ At full reservoir level, submergence may temporarily cover 41,000 ha at the "maximum water level" during floods.

just downstream of the Narmada Sagar dam and the Maheshwar power project located between Omkareshwar and Sardar Sarovar reservoir, as well as for the Sardar Sarovar project. The creation of Narmada Sagar reservoir would necessitate the resettlement and rehabilitation of some 95,000 people.⁴ Construction of a diversion tunnel and some preliminary excavation works have started, financed solely by MP, but award of major contracts for dam and powerhouse must await the finalization of external financing arrangements.

15. It has been proposed that the project be funded under two separate, but linked and parallel Bank operations: the Narmada Sagar Dam and Power project and a Narmada Sagar Area Development project. The former would support the construction of the infrastructure (dam, powerhouse, transmission lines and irrigation headworks), while the latter would support resettlement and rehabilitation of oustees, reservoir fisheries, afforestation to make good for forest land lost, watershed management (soil and moisture conservation) and miscellaneous measures of environmental concern. The Bank projects are still under preparation, and appraisal is not scheduled.

16. The irrigation and drainage system of Narmada Sagar would not be funded out of a proposed loan for the Narmada Sagar project; thus, the Government would either have to provide the money or seek cofinancing from another external source.

17. It is important to emphasize that the projects mentioned are not World Bank projects per se: the World Bank may help in their planning and design and may assist in financing them, but they are, and remain, projects wanted and executed by India and its states. Also, the Bank is not supporting the entirety of a "Narmada Valley Project," as the total river development program in the three states is sometimes referred to. The development of the entire Narmada valley water resources has been talked about for the last 40 years, and it will take at least another 50 years to complete it, if indeed the Government decides to go ahead with the entire program. The Bank has taken note of MP's master plan for basin development, but has not endorsed it.

D. Benefits

Water for People and Livestock

18. The 1987 droughts in many parts of India demonstrated once again the vulnerability of humans and livestock to the vagaries of the monsoon. The proportion of water to be released from reservoirs of the Sardar Sarovar and Narmada Sagar projects for drinking water and industrial uses

^{4/} More exact figures for people who will (a) have to move entirely; (b) have to move their houseplots within village boundaries but don't lose any agricultural land; and (c) not have to move but will lose a minor part of their land to the reservoir, are currently being reassessed on the basis of detailed surveys. People falling under the first category will number approximately 80,000.

may be small, but extremely important nevertheless. Population growth may be reduced in the future, but even so the sheer number of additional consumers over the next 20 to 50 years will require substantial additions to the water supply. This must be planned now. Where is the water to come from? Ground water aquifers are limited without additional percolation from surface water imports (from irrigation), and are nearing the limits of economical exploitation in some areas in Gujarat. It is difficult to conceive of a scenario in which India could afford indefinitely to let the waters of a major river such as the Narmada run virtually wasted to the sea when such waters could otherwise be used for irrigation or for drinking.

Irrigation and Its Beneficiaries

19. Taken together, the two projects will make possible the irrigation of some 2.2 million ha of land in MP and Gujarat, and another 70,000 ha in the state of Rajasthan. (The Narmada Sagar project will directly irrigate only some 141,000 ha, but it will make possible irrigation of vastly larger areas downstream, in the proposed Omkareshwar project and in the Sardar Sarovar command, through water stored in its reservoir.) The majority of these lands are chronically drought prone, as was borne out by the third consecutive year of disastrous drought that hit these areas in 1987/88.

20. The number of people now cultivating the land to be irrigated are estimated at some 4.5 to 5.0 million. They are by no means all rich; many are desperately poor. This compares to some 170,000 people ("oustees") that will be affected by submergence.

21. The two Narmada projects are the first irrigation projects in India for which detailed criteria and rules of operation have been defined at the planning stage, covering matters such as the type and extent of services to be delivered by the operating agency to the users, both in terms of irrigation and drainage, definition of service areas, responsibilities of agency and users, emergency operating rules, arrangements for operation and maintenance, etc. The actual designs of the irrigation and drainage systems will reflect these rules and criteria. An important feature of these rules is that water will be delivered to users in strict proportion to cultivable area owned within the irrigation command, and that deliveries to individual fields will be rotated within a "chak" area (20-60 ha block) by the users themselves in accordance with a set time schedule. This rationing principle is already being followed with substantial success in northwest India. It amounts to equitable and reliable distribution of water among users, which is scarce in relation to irrigable land.

Power Generation

22. Both Narmada projects will produce electric power. The power will boost the peaking capacity of the Western Region power grid. It is important to understand the intended role of power plants within a system. The demand of power consumers is very unevenly distributed over time: demand may be great for a few hours during a day, but much less during other times. A power system must be able to supply that peak demand; at other times it will, by necessity, run at less than capacity. Certain plants will always supply the "base load"; these are usually thermal plants

which cannot be flexibly switched on and off. Other plants are designed to serve additional loads during a day, and a few will serve the peak loads. Peaking power is most economically provided by hydro plants. During the wet season, when reservoirs are full and spilling, hydro plants can be operated around the clock and thus can serve the "base load" for a few weeks; during such time, base load thermal plants can be taken out of service for maintenance.

23. Generation at the Sardar Sarovar riverbed powerhouse will gradually diminish as consumption of river waters in the basin increases, but since the plant is designed for pump storage operation⁵, it will be able to maintain a certain level of peaking capacity throughout the plant's life. Generation at Narmada Sagar will also decrease over time, but not as much as at Sardar Sarovar, because regulated releases will have to be made to Sardar Sarovar indefinitely, and these releases will always be used to generate power at Narmada Sagar. No pump storage is provided for at Narmada Sagar.

24. Electric power, and particularly peaking power, is an extremely scarce and unreliable commodity in India. True, power is consumed more by urban households than by the rural poor, but it is also consumed, and to a much larger extent, by industry and by modern agriculture. Power shortages have hampered industrial production and employment in India substantially, and continue to do so. There are places in India where farmers get only one hour of power supply a day to run their pumpsets for irrigation. Industry and irrigated agriculture employ many people, and again, few of these are "rich." India cannot rely on rainfed agriculture alone to provide employment to its ever growing labor force. It must develop its industries for this purpose also; and power is a very essential ingredient for this. From an environmental point of view, there are few sources of energy cleaner than hydropower. If the additional power and energy⁶ to be generated by the projects are needed (and they will be needed even if effective energy savings are realized in industry and agriculture, given the vast shortfalls in current capacity and the needs of a growing population and economy), then it is clearly preferable to do this through

5/ Water is pumped back at night with cheap surplus energy from thermal plants, and released for generation of high value peak power during the day. The Garudeshwar weir below Sardar Sarovar dam is designed to create a small reservoir (pool) for pump storage.

6/ "Power" refers to the rate at which energy can be made available per unit of time (capacity), and is measured in kilowatts or megawatts; "energy" is measured in kilowatt-hours, and is the result of capacity utilization. While the projects naturally contribute to both energy and power generation, it is their contribution to the peak capacity of the system that is of the greatest benefit.

hydropower than through thermal power based on fossil fuels. As a source of peaking power, hydroelectric power plants are also more economical than thermal plants.⁷

Flood Moderation

25. All major reservoirs in the valley that are currently envisaged will, taken together, regulate less than 50% of the mean annual river flow. This is a rather low degree of regulation, and reflects the extreme concentration of river flows over a four-month period in any year (typical for India's monsoon climate). It will allow only very limited carry-over storage of river waters from one year to the next, and little flood moderation. No reservoir space has been allocated to flood moderation in the Sardar Sarovar and Narmada Sagar projects, although there is always a cushion between the normal "full reservoir level" and the "maximum water level" allowed during floods.

26. Flood moderation is thus not a major objective of the Narmada projects. However, careful operation of reservoirs in combination with a state-of-the-art flood forecasting system, can and will produce some significant mitigation of flood flows if, for example, reservoir levels are lowered in anticipation of a flood.

7/ It has been stated that the projects would only generate power at a fraction of their installed capacity. This is probably due to a misunderstanding of the concepts used in power systems planning. Narmada Sagar, for instance, will have an installed capacity of 1,000 megawatt (MW). This is a measure of the normal maximum power output of the plant at full reservoir level; occasionally, even higher output can be achieved. When the reservoir is lower, less power will be generated. Due to the irregularities of river flow, and the fact that the reservoir level will always recede after the monsoon, a hydro plant cannot always generate at its installed capacity. (A well-maintained thermal plant can, except during periods of maintenance or during other "outages.") Thus power system engineers use the term "firm power" to describe the output that can be relied upon to be available at all times with a given probability, in India usually 90% of the time. The Narmada Sagar plant, for instance, has a firm power potential of 225 MW initially and 118 MW at full development of the basin. More power will be available 90% of the time, and less 10% of the time. This "firm power" is the level of power generation that can be achieved, with 90% dependability, if the plant were to run continuously. But no hydro plant runs continuously, except when reservoirs spill in the monsoon. Whenever the plant is running at full reservoir level, it will generate its 1000 MW. When the reservoir level recedes, plant capacity will be less, but in case it will not be operated for more than a few hours per day, simply because it is a peaking plant. Thus it is perfectly normal that the firm power is only about 12 - 22% of the installed capacity; some hydro plants in the world are "used" even less, and still are quite economical.

27. The spillways for the two dams are designed to pass the so-called "probable maximum flood," which is a hypothetical flood event based on an unfavorable combination of the worst storms observed in the region. Sophisticated models have been used to stimulate such worst case scenario.

E. Concerns

28. The Bank shares the concerns of those who are worried about the impact of large water resource development projects on people and environment, and it takes considerable care over the funding of projects involving large dams. The Bank is fully aware of the consequences in terms of resettlement of people and impact on the natural environment that such projects may have. In the case of the Sardar Sarovar project, much of the Bank's dialogue with the Borrower (India) and the executing state governments (Gujarat, MP and Maharashtra) was, and remains, focused exactly on such consequences. Appropriate provisions have been incorporated into Bank agreements with central and state government authorities, and during Bank reviews of project progress -- which typically occur at least twice a year -- Bank staff dedicate considerable time and effort to ensuring that such provisions are implemented.

29. The Government of India and the concerned states have recognized the need for a basin-wide environmental management plan, and are putting into place institutional arrangements to address this need and to coordinate activities (through the Narmada Control Authority, as reconstituted in 1987). The Bank fully supports this endeavor. The plan will cover such issues as wildlife, forests, cultural and religious aspects.

30. It has been argued that large dam projects increase the gap between rich and poor and that the poorest sections of the population bear all the costs while the rich get the benefits. This need not be so. Large dam projects, if carefully planned, designed and implemented, can have substantial benefits for poorer economies and for their people, in terms of drinking water, water for irrigation, electric power, flood control, fisheries, etc. There is no reason why this careful planning and implementation should not be possible if proper institutional and managerial arrangements are in place. The Bank believes that these dams are essential means to support future economic growth of the country, without which there are scant chances to reduce poverty substantially.

Resettlement

31. There is, of course, danger that people who are displaced by a reservoir pay an unfair, excessive share of the costs when they lose their homes, land and livelihood. Past experience certainly gives examples where this has happened. The Bank now requires that each project involving involuntary displacement have a comprehensive, detailed and feasible plan for resettlement and rehabilitation of the displaced population before it gives its approval for a loan. Gradually, the necessity of restoring or even improving displaced people's livelihood is becoming an integral part of states' policies for resettlement and rehabilitation.

32. The Narmada projects that the Bank is, or considers, supporting will not adversely affect the livelihood of one million people, as has been stated by some; this figure relates probably to the long-term basin development program; even then, it appears too high an estimate (in terms of today's population). In the case of the Sardar Sarovar project, some 70,000 people will be affected, but not all of them will have to move. Many will be able to shift just their house site, often within the confines of the village where they live now. In the case of the proposed Narmada Sagar project, it is expected that some 95,000 people will be affected, but again, not all of them in a drastic way. Some 80,000 may actually have to move.⁸ The Bank will make every effort, in working with the concerned state governments, to ensure that an alternative livelihood is provided, preferably one based on agricultural land. If this is not possible, then appropriate retraining and rehabilitation programs will be available.

33. Although there has been considerable concern about the planning and implementation of resettlement and rehabilitation (R&R) programs, some progress is being made. In the state of Gujarat, for example, a series of government resolutions issued between May 1987 and January 1988 greatly enhance the scope and coverage of the minimum R&R provisions stipulated by the Narmada Tribunal. The present Government of Gujarat policy stipulates, among other things, that (a) every oustee nuclear family, whether landless, landowner or "encroacher" is entitled to a minimum of 2 ha of agricultural land. A major son will be considered a separate family and entitled to a minimum 2 ha.; (b) If an oustee family does not accept revenue land offered by Government, it will be assisted to buy a minimum of 2 ha of private land. Gujarat has stated that these provisions will apply to oustees from Maharashtra and Madhya Pradesh who wish to settle in Gujarat.

34. Non-governmental agencies (NGOs) are very active in the project area. Bank staff at all levels meet regularly with representatives of NGOs to ascertain the nature of their concerns. Efforts are now being increased to develop reliable mechanism that will permit closer liaison and cooperation between project authorities and NGO representatives.

Small Scale Alternatives

35. It has been proposed that in order to satisfy the needs for drinking water and irrigation, many smaller projects should be set up rather than a few very large reservoirs. If one stipulates that all the small reservoirs together should have the same storage capacity as the few large ones, then the "small scale" alternative will submerge vastly more land than the "large dam" alternative. The ratio of storage volume to area submerged becomes more favorable the larger the reservoirs.

36. The full reservoir levels of Sardar Sarovar and Narmada Sagar have been set by the Tribunal. They are related to the water allocations to the Sardar Sarovar party states. Both reservoirs are needed, at the stipulated full reservoir level, in order to serve Gujarat and Rajasthan with their allocated shares. The Tribunal had examined the merits of an alternative to the high-level Sardar Sarovar dam, involving three smaller reservoirs, a low level Sardar Sarovar, plus Jalsindhi and Harinphal reservoirs upstream. It came to the conclusion that a higher-level Sardar Sarovar, without Jalsindhi and Harinphal, would be the preferable alternative.

^{8/} This number is currently being reassessed on the basis of more detailed village and family surveys.

Forests

37. The projects that the Bank supports, or may support, will not flood 200,000 ha of cultivated land, or 350,000 ha of forests, as has been stated. Taken together, the two projects mentioned above will flood some 43,000 ha of cultivated land, and some 51,000 ha of forest land, much of it already denuded. In the case of Narmada Sagar, 40,332 ha of forest land would be submerged. Of this, 10,996 ha are only nominally forest having no trees (riverbeds, roads, natural blanks, encroachments, cultivated land in forest villages, revenue forests, etc.). Of the remaining 29,336 ha, at most two-thirds, or about 20,000 ha, are under actual teak or mixed forest, the rest is severely degraded or denuded. Virtually all of the 11,000 ha of forest land to be submerged by Sardar Sarovar is severely degraded or denuded.

38. The Bank shares the concerns about deforestation. But it is important to note that flooding is not the most important factor contributing to the disappearance of tree cover in India. Forests are being damaged or cleared, mainly illegally, for a variety of other reasons, including the need of a growing population for fuelwood and fodder for cattle, as well as industrial needs (timber and pulp). Given the ongoing trend of forest destruction, the forests of the Narmada valley may not have too many years to survive unless urgent remedial action is taken which addresses the major causes of deforestation and land degradation. Under the proposed Narmada Sagar project, the Bank would support efforts designed to help reverse the trend of ongoing environmental degradation.

39. The Government of India made it one of the conditions of its environmental clearance of the projects in April 1987 that the states concerned commit to afforestation elsewhere, as compensation for the forest loss, in an equivalent area to that submerged, or in an area twice as large, if this afforestation is to be done on denuded or degraded forest land. The Government of India is closely monitoring the states' afforestation measures, and the Bank stands ready to support these efforts financially, if the replanting is done in a way that ensures the sustainability of the forests, and if it benefits the local population. In the case of the Narmada Sagar project, the Government of MP plans to do the compensatory tree planting in the immediate impact area (watershed) of the reservoir, where also much of the priority watersheds for soil conservation measures are located.

Sedimentation

40. Sedimentation of reservoirs is a serious concern. However, it is not a phenomenon that large dams are causing, rather it is one that affects their useful life. It is well known that soil erosion in India (and elsewhere) is serious and on the increase, due to many factors, but mainly due to deforestation and degradation of pasture and crop lands. The Narmada valley is no exception. While the discussion of erosion and siltation in the context of large dams is useful, it contributes little to the debate of pros and cons of large dams. Soil erosion, deforestation, land degradation, etc. are issues that must be addressed urgently, whether large dams are to be built or not, as they affect the productivity of land and the stability of the environment in general. In economic and environmental terms, the future siltation of reservoirs is an important concern, but secondary to the ongoing deterioration of land resources.

41. The Government of India has stipulated that the concerned state governments have to implement a catchment protection program to reduce siltation that would shorten the useful life of the reservoirs. The Bank fully endorses this requirement, but considers this even more important as a measure to conserve or restore the agricultural and silvicultural productivity of basin lands. In the case of Narmada Sagar, the proposed Area Development project would support, inter alia, a watershed management program covering some 300,000 ha,⁹ in which innovative, low-cost and durable in-situ soil and moisture conservation measures would be introduced. Extensive and detailed survey and mapping activities have been started some years ago to define areas of priority concern and to define the appropriate treatment and management of such areas. Plans for a similar program for Sardar Sarovar watershed are being prepared.

42. The Bank considers the proper maintenance of watersheds an integral element of project operation and maintenance (O&M) for all projects relying on reservoirs. The cost for watershed maintenance should properly be charged to the general O&M costs of the project and recovered from the project beneficiaries.

Waterlogging

43. Waterlogging results when groundwater levels rise to inundate crop root zones. It has a detrimental effect on crop yields and often leads to (secondary) soil salinization. Waterlogging is a consequence of insufficient drainage and is often caused by deep percolation of surface irrigation water after a number of years. Losses of surface irrigation water to groundwater are unavoidable to a degree; proper field irrigation techniques can, however, reduce them to a minimum. Moreover, such losses can be recovered in large part through pumping of groundwater (recycling), which has the added benefit of keeping the groundwater table from rising to hazardous levels. Conjunctive use of surface and groundwater for irrigation is an effective means not only to increase the overall efficiency of water use, but also to provide sufficient (vertical) sub-surface drainage. Where such conjunctive use is not possible (e.g., because of saline groundwater), pumping and dumping of groundwater may still be possible. In other cases, other (horizontal) drainage arrangements will have to be chosen.

44. The Bank is well aware of the ever-present potential of waterlogging from surface irrigation and insists on proper studies of the likely response of groundwater aquifers to irrigation and on proper groundwater monitoring and drainage arrangements.

45. Some areas in the Narmada basin are quite susceptible to waterlogging, particularly the deep black cotton soils of the middle basin (Bargi and Tawa command areas). The command area of the Sardar Sarovar project (up to the Mahi river) also may become waterlogged without proper drainage.

^{9/} Part of a larger program to treat high priority areas in the catchment between Narmada Sagar and Bargi dams, estimated to extend to some 800,000 ha ultimately.

46. For both the Sardar Sarovar¹⁰ and the Narmada Sagar/Omkareshwar command areas, groundwater and drainage modelling studies were carried out. These studies gave indications as to how and under what conditions waterlogging may result from the planned surface water irrigation. Criteria and rules of operation for these schemes were formulated that oblige the operating agencies to monitor behavior of the groundwater table over the entire area and to intervene with appropriate drainage arrangements before hazardous groundwater levels might be reached. In addition, both schemes incorporate in their plans conjunctive use of surface and groundwater as a preventive measure. In the case of Narmada Sagar, an appropriate mix of surface and groundwater for irrigation has been planned: 30% of total water applications will have to come from groundwater.¹¹ The concerned agencies will rely on private groundwater development first, and will only intervene with public groundwater development of other special drainage measures if and when private development turns out to be insufficient. This is a reasonable expectation in view of the fact that surface water will be short in relation to irrigable areas and that surface water will not be available year round for perennial crops. Farmers will have an incentive to build wells even with surface irrigation available to them, as borne out by experience in existing irrigation schemes.

Wildlife

47. There is no doubt that in the areas to be inundated many rare species of plant and animal life can be found. From past surveys, there is no indication that any species unique to the submergence areas would be lost; species may be rare, even endangered, but they are not unique. Nevertheless, efforts must be made to salvage whatever can be saved. More detailed surveys are in progress for Narmada Sagar, and a comprehensive study has been commissioned to provide not only an inventory of what is there, but also to come up with feasible plans for evacuating wildlife to adjacent areas. Such studies are currently delayed with regard to Sardar Sarovar, and the Bank has taken this up with the concerned authorities.

Water-Borne Diseases

48. There is a concern regarding water-related diseases. The Bank is concerned with the potential threat of Schistosomiasis (Bilharzia), the presence of which in India has only been confirmed in a small village in Maharashtra state, but which could at some time become a real danger if not monitored very carefully. The Bank has mounted, in collaboration with Government of India and the World Health Organization, a survey of samples of the population and of water bodies in the Narmada valley to determine whether the disease was present either in humans or in the snails that are hosts of the schistosomes. The results are negative. There are, of course, concerns regarding malaria, which is definitely present in the valley and elsewhere in India. The Narmada dam projects have no special

^{10/} For the area between Narmada and Mahi rivers in Gujarat. Further studies are required for the remainder of the command area.

^{11/} 30:80 is the mix at the field level; the corresponding mix at the source (canal intake and pumps) would be 20:80.

design or operating characteristics to prevent malaria from arising out of water stored in reservoirs. A feasible technology for preventing this effectively is really not available. (Frequent fluctuations of the reservoir or spreading of a special film over the water surface has been mentioned, but are not considered feasible). The irrigation systems to be built, however, will incorporate concrete lining of all canals and channels, and are thus designed in part to minimize the hazards of stagnant water and mosquito breeding. The Indian health services are known to make all efforts to monitor the incidence of the disease and to provide the appropriate treatment.

49. Some people are concerned about weed growth in reservoirs, presumably with reference to infestation by water weeds such as the water hyacinth. This has not been a concern in large reservoirs in India so far, although it must be watched carefully, and particularly for smaller reservoirs and tanks.

Seismicity

50. Detailed studies regarding possible earthquakes had been undertaken before designs for the Narmada Sagar and Sardar Sarovar dams were finalized. The Bank has assured itself that the designs are safe from failure due to earthquakes. Concerns have been voiced that large reservoirs will induce seismic activity in the area, but the scientific evidence for this phenomenon is not fully clear. It is believed that while such reservoir-induced seismicity is possible, this does not increase the magnitude or general likelihood of seismic shocks.

World Bank
Washington, D.C.
January 1989

NANCY PELOSI

5TH DISTRICT, CALIFORNIA

1517 LONGWORTH BUILDING
WASHINGTON, DC 20515-0505
(202) 225-4965

DISTRICT OFFICE:
FEDERAL BUILDING
450 GOLDEN GATE AVENUE
SAN FRANCISCO, CA 94102-3460
(415) 556-4862

COMMITTEES:
BANKING, FINANCE
AND URBAN AFFAIRS
GOVERNMENT OPERATIONS

Congress of the United States
House of Representatives
Washington, DC 20515-0505

Mr. Barber Conable
President
The World Bank
1818 Eighth Street, N.W.
Washington, D.C. 20433

Dear Mr. Conable:

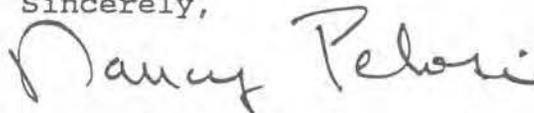
I am writing regarding the Sardar Savavor Dam project in the Singrauli region of India. The issue was called to my attention by several of my constituents.

Apparently, Indian officials have gone ahead with this project in spite of the fact that insufficient environmental studies have been performed. Responsible land management is essential in the effort to bring developing countries, like India, to economic prosperity, and to ensure the quality of the world's environment. I would appreciate any information you can provide me regarding the status of the Sardar Savovar Dam project, and the steps that have been taken to ensure careful and thorough environmental impact planning.

I urge you to use your influence to ensure that World Bank funds for this project are obligated in concert with a complete environmental assesment and stringent controls on development.

Thank you for your attention to this important environmental matter.

Sincerely,



NANCY PELOSI
Member of Congress

NP:wjq/wjq

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

BARBER B. CONABLE
President

December 22, 1988

The Honorable Leon E. Panetta
Member of Congress
House of Representatives
339 Cannon House Office Building
Washington, D. C. 20515

Dear Leon:

Thank you very much for your letter of November 7, 1988, regarding World Bank lending to the power sector in Brazil, in which you point out your concern with environmental and social aspects associated with hydro-power projects.

Let me assure you that we have carefully considered these issues. The World Bank has supported the strengthening of environmental guidelines and action plans in the power sector since 1986. In preparation for a proposed Second Power Sector loan, additional improvements have been initiated. Studies have been commissioned to further detail provisions for issues such as resettlement, river basin planning, Amerindian safeguards, coal fired plants, and the preservation of flora and fauna. Federal environmental, forestry and Amerindian institutions have received additional specialized staff. Monitoring and evaluation functions within the sector have been further strengthened.

I would like to stress that the World Bank has not financed and does not intend to finance hydro-power projects in the Amazon. The principal objective of the proposed Second Power Sector loan would be to continue supporting the Government's efforts to rehabilitate the electric power sector. It would be a quick disbursing adjustment operation. The proposed loan would strengthen the sector's capability to properly address the environmental and sociological aspects of its investment program. More specifically, it would support the strengthening of federal and state agencies that are by law responsible for environmental licensing of power projects, and for supervising and/or implementing actions foreseen in the Power Sector's Environmental Master Plan.

Mr. Leon E. Panetta

- 2 -

December 22, 1988

The attached background notes on environmental activities supported under World Bank lending to the power sector in Brazil will provide you with more detailed information on these issues.

Thank you for letting us know of your interest in this issue.

With best regards,

Sincerely,



Barber B. Conable

Enclosures

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

BARBER B. CONABLE
President

January 12, 1989

The Honorable Benjamin A. Gilman
Subcommittee on Europe and the Middle East
Committee on Foreign Affairs
House of Representatives
Washington, D.C. 20515

Dear Ben:

Thank you for your letter of December 12, 1988 concerning the environmental impact of two of the Bank's projects, the Singrauli Super Thermal Power Plant and the Dudhichua coal mine.

The Singrauli region, which is located in the north-central part of India, has large deposits of coal and a sizeable hydro-electric potential. As a result of these resources, the region has emerged as India's energy capital. The Singrauli region not only exports energy to other parts of the country, but has also attracted many industrial enterprises. The rapid economic development of the region has placed a tremendous strain on its environment. Although the establishment of energy and industrial enterprises has created employment opportunities that attracted people from all over the country, it often led also to the resettlement of many original inhabitants. While India has adopted stringent environmental standards, many enterprises in the region have at times ignored these standards. This has led to the widespread health problems and a general environmental degradation.

Adherence to acceptable environmental standards is a key requirement for our decision to provide financial support for any project. In addition to ensuring that the design of a project is environmentally sound, we also check during the construction of a project and its initial operation to be certain that environmental standards are being met. We would halt the release of funds for any project if we found that environmentally sound project designs, which we had approved, were not being implemented.

Despite all the safeguards, environmental accidents do happen from time to time. No design can guarantee complete protection against all risks. Although the design of the ash dump you refer to is environmentally sound, during extremely heavy monsoon rains, some flooding of surrounding villages and agricultural land has occurred. In addition, leakages in the ash slurry pipeline have at times affected nearby agricultural land. The Bank has assessed the situation and is satisfied that the National Thermal Power Corporation, which operates the super thermal power station, has taken appropriate corrective action. The ash pond is expected

to be completely filled by the year 1995. At this time, it will be fully revegetated.

Like all open cast coal mines, the Dudhichua coal mine contributes to air pollution in the region. However, through sprinkling of haul roads in the mine area, we have ensured that air pollution is kept to a minimum, and well within acceptable environmental standards.

While the contribution of World Bank supported projects to the overall environmental degradation of the region has been comparatively small, we have taken steps to assist the India government in the rehabilitation of the whole region. A regional environmental impact assessment of Singrauli region, financed by the proceeds of a Bank loan, is currently underway. This assessment is expected to be completed early next year, and will provide the basis for a comprehensive program dealing mainly with air and water pollution problems. In the meantime, we have started work on an environmental rehabilitation project for Singrauli that would, among other things, address problems of deforestation, resettlement, public health and urban planning.

I would like to assure you that the Government of India is committed to a comprehensive effort to protect the natural resource base of the country. We in the World Bank support this commitment and are determined to assist India in any way possible in pursuing this vitally important goal.

Sincerely,

(Signed) Barber B. Conable

Barber B. Conable

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I would like to assure you that the Government of India is committed to a comprehensive effort to protect the natural resource base of the country. We in the World Bank support this commitment and are determined to assist India in any way possible in pursuing this vitally important goal.

Sincerely,

(Signed) Barber B. Conable

Barber B. Conable

cc: Mr. Robert Keating, EDS01

cc and cl: Ms. J. Maguire (EXTPA)

bcc: Messrs. Qureshi, Karaosmanoglu, Wiehen, Alisbah, Humphrey, Blinkhorn,
Piddington, McCarthy, Gopal, Ritchie

Ms. Davis

Log No. 881214015

ELinard:PPollak:dmg

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

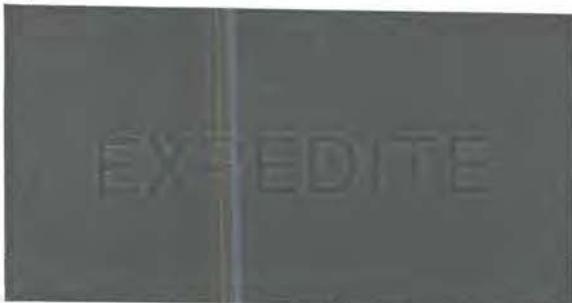
JWS

CORRESPONDENCE DATE : 88/12/12 DUE DATE : 89/01/04
LOG NUMBER : 881214015 FROM : Cong. B. Gilman
SUBJECT : Re: The Singrauli Super Thermal Plant and the Didhichua Coal
mine located in India.
OFFICE ASSIGNED TO FOR ACTION : Mr. M. Qureshi (E-1241)

ACTION:

- APPROVED
- PLEASE HANDLE
- FOR YOUR INFORMATION
- FOR YOUR REVIEW AND RECOMMENDATION
- FOR THE FILES
- PLEASE DISCUSS WITH _____
- PLEASE PREPARE RESPONSE FOR *BCC's* SIGNATURE
- AS WE DISCUSSED
- RETURN TO _____

COMMENTS :Mr. Qureshi's office: Pls. clear final resp. w/Mr. Aguirre-Sacasa
prior to submission for Mr. Conable's signature.
cc: Mr. Aguirre-Sacasa



The Honorable
Benjamin A. Gilman

Dear Ben:

B. FASSELL, FLORIDA, CHAIRMAN

H. HAMILTON, INDIANA
J.S. YATRON, PENNSYLVANIA
STEPHEN J. SOLARZ, NEW YORK
DON BONKER, WASHINGTON
GERRY E. STUDDS, MASSACHUSETTS
DAN MICA, FLORIDA
HOWARD WOLPE, MICHIGAN
GEO. W. CROCKETT, JR., MICHIGAN
SAM GEJDENSON, CONNECTICUT
MERVYN M. DYMALLY, CALIFORNIA
TOM LANTOS, CALIFORNIA
PETER H. KOSTMAYER, PENNSYLVANIA
ROBERT G. TORRICELLI, NEW JERSEY
LAWRENCE J. SMITH, FLORIDA
HOWARD L. BERMAN, CALIFORNIA
MEL LEVINE, CALIFORNIA
EDWARD F. FEIGHAN, OHIO
TED WEISS, NEW YORK
GARY L. ACKERMAN, NEW YORK
MORRIS K. UDALL, ARIZONA
CHESTER G. ATKINS, MASSACHUSETTS
JAMES McCLURE CLARKE, NORTH CAROLINA
JAIME B. FUSTER, PUERTO RICO
JAMES H. BILBRAY, NEVADA
WAYNE OWENS, UTAH
FOFO I.F. SUNIA, AMERICAN SAMOA

JOHN J. BRADY, JR.
CHIEF OF STAFF

One Hundredth Congress
Congress of the United States
Committee on Foreign Affairs
House of Representatives
Washington, DC 20515

December 12, 1988

WILLIAM S. BROOMFIELD, MICHIGAN
BENJAMIN A. GILMAN, NEW YORK
ROBERT J. LAGOMARSINO, CALIFORNIA
JIM LEACH, IOWA
TOBY ROTH, WISCONSIN
OLYMPIA J. SNOWE, MAINE
HENRY J. HYDE, ILLINOIS
GERALD B.H. SOLOMON, NEW YORK
DOUG BEREUTER, NEBRASKA
ROBERT K. DORNAN, CALIFORNIA
CHRISTOPHER H. SMITH, NEW JERSEY
CONNIE MACK, FLORIDA
MICHAEL DEWINE, OHIO
DAN BURTON, INDIANA
JAN MEYERS, KANSAS
JOHN MILLER, WASHINGTON
DONALD E. "BUZ" LUKENS, OHIO
BEN BLAZ, GUAM

STEVEN K. BERRY
MINORITY CHIEF OF STAFF

The Honorable Barber Conable
President
The World Bank
1818 H Street, N.W.
Washington, D.C.

Dear Barber:

It has recently been brought to my attention that the construction of the power-generating Super Thermal Plant and the Didhichua Coal mine located in India's Singrauli region has resulted in severe flooding and air pollution in that region.

The Singrauli Super Thermal plant's ash dump is blamed for the majority of the damage to the land and to the people of the region. Information released by the Sierra Club suggests that the accumulation of ash in a nearby reservoir has so encrusted the soil that agriculture is virtually impossible.

The implications for the people living in this region are even more acute. The people are suffering from such diseases as tuberculosis, digestive disorders and malaria. There is no clinic nearby the resettlement site, nor is there a hospital in the vicinity.

Since 1977, the World Bank has committed \$850 million for development in Singrauli. Theoretically, the Bank is not to release funds until an adequate assessment is made of the environmental impact. During the past eleven years, however, no such assessment has been made.

Barber, I respectfully request that the World Bank investigate this extremely serious matter as soon as possible. Thank you for your kind attention.

With best wishes,

Sincerely,



BENJAMIN A. GILMAN, M.C.
Ranking Republican
Subcommittee on Europe
and the Middle East

BAG:rjw

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

BARBER B. CONABLE
President

December 21, 1988

Dear Congressman Rowland:

Thank you for your letter of November 30, on behalf of Mr. and Mrs. Michael Hopkins of Meriden, Connecticut. I asked my staff to review the documents you forwarded from Mr. Hopkins in order to ascertain what role if any the World Bank may have played in the services provided by Mr. Hopkins.

After reviewing our records on Nigeria, I regret that we are unable to find any connection between the activities of Mr. Hopkins and our lending and economic work on Nigeria. However, as these activities go back as far as five years ago, my staff contacted Mr. Hopkins directly in order to enquire whether he had made any contact with the Bank which was more specific than the very general references indicated in the documents that were attached to your letter. Although Mr. Hopkins was not able to identify any direct contacts with the Bank, he expressed a desire to review his other documents in order to identify in more detail any specific references to or allegations of involvement of the World Bank. My staff assured Mr. Hopkins that upon receipt of any further documentation we would be prepared to review this matter again.

I hope this addresses your concern with respect to the World Bank's involvement in this matter.

Sincerely,

Barber Conable

The Honorable John G. Rowland
Congress of the United States
House of Representatives
Washington, DC 20515

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

JAS
DHT

CORRESPONDENCE DATE : 88/11/30

DUE DATE : 88/12/22

LOG NUMBER : 881206011

FROM : John Rowland

SUBJECT : Ltr. from constituents, Michael Hopkins re payment for services
still outstanding, on loan project done for WB/IMF.

OFFICE ASSIGNED TO FOR ACTION : Mr. M. Qureshi (E-1241)

ACTION:

- APPROVED
- PLEASE HANDLE
- FOR YOUR INFORMATION
- FOR YOUR REVIEW AND RECOMMENDATION
- FOR THE FILES
- PLEASE DISCUSS WITH _____ SIGNATURE
- PLEASE PREPARE RESPONSE FOR BBC's SIGNATURE
- AS WE DISCUSSED
- RETURN TO _____

COMMENTS :Mr. Qureshi's office: pls. clear final resp. w/Mr. Aguirre-Sacasa
prior to submission for Mr. Conable's signature.
cc: Mr. Aguirre-Sacasa

JOHN G. ROWLAND
5TH DISTRICT, CONNECTICUT

WASHINGTON OFFICE
512 CANNON HOUSE OFFICE BUILDING
PHONE (202) 225-3822

DISTRICT OFFICE:
135 GRAND STREET
WATERBURY, CT 06701
(1-800) 556-5089
(203) 573-1418



COMMITTEE ON
ARMED SERVICES
SUBCOMMITTEE ON PROCUREMENT
AND MILITARY NUCLEAR SYSTEMS
SUBCOMMITTEE ON READINESS

COMMITTEE ON VETERANS' AFFAIRS
SUBCOMMITTEE ON HOSPITALS AND HEALTH CARE
SUBCOMMITTEE ON HOUSING AND MEMORIAL AFFAIRS

Congress of the United States
House of Representatives
Washington, DC 20515

November 30, 1988

President Barber Conable
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C.

Dear President Conable:

On behalf of my constituents, Mr. and Mrs. Michael Hopkins of Meriden, Connecticut, I am contacting your office.

For the past twelve years, Mr. Hopkins has been in the business of giving assistance in obtaining funds for government agencies. Mr. Hopkins claims that after completing his services, he has yet to receive payment. I ask that your office please look into this matter to determine what can be done to assist Mr. Hopkins in getting the money he is owed.

If you have any further questions, please feel free to contact my Waterbury office.

Sincerely,

John G. Rowland
JOHN G. ROWLAND
Member of Congress

JGR/mfd

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

BARBER B. CONABLE
President

December 2, 1988

Dear Nancy:

Thank you for your most thoughtful note. I share your conviction that increased attention must be given to population growth in the developing world. Given the magnitude and severity of the problem, it is unfortunate that many governments have failed to implement sensible population policies. It is also distressing that international assistance for population programs has declined.

A vital part of the Bank's work involves development activities that have a strong impact on population. I can assure you that these programs will be given greater emphasis in the next several years. We welcome your interest in the Bank's efforts, and I look forward to working with you and with other Members on these issues.

All best wishes.

Sincerely,

(Signed) Barber B. Conable

The Honorable Nancy Pelosi
House of Representatives
Washington, D. C. 20515

bcc: Mr. David W. Hopper, SVPPR
Mesdames Perera, EXC; Wilcox, EXT

Log. 881117005
JMaguire:amg

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

* Bill - Do you think a 2) response is warranted? JWS
D) BBC info

CORRESPONDENCE DATE : 88/11/15

DUE DATE : ~~00/00/00~~ 12/2/88

LOG NUMBER : 881117005

FROM : Nancy Pelosi

SUBJECT : Commending Mr. Conable's address at the Annual Meetings in Berlin

OFFICE ASSIGNED TO FOR ACTION : 3) Mr. Aguirre-Sacasa(E8065)

ACTION:

- APPROVED
- PLEASE HANDLE
- FOR YOUR INFORMATION
- FOR YOUR REVIEW AND RECOMMENDATION
- FOR THE FILES
- PLEASE DISCUSS WITH _____
- PLEASE PREPARE RESPONSE FOR BBC's SIGNATURE
- AS WE DISCUSSED
- RETURN TO _____

COMMENTS :

cc: Mr. Lopper

L-
* I think a personal letter from a m.c. should be
A) "acknowledged" and B) Thank you for your support - and let
it go at that. JWS

NANCY PELOSI
DISTRICT, CALIFORNIA

COMMITTEES:
BANKING, FINANCE
AND URBAN AFFAIRS
GOVERNMENT OPERATIONS

LONGWORTH BUILDING
WASHINGTON, DC 20515-0505
(202) 225-4965
DISTRICT OFFICE
FEDERAL BUILDING
450 GOLDEN GATE AVENUE
SAN FRANCISCO, CA 94102-3460
(415) 556-4862

Congress of the United States
House of Representatives
Washington, DC 20515-0505

November 15, 1988

President Barber Conable
The World Bank
1818 Eighth Street, N.W.
Washington, D.C. 20433

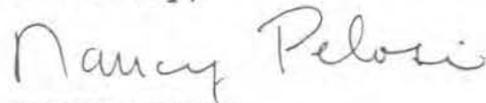
Dear President Conable,

I read excerpts from your opening address of the World Bank annual meeting in Berlin.

I agree with your views regarding the importance of increased aid for global population programs. In addressing the numerous factors which influence world poverty, increased population aid is vital to global economic and environmental stability.

I commend you for your address at the annual meeting and look forward to working with you toward funding of global population assistance programs in Congress.

Sincerely,



NANCY PELOSI
Member of Congress

NP:cg

November 30, 1988

The Honorable John Porter
House of Representatives
Washington, D.C. 20515

Dear John:

Thank you for your letter of November 10, 1988, concerning World Bank participation in the Caazapa Area Development Project in Paraguay.

In recent weeks I have received many letters on this subject from concerned individuals and organizations around the world. I certainly share their concern for the future of the indigenous peoples in the Caazapa region. In replying to these letters, we have provided a background brief on the history of the project, the role of the World Bank, and the efforts we have made to safeguard the welfare of the indigenous peoples. This brief is enclosed for your reference.

I would like to emphasize two important points. First, the activities financed by the Bank under the project do not have any direct impact on the indigenous communities, either through new settlement or through the construction of infrastructure in the areas occupied by the indigenous peoples. The threat to the communities results from the activities of private companies and individuals to whom the land was parcelled out long before the project was ever conceived. Second, from the beginning the Bank has attempted, through its loan covenants, to ensure that measures are taken to protect the indigenous communities from this threat. In this regard, a decision by the Bank to extend the closing date of our loan is entirely contingent on satisfactory progress on this issue.

A World Bank mission to Paraguay recently returned with encouraging news. The Paraguayan Congress has now approved funds in the 1989 budget for land acquisition for resident indigenous communities (in accordance with recommendations made by consultants to an interministerial commission, which was set up to meet World Bank conditions). In addition, the Government presented to the Bank an action plan for implementing the program of land acquisition and titling, and also proposed a detailed program of social and economic assistance for the indigenous communities. Our staff have reviewed these programs and consider them to be a major step

in the direction of protecting the indigenous communities. These proposals would establish a legal basis for expropriating the needed lands within three months, should negotiated purchase fail.

We believe that this progress is impressive. Extension of World Bank participation in the project still remains contingent on final approval by the Paraguayan Congress of the funds for the social and economic assistance program and on ministerial ratification of the proposed action plans. Should these requirements be met, it is important that the World Bank participate in the implementation of these plans; we believe that this participation would establish an important legal and political precedent for similar action to protect other threatened communities in Paraguay.

I believe that the World Bank has a special responsibility to help developing nations better integrate the management of natural resources into development planning and investment. Likewise, we have an obligation to protect the indigenous people who are often directly affected by development efforts. These principles will certainly guide our decision on the extension of the Caazapa project.

Sincerely,

(Signed) Barber B. Conable

Barber B. Conable

Enclosure

Cleared by and cc: Mr. Bottelier (LA4DR), Ms. Maguire (EXTPA)

cc: Messrs.: Keating (EDS01); Morales (EDS08); Husain, Gamarra, Pimenta-Neves (LACVP); Rowat (LA4CO); Bery, Dax (LA4CO); Joyce, Nickel (LA4AG).

JJoyce/hf

November 30, 1988

The Honorable Claudine Schneider
House of Representatives
Washington, D.C. 20515

Dear Claudine:

Thank you for your letter of November 10, 1988 concerning World Bank participation in the Caazapa Area Development Project in Paraguay.

In recent weeks I have received many letters on this subject from concerned individuals and organizations around the world. I certainly share their concern for the future of the indigenous peoples in the Caazapa region. In replying to these letters, we have provided a background brief on the history of the project, the role of the World Bank, and the efforts we have made to safeguard the welfare of the indigenous peoples. This brief is enclosed for your reference.

I would like to emphasize two important points. First, the activities financed by the Bank under the project do not have any direct impact on the indigenous communities, either through new settlement or through the construction of infrastructure in the areas occupied by the indigenous peoples. The threat to the communities results from the activities of private companies and individuals to whom the land was parcelled out long before the project was ever conceived. Second, from the beginning the Bank has attempted, through its loan covenants, to ensure that measures are taken to protect the indigenous communities from this threat. In this regard, a decision by the Bank to extend the closing date of our loan is entirely contingent on satisfactory progress on this issue.

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November 30, 1988

in the direction of protecting the indigenous communities. These proposals would establish a legal basis for expropriating the needed lands within three months, should negotiated purchase fail.

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Sincerely,

(Signed) Barber B. Conable

Barber B. Conable

Enclosure

Cleared by and cc: Mr. Bottelier (LA4DR), Ms. Maguire (EXTPA)

cc: Messrs.: Keating (EDSO1); Morales (EDSO8); Husain, Gamarra, Pimenta-Neves (LACVP); Rowat (LA4CO); Bery, Dax (LA4CO); Joyce, Nickel (LA4AG).

JJoyce/hf

Caazapa Area Development Project

Project Overview and Amerindian Protection Measures

History and Purpose of the Project

1. In January 1982 the Executive Directors of the World Bank approved a US\$31 million loan to help finance a rural development project in the Caazapa area located in the southeastern part of Paraguay. The Caazapa area contains about 8,000 smallholder families who have been settled in the area for many years. The project aims to enhance the well-being of these established residents through improvement of the road network, access to credit and development of rural health care facilities. Although the project originally aimed to resettle about 200 families from lands which were subject to erosion, neither this settlement nor any other has ever been carried out. The project does, however, provide for land titling for at least 1,600 of these established residents who have never received legal titles to their land. Lack of proper collateral, such as titled land, historically has made them ineligible for certain types of credit to increase the productivity of their land.

The Amerindian Communities

2. In the northern part of the Caazapa area there are about 20 Amerindian communities containing about 860 families who live quite separate and remote from the farming communities benefitting from the project. No infrastructure or other investments were planned in these forested zones under the project. However, forest clearing has been carried out, mainly by logging companies whose concessions had been granted long before the Caazapa Area Development Project was conceived. This land clearing indeed threatens the habitat of the indigenous peoples and their culture, and for this reason the Loan Agreement between the World Bank and the Government of Paraguay contains legal covenants stipulating that the Government demarcate and acquire land for resident indigenous communities and grant them land titles. Also, the Government undertook to carry out a program of social and technical services for their benefit.

Implementation

3. The project had a slow start. Although the Loan Agreement between the Government and the Bank was signed in 1982, the agency in charge of coordinating the project was only established in 1983, the same year in which the Government made its first budgetary allocation for the project. Startup of implementation in 1984 was subsequently interrupted by a cessation of disbursements for local expenditures, which affected all projects assisted by the World Bank in Paraguay. This cessation lasted from mid-1985 to the end of 1986. Following this hiatus, an effort was made by the Bank in 1987 to renew momentum for successful implementation, including the actions concerning the protection of the threatened indigenous communities. The early 1980's had produced a rapid acceleration of forest-clearing activities in the area, which posed a growing threat to the Amerindian communities of the Caazapa area.

4. An action program to comply with the conditions for protecting the Amerindian communities was drawn up by consultants in 1987. This program includes land acquisition, demarcation and titling, and it promises to be an acceptable basis for resolving the issue of land allocation and title for resident indigenous communities. The proposed program was reviewed and accepted by an interministerial commission of the Government in mid-1988.

Future Action

5. The loan closing date arrived on June 30, 1988 with minimal works carried out and only about 15% of World Bank loan funds disbursed. The Government has requested a one-year extension of the closing date of the loan in order to press ahead with investments in the settled lands. Compliance with the loan conditions safeguarding the territorial claims of Amerindian communities in the Department of Caazapa is necessary for World Bank consideration of an extension to the project. Recently, at the World Bank-IMF annual meetings in Berlin, the Government indicated its commitment to meet these conditions. The World Bank has already sent staff to Paraguay to review the proposed action program, its timetable and the budgetary allocation for this purpose. Following this review, a decision will be made by the World Bank management on whether to extend the closing date and to authorize further withdrawals from the loan account. Thereafter, progress in the land allocation program, and in the program of social and technical services for the benefit of the Amerindian communities, would be monitored carefully to determine continued compliance with the conditions of the Loan Agreement.

November 15, 1988

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

7/11
JW

CORRESPONDENCE DATE : 88/11/10 DUE DATE : 88/11/30
LOG NUMBER : 881115017 FROM : Messrs. Schneider/Po
SUBJECT : Expressing their concern about the Paraguayan Indian problem.

OFFICE ASSIGNED TO FOR ACTION : Mr. M. Qureshi (E-1241)

ACTION:

- _____ APPROVED
- _____ PLEASE HANDLE
- _____ FOR YOUR INFORMATION
- _____ FOR YOUR REVIEW AND RECOMMENDATION
- _____ FOR THE FILES
- ✓ _____ PLEASE DISCUSS WITH _____
- _____ PLEASE PREPARE RESPONSE FOR BBC's SIGNATURE
- _____ AS WE DISCUSSED
- _____ RETURN TO _____

COMMENTS :Attn. Mr. Qureshi's office: Please clear final response with Mr. Aguirre-Sacasa prior to submission for Mr. Conable's sig.
cc: Mr. Aguirre-Sacasa.(Ind. ltrs to each BBC knows them well - first name)

Congress of the United States
House of Representatives
Washington, DC 20515

November 10, 1988

The Honorable Barber Conable
President
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433

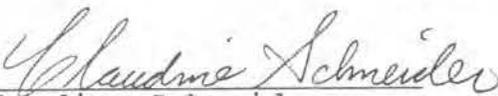
Dear Barber:

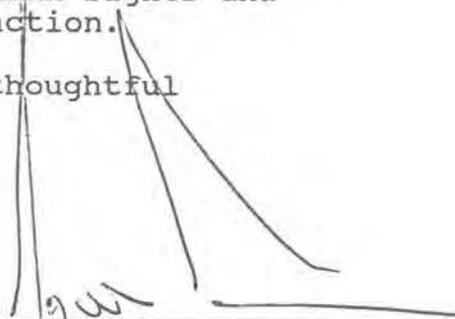
We are writing to express our concern about the Paraguayan Indian problem. As you probably know, the Caazapa Rural Development Project threatens to wipe out the traditional land holdings of the Ache and Mbya Indians.

We know that the World Bank has publicly stated that it is committed to securing land and rights for the indigenous Indian population in accordance with international and Paraguayan law. Even with the best of intentions, the World Bank seems poised to be an unwilling accomplice to the destruction of a traditional culture if this project continues in its present form. For this reason, we strongly urge you to withhold the remaining \$26 million until all Indian lands within the Caazapa Project area have been properly demarcated and titled. In the interests of human rights and international law, this is the only sensible action.

Thank you very much in advance for your thoughtful consideration.

Sincerely,


Claudine Schneider
Member of Congress


John Porter
Member of Congress

November 8, 1988

The Honorable Howard Wolpe
Chairman, Subcommittee on Africa
Committee on Foreign Affairs
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Wolpe:

I thank you for bringing to my attention the Congressional resolution, H. Con. Res. 371, concerning the United States policy response to the events of last August in Burundi.

The World Bank was shocked and concerned about the tragedy that took place in Burundi last August. We were particularly surprised by the outburst of violence in view of the number of steps, economic and political, taken by the new regime in its first year of power to move towards national reconciliation. Although we received early assurances from the Government that it fully intended to restore peace and to continue its policies of ethnic reconciliation, we suspended "business as usual" until we could assess the situation for ourselves.

To do so, a World Bank mission visited Burundi in October. The mission held wide-ranging and frank discussions with a large number of people from all walks of life. It had good access to information, including visits to the affected areas in Burundi and to two refugee camps in Rwanda. The mission reports that President Buyoya has responded to the August events in a constructive manner. His government has brought an end to violence and is moving towards reconciliation. The initial steps taken have gone much farther than what we thought likely. Of particular significance is the composition of the new cabinet, with an even representation of Hutus and Tutsis, including the appointment of a Hutu as Prime Minister. Another step has been the launching of an open debate on the ethnic question, until now a taboo subject. These steps are consistent with the spirit as well as the letter of our cooperation with Burundi and we found them significant enough to continue our program.

We are aware of the depth of the ethnic question and of the wounds reopened last August. The problems facing the country remain formidable and are deeply rooted. Peaceful solutions will require courage, time, and perseverance. We intend to encourage the Government to pursue its efforts to build national unity and to minimize the chances of further violence. We will continue to monitor the situation carefully to ensure that the benefits of economic development are equitably shared by all Burundians.

With best wishes, I am

Sincerely,

(Signed) Barber B. Conable

Barber B. Conable

cc: Amb. Keating

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

JWS
~~ATT~~

CORRESPONDENCE DATE : 88/10/11 DUE DATE : 88/11/03
LOG NUMBER : 881017003 FROM : Howard Wolpe
SUBJECT : Re- Congressional resolution concerning the U.S. policy response
to the atrocities reportedly carried out in Burundi in August.
OFFICE ASSIGNED TO FOR ACTION : Mr. M. Qureshi (E-1241)

ACTION:

- _____ APPROVED
- _____ PLEASE HANDLE
- _____ FOR YOUR INFORMATION
- _____ FOR YOUR REVIEW AND RECOMMENDATION
- _____ FOR THE FILES
- ✓ _____ PLEASE DISCUSS WITH _____
- _____ PLEASE PREPARE RESPONSE FOR BBC'S SIGNATURE
- _____ AS WE DISCUSSED
- _____ RETURN TO _____

COMMENTS :Mr. Qureshi's office: Pls. clear final resp. w/Mr. Aguirre-Sacasa
prior to submission for Mr. Conable's sig.
cc: Mr. Aguirre-Sacasa

10/31/88: Region is requesting for 3 days extension.
JT (MF)

One Hundredth Congress

Congress of the United States
Committee on Foreign Affairs

House of Representatives

Washington, DC 20515

October 11, 1988

LEE H. HAMILTON, INDIANA
GUS YATRON, PENNSYLVANIA
STEPHEN J. SOLARZ, NEW YORK
DON BONKER, WASHINGTON
GERRY E. STUDDS, MASSACHUSETTS
DAN MICA, FLORIDA
HOWARD WOLPE, MICHIGAN
GEO. W. CROCKETT, JR., MICHIGAN
SAM GEJDENSON, CONNECTICUT
MERVYN M. DYMALLY, CALIFORNIA
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ROBERT G. TORRICELLI, NEW JERSEY
LAWRENCE J. SMITH, FLORIDA
HOWARD L. BERMAN, CALIFORNIA
MEL LEVINE, CALIFORNIA
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TED WEISS, NEW YORK
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MORRIS K. UDALL, ARIZONA
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JAIME B. FUSTER, PUERTO RICO
JAMES H. BILBRAY, NEVADA
WAYNE OWENS, UTAH
FOFO I.F. SUNIA, AMERICAN SAMOA

JOHN J. BRADY, JR.
CHIEF OF STAFF

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JAN MEYERS, KANSAS
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BEN BLAZ, GUAM

STEVEN K. BERRY
MINDRITY CHIEF OF STAFF

The Honorable Barber Conable
President,
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433

Dear Mr. Conable:

I am writing to bring to your attention to a Congressional resolution, H. Con. Res. 371, concerning the United States policy response to the atrocities reportedly carried out in Burundi in August. That measure last week passed the House by a unanimous vote of 415 to 0, and the Senate by a voice vote. A copy of the resolution is enclosed.

As the resolution states, United States policy will be most effective if it is supported by sustained multilateral initiatives involving other Western donors, the United Nations, the Organization of African Unity, and Burundi's regional neighbors.

With best wishes, I am

Sincerely,



Howard Wolpe
Chairman,
Subcommittee on Africa

Encl.
HW:nc

Mr. Puccio

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

BARBER B. CONABLE
President

September 1, 1988

The Honorable Gus Yatron, Chairman
Subcommittee on Human Rights
and International Organizations
Committee on Foreign Affairs
House of Representatives
Washington, D.C. 20515

Dear Gus:

Thank you for your letter of August 3, 1988, inquiring about the current status of the World Bank loan to Peru for aviation development (Aviation Development Project, Loan 1963-PE).

You express your concern over the ongoing dispute between the Peruvian Authorities and Airways Engineering Corporation with respect to the contract for studies financed under the loan for an airport near Cuzco. As noted in the background material presented by Airways Engineering Corporation on this matter, the Bank is well aware of the problem. As we have explained to Airways Engineering, however, the Bank is not a party to the contract in question, nor can it serve as judge or arbiter. Rather, the Bank's role is to assure that the procedures followed with respect to the selection of consultants are in accordance with the Bank's guidelines, and that the terms and conditions of employment are satisfactory to the Bank. The contract regulates the carrying out of the assignment and includes provisions for the resolution of disputes. We have emphasized to Airways Engineering over the last three years that they should exercise these provisions.

Nevertheless, considering that the contract was being financed by a Bank loan, we have maintained an interest in seeing that this matter be resolved in a satisfactory manner, and have pursued the matter with the consultants and Peruvian Authorities, unfortunately, without having achieved a solution acceptable to the contracting parties.

Because of Peru's failure to make service payments to the Bank since January 1987, the Bank suspended disbursements on all projects in Peru in May 1987. No progress has been made in normalizing relations, and on July 26, 1988, the Bank notified the Government of Peru that it was closing eight projects for which closing dates had passed. The Aviation Development Loan, which had a

September 1, 1988

closing date of December 31, 1987, is among the projects which have been closed, and the outstanding undisbursed balance has been cancelled. That being the case, we regret that the Bank can no longer honor disbursement requests for this project, including those for the subject contract, even if Airways Engineering were to achieve a positive resolution of this matter.

I hope that this information will prove useful to you.

Sincerely,

(Signed) Barber B. Conable

Barber B. Conable
President

Log No. 880809009

bcc: Mr. Robert B. Keating, EDS01
Mr. Felix Alberto Camarasa, EDS08

Cleared with and bcc: Messrs./Mesdames Linder (LACVP); Rowat (LA4DR);
Roberts (EXTPA); Walser (VPLEG);
Jones-Carroll (LA4CO); Thys (LA4IE)

bcc: Messrs./Mesdames Qureshi (o/r) (SVPOP); Husain (o/r) (LACVP);
Bottelier (o/r) (LA4DR); Auzmendi, Rios (LA4IE);
Collell, Molares (LEGLA); Bery (o/r), Lashman, Lago
(LA4CO); Perera (EXC); Wilcox (EXTDR)

KSierra:lhv

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

9/1 '37
~~8/30~~ 8/31
~~8/29~~

CORRESPONDANCE DATE : 88/08/03

DUE DATE : 88/08/26

LOG NUMBER : 880809009

FROM : Mr. Gus Yatron

SUBJECT : Requesting for current status on WB Loan 1963-PE to the Peruvian
Government regarding the Cusco Airport Project.

OFFICE ASSIGNED TO FOR ACTION : Mr. Aguirre-Sacasa(E8065)

ACTION:

- _____ APPROVED
- _____ PLEASE HANDLE
- _____ FOR YOUR INFORMATION
- _____ FOR YOUR REVIEW AND RECOMMENDATION
- _____ FOR THE FILES
- _____ PLEASE DISCUSS WITH _____
- _____ PLEASE PREPARE RESPONSE FOR BBC's SIGNATURE
- _____ AS WE DISCUSSED
- _____ RETURN TO _____

Due - 8/29
Per memo
being finalized
by Aguirre
8/26
CP

COMMENTS :cc: Mr. Qureshi (please provide technical support to EXT in the
preparation of response for Mr. Conable's signature)

One Hundredth Congress

Congress of the United States

Committee on Foreign Affairs

House of Representatives

Washington, DC 20515

WILLIAM S. BROOMFIELD, MICHIGAN
BENJAMIN A. GILMAN, NEW YORK
ROBERT J. LAGOMARSINO, CALIFORNIA
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WAYNE OWENS, UTAH
FOFO I.F. SUNIA, AMERICAN SAMOA

JOHN J. BRADY, JR.
CHIEF OF STAFF

August 3, 1988

The Honorable Barber Conable
President
The International Bank for Reconstruction
and Development
E-1227
1818 H Street, N.W.
Washington, D.C. 20433

Dear Mr. Conable: Barber

I am writing to you regarding the Cusco Airport Payment Problem, (World Bank Loan 1963-PE). I have spoken to Mr. Rufus C. Phillips III, President of Airways Engineering Corporation, about the business transaction which transpired involving primarily the above stated company, agencies of the Peruvian Government and the World Bank. According to Mr. Phillips, his engineering company is owed \$680,000 with contract stipulated interest as a result of the agreement entered into in 1985.

Based on the complicated nature of this problem, I would greatly appreciate your reviewing this agreement, and informing me as to the current status of this loan. I am concerned about the possible violation of acceptable procedures for this particular loan, and the unfortunate financial impact this could have on Airways Engineering.

Thank you for your consideration of this request. Please feel free to call on me if I can assist you in any way with this undertaking.

Sincerely,

Gus
Gus Yatron
Chairman

Subcommittee on Human Rights
and International Organizations

GY/bp

Memorandum

July 14, 1988

TO: Representative Gus Yatron
Chairman, House Sub-Committee on Human Rights and
International Organizations

FROM: Rufus C. Phillips III, President,
Airways Engineering Corporation



SUBJECT: Background and Current Status of the Cusco
Airport Payment Problem, (World Bank Loan 1963-PE)

-
1. Airways Engineering Corporation is a small business enterprise which has successfully engaged in the consulting engineering planning and design of airports since 1944 in the U.S. and 34 foreign countries.
 2. Airways in association with a Peruvian firm successfully completed the final feasibility study and design of a new airport for Cusco, Peru in 1985. The final feasibility study was financed by a combination of TDP (U.S.), World Bank and Peruvian Govt. funds. The design was financed 70% by the World Bank, 30% by the Peruvian Government.
 3. The Peruvian borrower of the World Bank loan is CORPAC, an entity under the Ministry of Transport, which operates Peru's airports. Airways' contract was signed, after it had been reviewed and approved by the Bank, with another entity, COPESCO, which is under the Ministry of Industry. At the Bank's insistence CORPAC was given a technical review role in the project. However, CORPAC, was not made a party to Airways' contract with COPESCO.
 4. After the contract was signed, it was apparent that Airways had walked into a trap because CORPAC's Board of Directors was opposed to the new airport. This opposition arose because the Peruvian Pilots Association and the Air Force, which dominates CORPAC and in which most of the pilots have served, fear a new airport would bring foreign competition. The new airport would make direct international flights to Cusco possible.
 5. Despite problems with CORPAC, the design proceeded with the positive support of the World Bank's technical representative Mr. Zetterstrom, who reviewed Airways' final feasibility study and preliminary design and found it acceptable. Unfortunately, Mr. Zetterstrom died in 1985 and was not replaced.
 6. The design was accepted and approved by the contracting entity, COPESCO, in May 1985. At that time, out of a total design contract of \$3,400,000, Airways was still owed \$531,328 (\$256,229 from World Bank funds). With contract stipulated interest, this has now grown to approximately \$680,000. Despite the CORPAC Board, the CORPAC technical staff and acting general manager approved Airways' work technically in a report dated 5 July 1985. Board approval was blocked by the efforts of one General Alberto Thorndike, a retired Peruvian Air Force officer, who began making a crusade out of his opposition to the new airport. He also blocked the remaining payment of World Bank funds.

7. The situation was further complicated by the fact that after the election of President Garcia in 1985, Thorndike managed to stay on the CORPAC Board. He engineered the firing of CORPAC's acting General Manager and the head of its engineering staff and provoked an investigation of the Cusco project by the Contraloria. (A kind of super Inspector General.) The Contraloria directed the stoppage of any further payment while a Commission was convened by the Ministry of Transport to review the project. The Commission finally issued a divided report in April, 1986. The Contraloria reviewed and sent it back to the Ministry in October 1986, asking for a definitive opinion.
8. The then Minister of Transport, knowing that his own Directorate of Air Transport was biased because of Air Force domination and was incompetent technically, rejected the idea of another review.
9. After payments became blocked in 1985, Airways continuously pressed the World Bank to become actively involved redressing this obvious injustice. The Bank's position was the standard one that it was not a party to the contract and that the consultant should utilize the remedies available to it under the contract. Airways pointed out that the entities blocking payment, CORPAC and the Contraloria, were not parties to the contract which made an effective suit highly dubious if not impossible.
10. Finally, in February 1987, the World Bank did intervene and arranged with the Minister of Transport for a technical review of the project by the International Civil Aviation Organization, to be financed from the loan. Unfortunately, the Minister went out of office before this could be implemented and a new Minister came in who turned the subject back over to his own Directorate of Air Transport. When asked by Airways to renew its offer of technical assistance, the Bank refused.
11. As Airways predicted, the Directorate of Air Transport developed and sent a highly critical report to the Contraloria in Feb. 1988, a copy of which reached the Bank in late March. When asked by the U.S. Director again to assist Airways, the Bank's staff reacted negatively saying for the first time that there "appeared to be legitimate differences of opinion between the Peruvian Authority and Airways Engineering".
12. Upset by the position Bank staff was taking, Mr. Phillips of Airways met on 10 June 1988 with Mr. Manfredo Linder, Bank Procurement Advisor for Latin America, who acknowledged himself as the principal architect of the Bank's current position. Mr. Linder admitted little review of the Peruvian report had been done by the Bank. He stated that Bank staff had spent entirely too much time already on this problem and was not going to do anything further. When Mr. Phillips pointed out that the Bank, by acquiescing in the way the matter was being handled by the Peruvians, was giving its tacit approval, the response was negative. Mr. Linder wound up by urging Mr. Phillips to drop the matter entirely.

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

US-
Rep.

BARBER B. CONABLE
President

July 27, 1988

Dear Walter:

Thank you for your letter of July 11, concerning the difficulties which Congressman Wheat's constituent, Allen Acheson, has had in resolving an \$8,000 payment dispute with the Government of Punjab, India.

Unfortunately, as I recently explained to Congressman Wheat, our efforts to find a solution to this problem have met with little success. We brought this issue to the attention of the Indian Executive Director at the World Bank over a year ago. Since that time, we have urged that every effort be made to resolve the dispute with Black & Veatch. Much to my regret, we appear to be no closer to a solution today than we were one year ago.

The circumstances surrounding this dispute give us relatively little leverage for intervention. First, the states in India have considerable sovereignty, limiting the extent to which even the central government can intervene in a matter such as this. Second, the proper amount of the bill appears to be disputed by the Government of Punjab. Finally, the IDA credit for the project under which the contract was made, has been legally closed since September 1985. Nevertheless, we share your concern and your desire to have the matter resolved fairly and finally. We have again asked the Government of India to encourage the Government of Punjab to reach an agreement with Black & Veatch.

I take this matter very seriously. I have asked my staff to see that this issue continues to be given particular attention. We will keep you informed of any future progress in these discussions.

All best wishes.

Sincerely,

(Signed) Barber B. Conable

Barber B. Conable

The Honorable Walter Fauntroy
Chairman, Subcommittee on International
Development Institutions and Finance
H2-139 House Annex 2
Washington, D.C. 20515

Log 880719022

JMaguire:amg

bcc: Messrs. Qureshi (SVPOP), Stanton (EXC)
Mmes. Perera (EXC), Wilcox (EXTDR)

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

BARBER B. CONABLE
President

July 27, 1988

Dear Walter:

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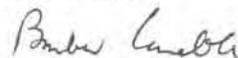
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I take this matter very seriously. I have asked my staff to see that this issue continues to be given particular attention. We will keep you informed of any future progress in these discussions.

All best wishes.

Sincerely,



The Honorable Walter Fauntroy
Chairman, Subcommittee on International
Development Institutions and Finance
H2-139 House Annex 2
Washington, D.C. 20515

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

Logged 7/22
Diame

J. Maguire JWS

EXTOR 07/25/88 changed to:
07-26-88 → 07/26/88
07/27/88

CORRESPONDANCE DATE : 88/07/11
LOG NUMBER : 880719022 FROM : Walter Fauntroy
SUBJECT : Re: Black & Veatch International project in India for WB

OFFICE ASSIGNED TO FOR ACTION : Mr. Aguirre-Sacasa(E8065)

ACTION:

- APPROVED
- PLEASE HANDLE
- FOR YOUR INFORMATION
- FOR YOUR REVIEW AND RECOMMENDATION
- FOR THE FILES
- PLEASE DISCUSS WITH _____
- PLEASE PREPARE RESPONSE FOR BBC's SIGNATURE
- AS WE DISCUSSED
- RETURN TO _____

COMMENTS :cc: Mr. Qureshi (to coordinate response with EXT)
Please let JWS have the facts when known. I may want to call
this Congressman. (JWS)

7/21/88

Diame: Return to Judy. She'll
handle it next wk. -
Mila

log out
7/28/88
mj

Alway
7-21-88

WALTER E. FAUNTROY, DISTRICT OF COLUMBIA
CHAIRMAN

JOHN J. LAFALCE, NEW YORK
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BRUCE A. MORRISON, CONNECTICUT
CHARLES E. SCHUMER, NEW YORK
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AL McCANDLESS, CALIFORNIA
PATRICIA SAIKI, HAWAII
PATRICK L. SWINDALL, GEORGIA
JIM BUNNING, KENTUCKY

(202) 226-7511

U.S. HOUSE OF REPRESENTATIVES
SUBCOMMITTEE ON
INTERNATIONAL DEVELOPMENT INSTITUTIONS AND FINANCE
OF THE
COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS
ONE HUNDRETH CONGRESS
WASHINGTON, DC 20515

July 11, 1988

The Honorable Barber Conable
President
The World Bank
Washington, D.C.

Dear Barber,

I was recently sent a letter by a colleague, Representative Alan Wheat, who expressed his concern over the apparent mistreatment of a company in his district by the Government of India. I have enclosed a copy of this and other relevant communications.

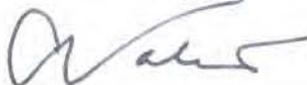
It is not clear to me at this point in time whether anything can be done to alleviate this unfortunate situation. However, I do not have to emphasize to you the importance of support for Bank funding in Congress from those such as Congressman Wheat.

The enclosed letter from Allen Acheson, president of Black & Veitch International, makes reference to an inquiry commissioned by you on this matter. If such an inquiry was indeed ordered, has it led to further developments in the Black & Veitch case?

As Mr. Acheson points out, the government of India is indeed a large borrower of the Bank, and with good reason. The number of poor people in that country demands nothing less. But a defense of large amounts of World Bank lending to India on the merits will be difficult to sustain, if as Mr. Acheson states, others have similar unsatisfactory experiences.

I would greatly appreciate your redoubled efforts in looking into this matter. Please let me know if there are further developments. Thank you for your attention.

Sincerely,



Walter E. Fauntroy
Chairman

WEF:jk
Enclosures

ALAN WHEAT
5TH DISTRICT, MISSOURI

MEMBER
COMMITTEE ON
RULES

SELECT COMMITTEE ON
CHILDREN, YOUTH,
AND FAMILIES



JUN 01 1988
JUN 02 1988

1204 LONGWORTH BUILDING
WASHINGTON, DC 20515-2505
(202) 225-4535

811 GRAND AVENUE, #935
KANSAS CITY, MO 64106-1997
842-4545

301 WEST LEXINGTON, #221
INDEPENDENCE, MO 64050-3724
833-4545

Congress of the United States

House of Representatives

Washington, DC 20515-2505

June 1, 1988

The Honorable Walter Fauntroy
Chairman
Subcommittee on International Development
Institutions and Finance
H2-139 House Annex Two
Washington, D.C. 20515

Dear Walter:

Enclosed please find a copy of a letter I recently received from Mr. Allen Acheson, the president of an international corporation headquartered in my District, outlining an experience his corporation, Black & Veatch International, had while working with the World Bank in India.

As you will note, a member of Mr. Acheson's engineering firm was asked to participate in a World Bank mission to the Government of Punjab. In spite of a corporate policy to avoid projects in India, the company agreed to provide a member of its staff to the mission in light of the participation of the World Bank. The mission was cancelled before the members even reached India, and Black & Veatch was not compensated for \$8,000 in travel expenses incurred by the engineer involved.

Mr. Acheson stated that the issue was not the \$8,000 which, as he recognizes, is a relatively small amount of money which he had written off as a loss earlier this year. However, I share his indignation when a nation to which we loan millions of dollars annually does not, as Mr. Acheson stated, "pay its bills".

In light of pending legislation to increase funding levels for the World Bank, I would appreciate your giving the enclosed letter your full consideration prior to debating funding levels and responsibilities of the World Bank.

I appreciate your willingness to seek a solution to the problems encountered by Black & Veatch. If I can provide any additional information which would assist you in this matter, please don't hesitate to call on me.

Sincerely,

A handwritten signature in dark ink, appearing to read "Alan Wheat".

Alan Wheat
Member of Congress

MAY 24 1988

BLACK & VEATCH INTERNATIONAL
ENGINEERS-ARCHITECTS

TEL (913) 339-8700
TELEX 4-2523
FAX: (913) 339-8711

1500 MEADOW LAKE PARKWAY
MAILING ADDRESS P.O. BOX NO 8405
KANSAS CITY, MISSOURI 64114
UNITED STATES OF AMERICA

May 13, 1988

The Honorable Alan Wheat
House of Representatives
Washington, D. C. 20515

Re: World Bank Congressional Capital-
Funding Debate

Dear Representative Wheat:

I do not expect you to read this entire letter. I do hope that one of your administrative assistants will read the letter and will brief you at the appropriate time. Because of issues which are now being discussed in the Congress that relate to the World Bank, I believe that the timing for this message is propitious.

I do not expect you to take action or do anything except vote, which you would normally do in any event. I do not believe you can do any more than I have done to date, which has been to take the matter to the Board of Directors of the World Bank through the US Executive Director. That action on my part produced no resolution as is attested by Mr. Hugh W. Foster's letter dated August 31, 1987, which is enclosed.

The story is this. A number of years ago, in the operation of Black & Veatch International, I decreed that we would not do any work in India unless we had letters of credit or cash which assured we were going to be paid. This was the result of difficult and bitter collection experiences with public and private clients in India over the years.

In 1985, Black & Veatch International was asked by a World Bank staff person to provide a senior sanitary engineer as part of a World Bank study mission to the Government of the Punjab. We agreed to make Mr. Malise J. Graham, a 27-year veteran of Black & Veatch International, available as a member of the Bank's mission team. The World Bank project manager explained that Black & Veatch International would be paid for Mr. Graham's time and expense out of IDA loan funds to the Government of India and the Punjab Water Supply and Sewerage Board. At that point, the officer in charge for Black & Veatch International remonstrated because of the standing rule and his own knowledge of the difficult Indian experiences we

The Honorable Alan Wheat

2

May 13, 1988

have had on a number of occasions in not being paid. Assurances were given by the World Bank project manager that there was nothing to be concerned about, and so the BVI officer violated the standing rule.

The agreements were all made, which included Mr. Graham going to Washington to review material and discuss the forthcoming mission with the Bank staff, one day of predeparture activities, travel to and from the Punjab, payment for the time en route and the time in the Punjab as part of the study team, and the time spent in writing the final report. The Government of the Punjab issued a telex message advising that the team should come, and we dispatched Mr. Graham on a Friday. The following Monday morning, we opened our office and discovered that the Government of the Punjab had telexed cancelling the mission because of communal violence in the Punjab. The World Bank team, traveling from Washington, was already in Singapore. Mr. Graham, traveling from Kansas City, was already in Hong Kong. The World Bank team was recalled as was Mr. Graham. We prepared our invoice for the time that Mr. Graham had spent in Washington, the expense of getting him there and back from Kansas City, and the time and expense of his going to Hong Kong and returning because of the aborting of the Bank mission. The sum is small--\$8,277.75. We have spent almost three years trying to collect the money to no avail. A year ago, staff recommended write-off. I refused, on the basis of principle and not because of the size of the bill. I took the matter up with the US Executive Director. I know that there were conversations between the US Executive Director and his Indian counterpart. I know that the US Executive Director actually wrote at least once and perhaps more than once to the Indian Executive Director. None of this produced any payment but, somewhere along the line, the Government of Punjab offered to settle with us for fifty cents on the dollar. I rejected that.

The US Executive Director's office ultimately took the unprecedented step of taking this matter to the Bank's Board of Directors. I understand (admittedly third or fourth hand) that when the issue was raised, there were other countries who raised their hands and said, "Me, too." I understand that Barber Conable ordered an inquiry. This was last summer sometime. I do not know the outcome of that committee investigation. I do know that we have never been paid.

We have a big file on the matter which is more than an inch thick, documenting the whole sorry affair. I am not going to send that to you (unless you request it). I do send the final letter that I received from the US Alternative Executive Director, Mr. Hugh Foster.

The Government of India, on the one hand, can borrow vast sums of money from the World Bank and, on the other hand, can literally thumb its nose at the United States and the World Bank. That is truly a sorry state of

May 13, 1988

affairs. The record of the Government of India's borrowing from the World Bank is long. For example, last December 3, the Bank gave preliminary approval to lend \$435 million to help India build 600 miles of national highways. In July of 1988, the Bank says that it will assess 1,250 miles of proposed rural roads in four Indian states for which loans of about \$300 million will be sought.

The World Bank is seeking to increase its lending authority by \$75 billion. This increase has to be approved by the Bank's 151-member Board of Governors. Philosophically, I don't have any great quarrel with any of this, but perhaps the size of the increases that are being proposed would not be quite as large were the Bank to enforce responsibility on the part of some of its borrowers.

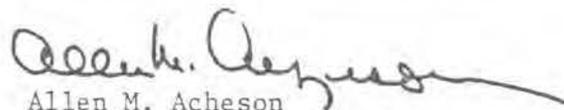
From a Wall Street Journal article which I read in Bangkok on May 6, I understand that US support of greater lending by the World Bank is being debated in the Congress. The \$74.8 billion increase in the Bank's capital is designed to enable the Bank to raise its annual lending to the \$20 billion level in the early 1990's from the current \$14 billion level. I further understand that the present administration has pledged US backing. This would require a first contribution of \$70 million followed by the same amount annually for another five years.

Representative Wheat, should we really do that as a government when some of the governments that borrow money from the Bank won't pay their bills? This year, I had to accede to the demands of Peat Marwick Main, our auditors, and we wrote off the \$8,277.75. I admit it is a very small sum. However, the people who work for Black & Veatch International realize that the amount simply reduced the total amount available to be divided among employees at the end of the year in our profit sharing plan. Essentially that money was stolen from us and our employees by the Government of India. When debtors don't pay, and the Bank seems powerless, it's difficult for us to be enthusiastic about the administration's position supporting additional funding for the Bank.

I am sure you will vote as you see fit, and that is certainly your obligation as a United States Representative. I did want you to know this sad story and our experience before you vote.

Very truly yours,

BLACK & VEATCH INTERNATIONAL


Allen M. Acheson
President

vld
Enclosure



RESTRICTION NOTICE

Print Form



File Title Liaison Files: U.S. Government - U.S. House of Representatives - Correspondence 02	Barcode Number 1780991
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Document Date August 31, 1987	Document Type Correspondence
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Correspondents / Participants
 To: Lee E. Fickle
 From: Hugh W. Foster

Subject / Title

Exception Number
 1 2 3 4 5 6 7 8 9 10 A-C 10 D

Reason for Restriction
 (c) Communications between individual Executive Directors' offices and third parties.

The items identified above have been restricted in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.

Withdrawn By Vlada Alekankina	Date October 26, 2011
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THE WORLD BANK
Washington, D.C. 20433
U.S.A.

BARBER B. CONABLE
President

July 11, 1988

Dear Congressman Wheat:

Thank you for your letter of June 1, 1988 concerning Black and Veatch International, and their long-outstanding bill of some US\$8,000 for services rendered to the Government of Punjab, India.

We very much regret that this matter has not been resolved. We brought this issue to the attention of the Indian Executive Director at the World Bank about one year ago; at that time, we strongly urged that every effort be made to find a solution to this problem. Unfortunately, little if any progress appears to have been made since then.

The circumstances surrounding this dispute give us relatively little leverage for intervention. First, the states in India have considerable sovereignty, limiting the extent to which even the central government can intervene in a matter such as this. Second, the proper amount of the bill appears to be disputed by the Government of Punjab. Finally, the IDA credit for the project under which the contract was made, has been legally closed since September 1985. Nevertheless, we share your concern and your desire to have the matter resolved fairly and finally. We have again asked the Government of India to encourage the Government of Punjab to reach an agreement with Black and Veatch.

I take this matter very seriously. I have asked my staff to see that this issue continues to be given particular attention. We will keep you informed of any future progress in these discussions.

All best wishes.

Sincerely,

(Signed) Barber B. Conable

Barber B. Conable

The Honorable Alan Wheat
House of Representatives
1204 Longworth Building
Washington, D.C. 20515-2505

Log No. 880606004

JMaguire:dl

bcc: Messrs. Qureshi (SVPOP), Stanton (EXC), Alisbah (AS4DR), Blinkhorn (AS4CO)
Mmes. Perera (EXC), Wilcox (EXTDR)

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

BARBER B. CONABLE
President

August 31, 1988

Honorable Bill Archer
Member of Congress
Congress of the United States
House of Representatives
Washington, D.C. 20515

Bill -

Dear ~~Congressman~~ Archer:

Tanzania: Petroleum Development Corporation

Thank you for your letter of July 28 concerning Baker Sand Control of Houston. The United States Executive Director of the Bank, Mr. Keating, has received an identical letter sent by Baker to Senator Gramm. I am glad to be able to give you the facts surrounding the disputed account as we know them, and trust you will help us to assure Baker that the Bank has done what it can do to help the parties resolve their dispute.

The contract between Baker Production Services (UK) Ltd, located in Maidenhead, England, with the Tanzania Petroleum Development Corporation (TPDC), dated June 12, 1985, was for the workover of two gas wells in Tanzania. Baker Production Services (UK) Ltd is a subsidiary of Baker Sand Control. The contract was for US\$1,062,250 plus equipment rental at US\$11,850 per day expected to be for 30 days. After various delays and problems in undertaking the work, Baker Production Services submitted a bill for US\$2,182,373.59, an overrun of 105%. After discussions Baker and TPDC reached a working level agreement at US\$2,067,224.87. We understand, however, that this amount was not agreed to by TPDC's management.

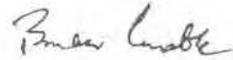
At the request of TPDC we have made payments totalling US\$1,575,000 to Baker from the International Development Association (IDA) credit, and this exhausts the money available under the credit for this work. TPDC was advised that if TPDC wished to use additional amounts from the IDA credit, we would expect the Government to request an amendment of the credit agreement, and to fully justify the reasonableness of the cost overrun and its legal liability for payment. We have received no such request. Under the terms of our agreement with the Borrower we are not in a position legally to disburse funds from the Credit without an official request from the Borrower.

We understand from TPDC that they do not accept that further sums are due to Baker and that they regard the account as under dispute. We have not taken a formal position on this, nor as we are not a party to the contract, have we any standing to do so. Accordingly, IDA has urged TPDC and the Minister on several occasions to decide whether it will pay the balance of this account, and to let Baker and IDA know of its formal decision. The issue was taken up yet again with the Minister in May and with TPDC in June, and as recently as last week, however to no effect. We will continue to press TPDC to make a decision on this.

I hope that this sufficiently explains the current position and why we feel Baker's recourse lies only with the Government of Tanzania and through the exercise of its contractual rights.

My very best regards.

Sincerely,



Barber B. Conable
President

Bill -

Good luck as Ranking Minority Member!
B.C.

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

BARBER B. CONABLE
President

August 26, 1988

Dear Claudine:

Many thanks for your letter of August 8, 1988, commending the World Bank for its work on maintaining biological diversity.

As you know, one of my priorities at the Bank has been to enhance the quality of our environmental work by financing both free standing environmental projects and environmental protection components within other projects. We have enlarged our environmental staff to ensure that environmental considerations are addressed in our lending activity, including not only biological diversity but also atmospheric pollution, soil and forest deterioration, and the welfare of tribal peoples in developing countries. In addition to our own efforts we are also working closely with the international NGO community on a wide range of environmental issues, as exemplified by our partnership with World Wildlife Fund on biodiversity issues.

Thank you, again, for writing and for your support for the Bank. It is much appreciated.

Sincerely,

(Signed) Barber B. Conable

Barber B. Conable

The Honorable Claudine Schneider
House of Representatives
1412 Longworth Building
Washington, DC 20515

Log#: 880812002

LRoberts/kjb

bcc: Mr. Hopper (SVPPR); Ms. Perera (EXC); Ms. Wilcox (EXTDR)

Cleared with and bcc: Ms. D.J. Pratt (ENVOS)

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

~~B-fiji~~

if
BBC
o/r

CORRESPONDENCE DATE : 88/08/08 DUE DATE : 88/08/26
LOG NUMBER : 880812002 FROM : Claudine Schneider,
SUBJECT : Congratulating BBC on the fine work the WB has done in the
maintenance of the planet's biological diversity.
OFFICE ASSIGNED TO FOR ACTION : Mr. Aguirre-Sacasa(E8065)

ACTION:

- _____ APPROVED
- _____ PLEASE HANDLE
- _____ FOR YOUR INFORMATION
- _____ FOR YOUR REVIEW AND RECOMMENDATION
- _____ FOR THE FILES
- ✓ _____ PLEASE DISCUSS WITH _____
- _____ PLEASE PREPARE RESPONSE FOR BBC's SIGNATURE
- _____ AS WE DISCUSSED
- _____ RETURN TO _____

COMMENTS :cc: Mr. Hopper (please provide technical support to EXT in the preparation of response)

Dear Claudine:

1512 LONGWORTH BUILDING
WASHINGTON, D.C. 20515
(202) 225-2735



(RANKING MINORITY MEMBER)
SCIENCE, RESEARCH & TECHNOLOGY

30 ROLFE SQUARE
CRANSTON, RHODE ISLAND 02910
(401) 528-5020

Congress of the United States

MERCHANT MARINE AND FISHERIES
OVERSIGHT & INVESTIGATIONS
(RANKING MINORITY MEMBER)
FISHERIES & WILDLIFE
OCEANOGRAPHY

CONGRESSIONAL COMPETITIVENESS CAUCUS
CO-CHAIR

HOUSE OF REPRESENTATIVES
WASHINGTON, D.C. 20515

AGING
HEALTH & LONG TERM CARE

NORTHEAST-MIDWEST CONGRESSIONAL COALITION
TREASURER

August 8, 1988

The Honorable Barber Conable
President
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433

Dear Barber:

This is just a short note of commendation on the terrific work the World Bank has begun in the maintenance of our planet's biological diversity. I read the enclosed article last June, but it is only now that I have gotten around to writing you to let you know what a great job you are doing.

Madagascar, one of your targeted "megadiversity countries," is a spectacular paradise that I visited last year at this time. Interest in this increasingly important topic also led me recently to visit Brazil, Venezuela and Costa Rica. It appears that the World Bank's and the World Wildlife Fund's efforts are reaching fruition just in time!

To complement your efforts, I introduced a bill calling for an international convention on biological diversity which was recently passed by the House. I am working feverishly to get the bill passed through the Senate.

Your vision, innovative approach and success in working hand-in-hand with some of the brightest environmental professionals are certainly being widely acknowledged. The new partnerships between the World Bank and leading NGOs is sure to have a very positive effect on the future of our planet's natural resources. Please accept my humble congratulations, and know that when you need a mover and shaker in Congress, I stand ready to assist you.

Sincerely,

Claudine Schneider
Member of Congress

CS/mn

The Economist

4-10 June 1988

THE LEGAL LINE IN DRUGS

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HOW TO END THE GULF WAR

page 14

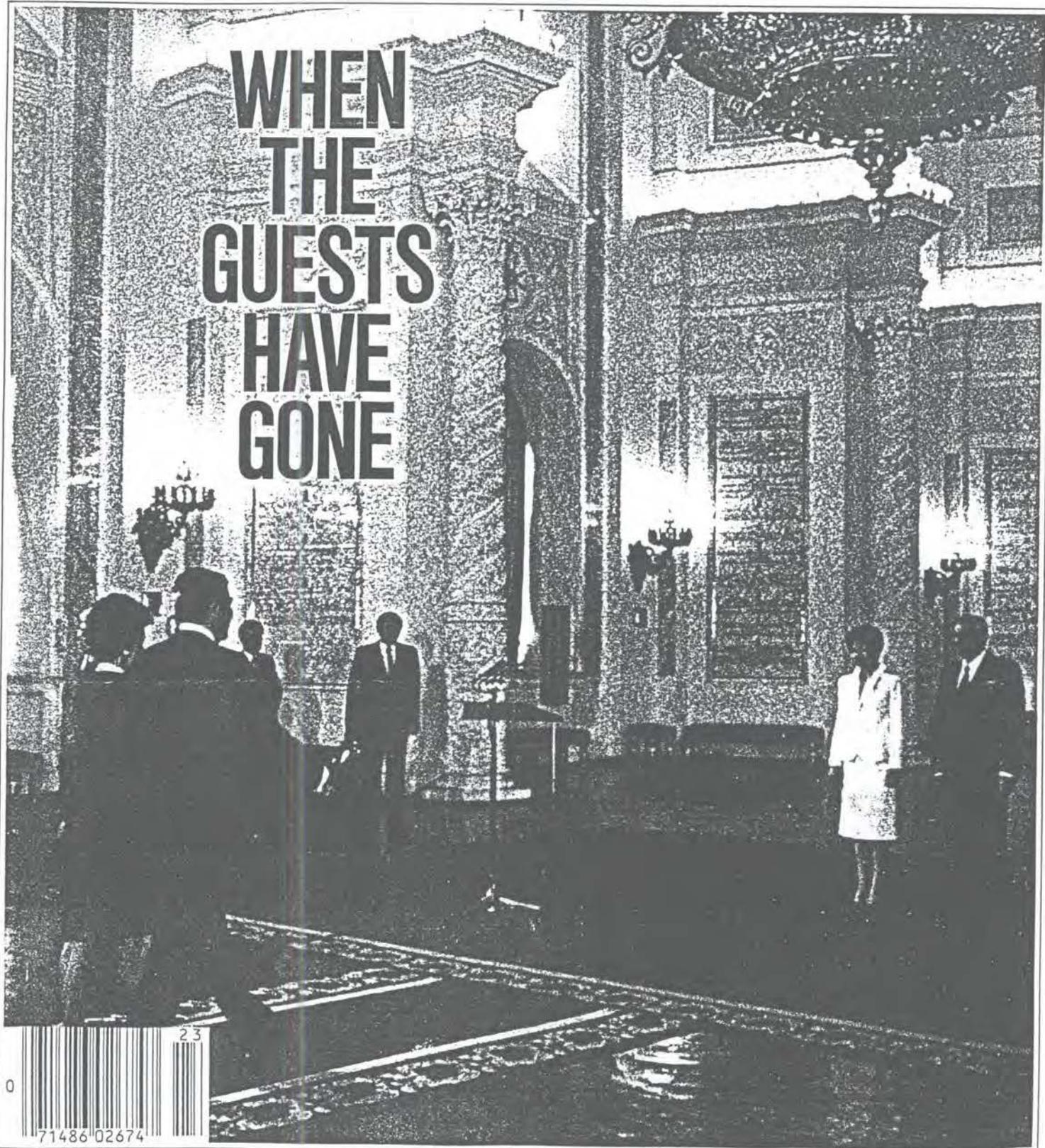
PROTECTIONISM, 1992

page 16

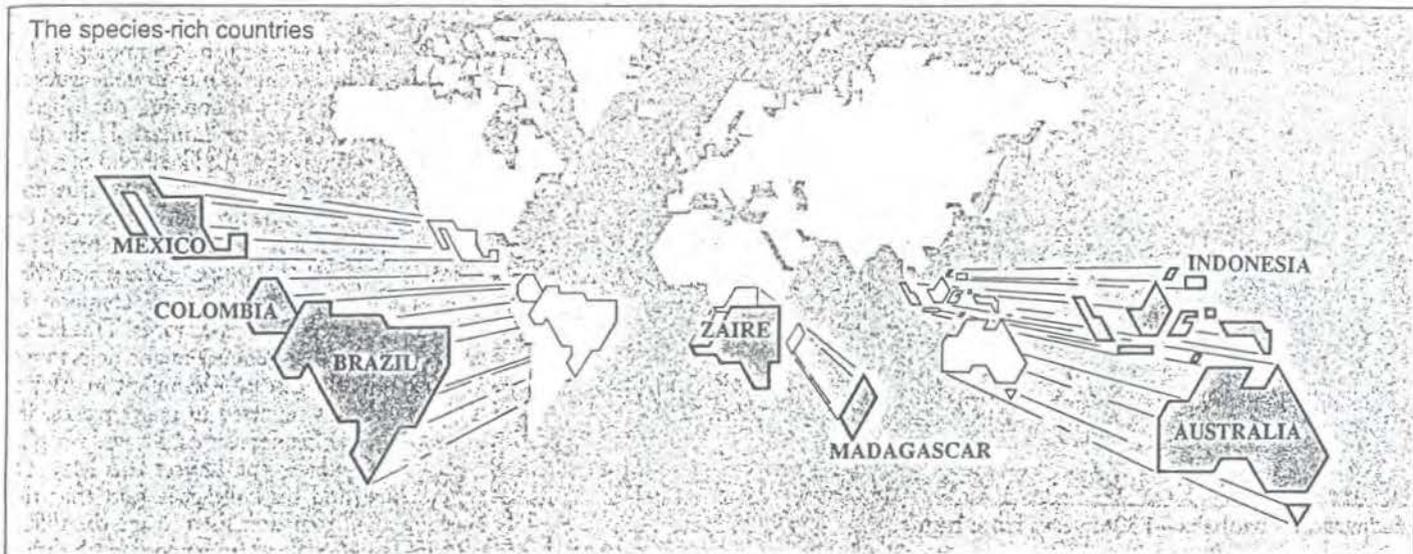
CALIFORNIA FOR DUKAKIS

page 23

WHEN THE GUESTS HAVE GONE



The species-rich countries



The other Group of Seven

WASHINGTON, DC

THE seven biggest economies know they are something special. Between them, these countries account for about 54% of the world's gross national products. It seems natural that they should get together regularly for a talk, as they will in Toronto this month. This economic G7 (as it calls itself) is neatly paralleled by a conservation M7, the seven "megadiversity" countries, which between them contain more than 54% of the species on the globe. The "M7" countries are Brazil, Colombia, Mexico, Zaire, Madagascar, Indonesia and Australia.

The M7 does not hold summit meetings. Indeed, most of its leaders are unaware of just how special they are. The notion of singling out the seven countries is a new one, thought up by Dr Russell Mittermeier at the World Wildlife Fund in Washington, DC. His aim is to ensure that conservation money and effort goes to the right places. The labelling of M7 is also part of a rapprochement between development (making people richer) and conservation (keeping everything else in nature alive).

The notion of protecting diversity has gradually replaced saving nice furry animals as the conservationists' goal. Although pandas, tigers and gorillas may win converts and dollars to the cause, they are just three species among millions, and each is dependent for its survival in the wild on the preservation of whole forests. So the fund, in particular, has begun to focus its efforts on saving whole "ecosystems".

Some ecosystems matter more than others. All the countries on the list are at least partly in the tropics, and so get more energy from the sun; flowing through the food chain in a broad river, this energy enables more kinds of creatures to flourish. Water is critical, too. Well over half the world's species live in tropical rain forests, which cover those parts of the world where there is an ample supply of heat, sunlight and water at most times of the year. Such forests are, as it were, the industrial heartlands of nature, where a rich supply of energy mobilises the earth's minerals and chemicals to make more kinds of products.

Tropical rain forests may hold three-quarters of the world's species (especially if you count insects, more than 90% of which live in rain forest). The M7 countries alone have at least 40% of the world's mammal species (and 79% of its primates), 60% of its birds and 50% of its plants. A single pond in Amazonia may harbour more fish species than the British Isles; one national park there can be home to more bird species than the whole of North America.

Brazil is on the list because it sits on the world's biggest chunk of tropical forest, the Amazon basin. Nearly one-third of all the world's tropical forest is in Brazil, which as a result has the richest diversity of plants in the world. Colombia, which spans many different altitudes, has a great variety of habitats: it has more species of birds than any other country. If the list were simply a mea-

sure of species richness, the other South American countries that share the Amazon basin would also be on the list—Peru, Bolivia and Ecuador especially. The Amazon is a far richer place than the other rain forests of the world, possibly because larger fragments of it survived during the dry times of the ice ages. But most of the species in those countries are also found in Brazil and Colombia. So, to complete the list, it is necessary to go farther afield.

Zaire, the most species-rich country in Africa—because it contains the continent's biggest patch of rain forest—has to be on the list. Indonesia is Asia's Zaire: it has more species of mammal than any other country. Indonesia and Mexico are also blessed with abundance for another reason: they are bridges between two different biogeographical realms. North and South America were separate for most of their histories, developing fauna and flora of their own. When they collided, Mexico ended up with many species from both. Likewise, Indonesia is clearly divided along a line east of Bali, Borneo and Palawan into a zone inhabited mostly by Australasian species, and a zone inhabited mostly by Asian ones.

Two countries are included not just because of species richness, but because so many of their creatures are found nowhere else. Madagascar and Australia, evolving in glorious isolation from the rest of the world, are full of endemic species, such as lemurs and most baobab trees in Madagascar, or kangaroos and most eucalyptuses in Australia. Australia's unique fauna is well known. As the only virgin fragment of the great southern continent of Gondwanaland—of the others, India and South America collided with northern continents and lost much of their original fauna, while Antarctica was sterilised by the cold—all its na-



Madagascar's baobabs—150m years from home

rive mammals, save bats and seals, rear their young in pouches.

Madagascar's uniqueness is less well known. The size of Texas, it probably broke away from the African continent 150m years ago and has been fully isolated from it for at least 30m years. It is more diverse than its size suggests. It has more species of orchid than all of the rest of Africa; it has one-quarter of Africa's plant species on just 2% of Africa's land. More than 90% of the plant species in its rain forests, dry forests and "spiny deserts" are found nowhere else. Madagascar is home to more than 50 species of wild coffee, whose often caffeine-free or disease-resistant qualities could be valuable to plant breeders.

Extinction has already ravaged the country's fauna. Man arrived from the east 1,500 years ago and quickly dispatched many kinds of animal to oblivion—including the largest bird that ever lived, *Aepyornis* or the elephant bird, which laid an egg that weighed 20lbs.

Madagascar is one of the first countries to take advantage of the megadiversity approach. Spurred by revelations of its biological importance, in 1985 it held a conference on conservation which charged the World Wildlife Fund with surveying its 35 protected areas to review the damage and suggest what to do. The fund's response is being dove-tailed with the World Bank's environmental-action plan for Madagascar.

The involvement of the World Bank is part of the new approach. Conservationists used to see development as the problem, not the solution. Nowadays the bank is keen not to encourage programmes that bring a brief burst of prosperity at the expense of permanent damage to the environment. And many conservationists have come to recognise that an off-limits wilderness has less to offer local people than a way to ex-

loit the forest. A task force convened by the World Bank and chaired by Dr Mittermeier recommends lending more money directly for conservation projects, fitting conservation in with the bank's other programmes, and supporting the sort of measures that conservationists have been calling for to help preserve diversity. The World Bank has a good "wild lands" policy; it just needs to be implemented.

This means, above all, preventing the destruction of rain forest. The chopping down of rain forests is often encouraged by national policies, which reward the choppers-down with ownership of the land or subsidies on cattle ranching. In much of what was once the British empire in Asia, forests belong to governments until replaced by fields that belong to people. Result: people chop down forests. Other, sustainable, ways of making money from the forests are undervalued. Indonesia makes \$120m a year from rattan, resin, sandalwood, meat, honey, natural silk and pharmaceutical and cosmetic compounds harvested from tropical forests. Yet none of these industries gets the government help and tax breaks that the logging industry enjoys.

Conservationists are not trying to turn poor countries into museums for tourists from rich ones; they want development of a kind that does not threaten diversity. In Madagascar, for example, the joint conservation plan calls for more intensive rice paddies to take the pressure off the slopes where forests are being chopped down for dry rice to be grown, fuel-wood plantations to take the pressure off natural forests, and the development of tourism in some national parks. Both organisations want Madagascar to be a model of conservation working hand in hand with development.

Genes and AIDS

This year's model

IN MAY 1987 a British immunologist, Dr Anthony Pinching, and his colleagues at St Mary's Hospital in London, published a paper on AIDS in the *Lancet*. Their data seemed to show that the likelihood of a person being infected with the HIV virus and subsequently contracting AIDS depended on his genes. It was particularly noteworthy because the form of the "Gc" gene which they said was responsible is more common in black Africans than other races. This led to speculation that genetics might help to explain why the disease is rampant in Africa. The idea was reported in many places, including *The Economist*. And it was wrong.

In a letter to the *Lancet* this May, Dr Pinching and his colleagues said that the equipment that they used to see the difference between blood from people with different Gc genes did not work properly. This only became apparent later, when an identical piece of apparatus broke down. The original piece had not been theirs, and they had returned it to its owners without spotting the fault. It was an honest mistake.

The retraction did not come as a shock to other scientists in the field. The paper had been under scrutiny since its publication. Within a month, other researchers had published articles in which they reported no such genetic link. Over the following year, at least six groups failed to confirm Dr Pinching's findings.

That is as it should be. The point of publishing results is to let other people try to do the same thing. If they succeed, then a fact is born and the original paper lives out its life in other people's footnotes. If nobody gets the same results (or, worse still, nobody even tries) then the paper dies. It is only with hindsight, well after publication, that any paper can be called right or wrong.

So one avenue of research is now closed—or, rather, was never really open. But the genetic basis of AIDS is still a hot topic. A paper in this week's *Lancet* by Dr Michael Steel and his colleagues, at various establishments in Edinburgh, looks at the idea that the HLA genes—which describe proteins that tell the immune system if a cell is friend or foe—may play a role.

The Edinburgh study uses data from a group of 32 haemophiliacs who were all exposed to HIV by one contaminated batch of a blood product they need. After ten months, 18 of them had antibodies to the virus. Of those, seven now have symptoms of AIDS or a related disorder, and two have died.

These unfortunate people are a particularly fruitful source of information about genetic predispositions. They have been easy to trace since infection. They were all infected in the same way, at a time which is

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

CORRESPONDENCE DATE : 88/08/08 DUE DATE : 88/08/26
LOG NUMBER : 880812002 FROM : Claudine Schneider,
SUBJECT : Congratulating BBC on the fine work the WB has done in the
maintenance of the planet's biological diversity.
OFFICE ASSIGNED TO FOR ACTION : Mr. Aguirre-Sacasa(E8065)

ACTION:

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____ ✓ PLEASE PREPARE RESPONSE FOR BBC's SIGNATURE
____ AS WE DISCUSSED
____ RETURN TO _____

COMMENTS :cc: Mr. Hopper (please provide technical support to EXT in the
preparation of response)

Dear Claudine:

1512 LONGWORTH BUILDING
WASHINGTON, D.C. 20515
4202) 225-2735

30 ROLFE SQUARE
CRANSTON, RHODE ISLAND 02910
(401) 528-5020

CONGRESSIONAL COMPETITIVENESS CAUCUS
CO-CHAIR

NORTHEAST-MIDWEST CONGRESSIONAL COALITION
TREASURER



Congress of the United States

HOUSE OF REPRESENTATIVES
WASHINGTON, D.C. 20515

(RANKING MINORITY MEMBER)
SCIENCE, RESEARCH & TECHNOLOGY

MERCHANT MARINE AND FISHERIES
OVERSIGHT & INVESTIGATIONS
(RANKING MINORITY MEMBER)
FISHERIES & WILDLIFE
OCEANOGRAPHY

AGING
HEALTH & LONG TERM CARE

August 8, 1988

The Honorable Barber Conable
President
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433

Dear Barber:

This is just a short note of commendation on the terrific work the World Bank has begun in the maintenance of our planet's biological diversity. I read the enclosed article last June, but it is only now that I have gotten around to writing you to let you know what a great job you are doing.

Madagascar, one of your targeted "megadiversity countries," is a spectacular paradise that I visited last year at this time. Interest in this increasingly important topic also led me recently to visit Brazil, Venezuela and Costa Rica. It appears that the World Bank's and the World Wildlife Fund's efforts are reaching fruition just in time!

To complement your efforts, I introduced a bill calling for an international convention on biological diversity which was recently passed by the House. I am working feverishly to get the bill passed through the Senate.

Your vision, innovative approach and success in working hand-in-hand with some of the brightest environmental professionals are certainly being widely acknowledged. The new partnerships between the World Bank and leading NGOs is sure to have a very positive effect on the future of our planet's natural resources. Please accept my humble congratulations, and know that when you need a mover and shaker in Congress, I stand ready to assist you.

Sincerely,

Claudine Schneider
Member of Congress

CS/mn

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

BARBER B. CONABLE
President

August 24, 1988

Dear Frank:

This responds to your letter of August 1, 1988 concerning the "Justice for Janitors" pledge.

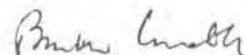
The World Bank, of course, is concerned with fairness and justice for all workers, and has made this clear to representatives of the Service Employees International Union in a series of meetings over the last several months. The pledge in question is part of a larger organizing effort currently being carried out by the Service Employees International Union in the Washington area. The outcome of this campaign can and should be decided between employers and their employees in accordance with the provisions of their domestic law. The Bank itself does not employ janitors, but rather contracts with a local firm for provision of these services. The janitors assigned to the Bank are the contractor's employees.

As you know, the matter of recognition of a union normally is resolved in the U.S. by recourse to an election procedure supervised by the National Labor Relations Board. I'm sure you will agree that it is not appropriate for an international organization such as the World Bank to inject itself into the domestic labor affairs of its member countries. We believe that the correct course for the Bank in this situation, therefore, is to refrain from interference and allow the mechanisms established under U.S. labor law to operate as intended.

We, of course, want to be an appreciative guest in the city of Washington and provide a healthful and safe environment for all who work at or visit the Bank. I have asked my staff to ensure that we observe customary standards generally applied in industry here and in government agencies. We have also asked the janitors assigned at the Bank to bring to our attention any health or safety complaints arising on the job. Some have done so, and these were promptly referred to our contractor for investigation and follow-up.

I hope the above responds to your concerns.

Sincerely,



Honorable Frank Annunzio
U.S. House of Representatives
2303 Rayburn Office Building
Washington, D.C. 20515

JWS

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

CORRESPONDENCE DATE : 88/08/01 DUE DATE : 88/08/22
LOG NUMBER : 880804017 FROM : Frank Annunzio
SUBJECT : Concerns over the position of the WB in opposition to the
"Justice for Janitors". Would like WB views.
OFFICE ASSIGNED TO FOR ACTION : Mr. Wapenhans (D-1250)

ACTION:

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COMMENTS : cc: Mr. Aguirre-Sacasa

ANNUNZIO
DISTRICT, ILLINOIS

COMMITTEES:

ING, FINANCE AND
URBAN AFFAIRS

SUBCOMMITTEES:
RMAN, CONSUMER AFFAIRS
AND COINAGE

CIAL INSTITUTIONS SUPERVISION
REGULATION AND INSURANCE

IRMAN, HOUSE ADMINISTRATION

Congress of the United States
House of Representatives
Washington, DC 20515

DISTRICT OFFICE
SUITE 201
4747 WEST PETERSON AVENUE
CHICAGO, IL 60646
(312) 736-0700

LOOP OFFICE
SUITE 3816
KLUCZYNSKI BUILDING
230 SOUTH DEARBORN STREET
CHICAGO, IL 60604
(312) 353-2525

WASHINGTON OFFICE
SUITE 2303
RAYBURN OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-6661

August 1, 1988

Honorable Barber B. Conable
President
World Bank
1818 H Street, N.W.
Washington, D.C. 20433

Dear Mr. ^{Conable} Conable:

I am contacting you to express my deep concern over the position of the World Bank in opposition to the "Justice for Janitors" pledge -- which I understand is a simple endorsement of better wages and working conditions for office janitors that the Service Employees International Union has asked the World Bank to endorse.

This position in opposition to the "Justice for Janitors" pledge is certainly inconsistent with the World Bank's publicly stated top priorities to "maintain and strengthen the Bank as a central force for development and in the struggle against poverty...".

Under these circumstances, I would like to urge that very serious consideration be extended to reevaluating the position the World Bank has taken on working conditions and wages for its office janitors, to the end that they may be treated fairly and equitably and that the "Justice for Janitors" pledge may be endorsed so that the Bank's private actions may be brought in line with its public image as a leader in the fight against poverty and injustice.

May I hear from you?

Sincerely,



FRANK ANNUNZIO
Member of Congress

FA/dah

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

BARBER B. CONABLE
President

August 23, 1988

Dear Don:

Thanks for taking the time to send me a copy of your testimony before the Garcia Subcommittee. I read it with great interest, and must say that I admire both your eloquence and, more importantly, the depth of understanding you have demonstrated for these admittedly complex issues.

I would welcome the chance to meet with you and your staff for a frank and hopefully fairly detailed discussion of your proposals. Perhaps we could arrange this in early September when you return.

I appreciate your keeping me apprised of your thinking. I look forward to working with you on these issues in the year ahead.

All best wishes.

Sincerely,

(Signed) Barber B. Conable

The Honorable Don Pease
House of Representatives
1127 Longworth House Office Bldg.
Washington, D.C. 20515

Log. 880729007

JM:LM:amg

bcc: Messrs. Qureshi (SVPOP); Stern (SVPFI)

Mmes. Perera (EXC); Wilcox (EXT)

OFFICE MEMORANDUM

DATE: August 11, 1988

TO: Mr. J. William Stanton, EXC

FROM: Judith Maguire, ^{JM}EXTPA

EXTENSION: 75324

SUBJECT: Letter to Mr. Conable from Congressman Don Pease

1. Don Pease was kind enough to send Mr. Conable a copy of his testimony on the debt situation. He and his staff have put a great deal of work into this, and are sincerely interested in the Bank's reaction.
2. It's clearly not feasible (or perhaps appropriate) for Mr. Conable to provide detailed comments in writing on the Pease proposals. However, these ideas are gaining many converts (including Dave Obey), and much more will be heard about them in the year ahead. I think it is important that we maintain a dialogue with Mr. Pease and his staff, (i.e., Rick Samans).
3. David Bock and Dennis Flannery have read the testimony and are impressed with its quality. Dennis prepared a draft letter to Pease, which is attached. They agree that it's difficult to say much in writing without causing problems for ourselves with "other interested parties". I know Joe Wood's staff were interested to look at any written comments, and you might want to let them know how you propose to handle this.
4. I recommend you have Mr. Conable send a letter to Mr. Pease along the lines of the one I have attached. I think Mr. Conable should definitely take the time to see Pease in September. He should be accompanied by David Bock and perhaps Joe Wood. I think Pease would be most appreciative of this and I think it is important we make the offer.

Attachment
JM:amg

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

JM
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JF
BBC
Logged
8/8
Di

Due date
EXTD. 88/08/18
DUE DATE : 88/08/22

Due date

CORRESPONDANCE DATE : 88/07/22
LOG NUMBER : 880729007 FROM : Don Pease
SUBJECT : Testimony of Mr. Pease before House Banking Subcommittee on
International Finance, Trade & Monetary Policy
OFFICE ASSIGNED TO FOR ACTION : Mr. Aguirre-Sacasa(E8065)

ACTION:

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- _____ RETURN TO _____

COMMENTS :cc: Mr. Qureshi & Mr. Stern - to provide assistance in preparation of response for BBC's signature

Return to JM
Will then refer to
BBC's office for
guidance on response.

(1)

sent back
to JWS

(2)

8/23
Mr. Conable decided
to send let. out.

DON J. PEASE
13TH DISTRICT, OHIO

1127 LONGWORTH BUILDING
WASHINGTON, DC 20515
(202) 225-3401

COMMITTEE ON
WAYS AND MEANS
SUBCOMMITTEE ON TRADE
SUBCOMMITTEE ON
PUBLIC ASSISTANCE AND
UNEMPLOYMENT COMPENSATION

Congress of the United States
House of Representatives
Washington, DC 20515

July 22, 1988

Mr. Barber B. Conable, Jr.
President
World Bank
1818 H Street, N. W.
Washington, D. C. 20433

Dear Barber:

Knowing of your interest in international debt policy, I thought I would share with you a copy of testimony I recently delivered before the House Banking Subcommittee on International Finance, Trade and Monetary Policy.

I would like to draw your attention to two points in particular. First, a comprehensive workout of Third World debt would actually be in the financial interest of the big banks. In contrast to an increase in loan loss provisions, it would preserve and very likely increase stockholders' equity. It could also provide the tax relief the banks have been looking for without any changes in the tax code. Second, Secretary of Treasury Baker's criteria for new approaches to the debt problem need to be replaced; in particular, taxpayers are exposed to substantial liability by the existing U.S. debt policy. We ought to be actively managing this exposure, not ignoring it.

I would be interested to learn of your thinking on these and related issues.

Sincerely yours,



DON J. PEASE
Member of Congress

DJP/rs

Enclosure

*I hope, Barber, that you will
have time to read my testimony.
D.*

ADMINISTRATIVE ASSISTANT
BILL GOOLD

DISTRICT OFFICE

MRS. NANCY YOOD
1936 COOPER-FOSTER PARK ROAD, LORAIN
(216) 282-5003

PART-TIME OFFICES

MRS. BARBARA FLOWERS
COUNTY ADMINISTRATION BUILDING, MEDINA
(216) 725-6120

JACKSON BETTS FEDERAL BUILDING, MANSFIELD
(419) 526-6663

MR. JOHN WALKER
THE CENTRE, ASHLAND
(419) 281-4184

COUNTY ADMINISTRATION BUILDING, NORWALK
(419) 668-0206

STATEMENT OF HON. DON J. PEASE
HOUSE BANKING SUBCOMMITTEE ON
INTERNATIONAL FINANCE, TRADE AND MONETARY POLICY
JULY 13, 1988

I would like to thank Chairman Garcia and the members of the Subcommittee for the opportunity to testify on the topic of international debt policy. Thanks in large part to the work of members of this Subcommittee, the public debate over whether there ought to be debt relief for the highly indebted countries has largely been resolved. No serious and candid observer believes the debt can and will be repaid in full. The list of public figures advocating a fundamental change in U.S. policy is growing both in length and diversity. For this, we owe those of you who have worked so hard on this issue a debt of gratitude.

To be certain, complacency lingers in the Administration and elsewhere. The recent Brazilian restructuring permitted the big banks to dodge another bullet. But this was just the latest in a long series of stop-gap measures. A recession or few point rise in interest rates could more than reverse the gains from this agreement.

The time for debating whether to pursue debt relief is past. We should really be debating what is the best way to accomplish it. What debt relief program would yield the greatest benefits with the fewest costs?

I have put forth some of my ideas in a bill, HR 4130, humbly titled The World Trade Expansion, Development and Financial Stability Act of 1987.

The Administration itself has flirted with debt relief proposals. But it has resisted fundamental change in its policy, insisting that any new program must satisfy three criteria: any scheme must be voluntary (for the banks); it must proceed on a case-by-case basis; and it must not involve the American taxpayer.

The widespread and growing call for a fundamental change in its debt policy suggests that the Administration's approach and criteria are seriously inadequate. I would like to address what I see as the specific shortcomings of the Secretary's criteria.

1) Voluntary

Commercial banks do not volunteer to take losses on loans to bankrupt companies. A troubled corporate debtor typically seeks protection from its banks and other creditors under Chapter 11 of the Bankruptcy Code. Without this legal protection, it is doubtful banks could consistently be prevailed upon to participate in restructurings of failing companies. They might often demand immediate liquidation or conversion of loans into equity.

If banks are not relied upon to volunteer to participate in corporate workouts, what is the logic of relying on them to volunteer to participate in sovereign debt workouts? There is no procedure analagous to Chapter 11 for sovereign debtors. This is the major weakness in the Secretary's criteria. Just as the magic of the marketplace could not be depended upon to ensure orderly restructurings of failing companies, so it cannot be relied upon to produce orderly restructurings of sovereign debt. As with the creation of Chapter 11, the government must play a role in inducing creditors to participate in sovereign workouts. Any other conclusion suggests that public policy goals and bank stockholder interests always coincide. To me, such a view is not only unrealistic; it amounts to an abdication of public responsibility.

2) Case-by-Case

The terms of debt relief should indeed be tailored to each country's circumstances. However, all too often the call for "case-by-case" action sounds like a call for continued piecemeal and ad hoc reaction. The only way to reap fully the economic and political benefits of debt relief is to make it systemic. It would be inefficient to trigger a period of losses in the banking industry without attempting to offset it with as much accompanying stimulus to world economic growth as possible. And only by involving as many debtor and creditor countries and banks as possible can the economic benefits of a new international debt policy be maximized.

There are other, technical reasons why debt relief must be systemic. Known to specialists as the free rider, moral hazard and *pari passu* problems, they have been addressed previously in congressional testimony. For now, I would like to point out simply that a program of debt relief can and should be both systemic and tailored to each country's circumstances.

3) No Taxpayer Involvement

This criterion is misleading in that it suggests taxpayers are not presently exposed to liability by the debt crisis. Most of the large U.S. banks are woefully undercapitalized in relation to the risks on their balance sheets. Debtor countries are having difficulty meeting payments after six years of economic expansion in their industrial country markets. There is little chance they will be able to keep current when the next recession hits or when weakness in the dollar and/or a rise in inflation leads to a rise in interest rates.

If the current, passive approach of the Treasury Department, bank regulators and bank management persists, a crisis could precipitate losses on a scale which would force the Federal Deposit Insurance Corporation --- and through it, the taxpayer --- to step in. The Federal Home Loan Bank Board now estimates that the bailout of savings and loan industry will exceed \$40 billion. The taxpayer presumably will pick up much of this tab. A bailout of the major money center banks could cost taxpayers a multiple of this amount. In addition, taxpayers would have to make up for the lower taxes paid by banks in future years as a result of their losses. And, perhaps most important, the accompanying reverberations and instability in financial markets could exacerbate inflation or raise interest rates, with adverse consequences for all Americans.

U.S. taxpayers also continue to bear the burden of heightened import competition from and lower exports to debtors countries starved for foreign exchange. The Overseas Development Council estimates that 1.7 million jobs were lost between 1980 and 1986 for these reasons. As we reduce consumption to reign in our own unsustainable foreign debt, we will need these jobs to help avert a recession that would aggravate an already excessive fiscal deficit.

Thus, the existing debt policy of the United States exposes taxpayers to great liability. We ought to be looking for ways to manage this exposure, not ignore it.

Accordingly, it is time to revise or replace the Baker principles. In my view, a debt relief policy should be founded on four principles: it should be systemic, cost-efficient, negotiated, and sustainable.

In order to realize the greatest benefit to world trade and economic activity, debt relief must be systemic. That is to say it must be multilateral; it must cover as many highly indebted countries as possible; and it must cover as much of the private debt of these countries as possible.

Clearly, debt relief must also be cost-efficient. It must yield the maximum actual debt relief to the countries with a minimum of disruption to financial markets (bank losses), a minimum probable cost to the taxpayer, and a minimum drain on other resources available for aid to and investment in the Third World.

Debt relief ought to be negotiated, permitting country-specific packages to be fashioned by debtor governments, creditor country governments or their international organization proxies, and the banks.

Finally, the program must be politically, economically and morally sustainable in creditor and debtor countries. The economic opportunity created by comprehensive debt relief must not be squandered by the debtor countries. At the same time, the opportunity for greater political harmony between developed and developing countries must not be squandered by inappropriate conditions attached to debt relief.

I am convinced that a policy can be fashioned which would adhere to these principles and in so doing leave everyone --- banks, taxpayers and debtor countries --- better off. However, this policy will not develop and implement itself. There is no substitute for U.S. government involvement; there must be a fundamental change in U.S. policy.

Let me now elaborate by way of describing how such a policy would improve the lot of the banks, creditor country taxpayers and the debtor countries relative to the status quo.

I. The Major Money-center Banks

The banks are under increasing pressure to increase provisions for debtor country loans. The General Accounting Office has pointedly called on regulators and banks to double LDC debt reserves, from \$21 billion to at

least \$49 billion. Keefe, Bruyette & Woods, Inc., the leading Wall Street specialist on the commercial banking industry, provides similar advice, warning banks that to fail to augment reserves is to reinforce negative perceptions of the value of their stock in the market.

One way or another, bank balance sheets are going to have to face the music --- possibly soon. Stated differently, at some point bank income will have to be adjusted to account for probable losses on these loans. It is in the interest of the banks to minimize the impact of these losses on their financial statements.

Large reserves represent an enormous waste of financial resources for the banks. The few big banks (Bankers Trust, Citicorp) that have the equity to double reserves could not possibly sell enough of their portfolio to generate the tax deductions necessary to offset in any significant way the impact on earnings. Under the 1986 Tax Reform Act, bad loans become tax deductible when they are charged off, not when they are provided for. To make matters worse from the standpoint of the banks, the 1986 law also requires them over the next few years to pay taxes on (recapture income from) reserves that existed before the law went into effect.

Other banks --- particularly Bank of America and Manufacturers Hanover --- simply cannot afford the loss of equity a doubling of reserves would require. The resulting erosion of their stockholders' equity would be most untimely. New risk-based capital guidelines reportedly will set a minimum equity to assets ratio of 4%. Most big banks are below this figure now.

Thus, large, persisting LDC reserves create the worst of both worlds for the big banks. They cut deeply into equity without generating an offsetting tax (cash) benefit. Already reeling from the competitive challenge of highly capitalized super-regional banks, the money-center banks would be at a major disadvantage in the 1990s if they had to carry on their balance sheets provisions amounting to 50% of their LDC debt.

Banks in most other creditor countries have provided for a far greater proportion of their debtor country portfolio than big U.S. banks. Reportedly, the French, Germans and Swiss have reserved at 55%, 90%, and 100% rates, respectively. I understand the Japanese are selling loans to offshore subsidiaries to capture tax benefits and restructure balance sheets while maintaining the ultimate claim on debtor countries.

The handwriting is on the wall. Some large American banks seem prepared to post higher reserves and take their lumps. Presumably, they hold back on account of the pressure this would place on their more thinly capitalized counterparts. At the same time, it would be naive to expect them to charge off the debt or forgive it.

Although the regulators appear to have abdicated responsibility thus far, they or, in their absence, Congress now has a genuine opportunity. A carefully structured, comprehensive debt relief program would actually be financially preferable to the banks to the posting of major new reserves. Certainly, the taxpayer and the countries would be better off as well; by themselves, reserves create no economic benefits and only postpone the day of reckoning for the financial system.

If, in the context of a global debt relief initiative, U.S. banks provided interest rate relief or a combination of interest rate relief and principal forgiveness, they would find themselves in a position to:

- 1) postpone and partially avoid the impact of a new round of reserves on their stockholders' equity;
- 2) to the extent of the principal forgiveness, reap tax deductions from last year's losses (i.e., provisions established in 1987); and
- 3) very likely recapture equity lost when 1987 reserves were declared.

When a creditor and debtor restructure a loan along these lines, they must in the U.S. account for the restructuring in accordance with Financial Accounting Standards Board Statement #15 (FASB 15). Under FASB 15, no loss (charge to equity) on a restructured loan is recorded as long as the sum of future interest and principal payments (undiscounted) exceeds the recorded value of the loan on the creditor's books. In effect, bank losses are deferred and take the form of lower future earnings.

This type of restructuring would actually help the banks out of their current bind. They could very likely avoid any decrease in equity, which is critically important to the weaker banks. And, if they decided to include principal forgiveness in the package, they could generate tax deductions --- again, without any impact on current income and equity. This would be particularly attractive to the more strongly capitalized banks. By contrast, a straight increase in reserves produces the opposite result: large decreases in earnings and stockholders' equity and no tax deductions.

Moreover, if the restructuring (debt relief) were truly systemic --- that is, the country's debt service burden were reduced by such an extent that existing (1987) reserves were no longer deemed by auditors to be necessary --- these existing provisions could be recaptured. They could be added back to common equity, actually improving the equity position of the bank. That's right, debt relief could improve bank stockholders' equity!

Thus, banks would very likely be better off financially in a comprehensive debt relief program than if they increased reserves, as they one day will be pressured to do by regulators, Congress or the markets.

My bill, HR 4130, forces the banks to confront this choice. It brings an end to "muddling through," and requires them to fish or cut bait. Under the legislation, the Secretary of Treasury, in coordination with other countries through the International Monetary Fund, must estimate an appropriate discount for the developing country debt. The estimate would be based on the ability of the countries to pay and grow at pre-debt crisis rates. In practice, this would be a negotiated process involving the countries, banks and creditor country governments through the good offices of the IMF. U.S. banks would be required to immediately increase reserves to the level corresponding to the Secretary's estimate (with the accompanying hit to capital and earnings) or to participate in and account for the negotiated workout as described above.

II. Taxpayers

The primary probable cost to taxpayers of this proposal would be the loss of tax revenues stemming from the lower income the banks would earn in future years as a result of the interest rate and/or principal concessions. However, assuming that losses on these loans are inevitable, this does not represent an additional cost to the taxpayer.

In addition, the bill would create a contingent liability for taxpayers in the U.S. and other member IMF countries by inserting an IMF Special Facility into this process as an intermediary. The Special Facility would swap its own paper for the restructured LDC loans held by the banks. In turn, it would extend debt relief (less certain insurance premiums) to the countries contingent upon agreement on appropriate balance of payments targets, capital flight policies and, in each case, a framework to ensure that they maintain sustainable domestic economic policies.

Existing resources of the Fund and any future resources placed at the disposal of the Special Facility would be used to backstop payments to the banks in the event of any default determined by the IMF Managing Director to be temporary or isolated. This would provide the banks with significant, although limited, credit enhancement on the remaining obligations, creating at the same time a contingent liability for IMF member taxpayers.

More specifically, the countries would continue to service their written-down bank debt; however, they would service it through the IMF Special Facility. The banks would thus be held harmless against the types of problems they have encountered in recent years (i.e., temporary moratoria, interest arrearages). In addition, the loans would gain the status of IMF/IBRD credits in the sense that they would be linked formally to conditionality administered by these institutions. At the same time, the banks would remain exposed to the risk of a general deterioration of economic conditions in the Third World (i.e., a depression or other major global economic catastrophe). They would not be taken completely off the hook by the IMF (and taxpayers).

This feature of the plan would expose the American taxpayer to additional, contingent liability to the extent of U.S. participation in the IMF and the Special Facility. If the overriding goal of a debt relief program is to minimize taxpayer liability, it might be preferable to have no international intermediary or "facility." It might be desirable to require the banks to restructure their loans directly with the countries, with no taxpayer guarantee --- full or partial, direct or indirect --- on the remaining obligations. This strikes me as entirely plausible and feasible.

However, the goal of debt relief must be to minimize not only taxpayer costs but also disruption to the financial system. Taxpayers have direct economic stake in financial stability as well.

It is not clear whether a limited taxpayer guarantee of the remaining obligations would be necessary to ensure financial stability in a debt relief program. Nevertheless, I believe it would be desirable and, accordingly, did not propose in my bill to require banks to directly restructure their loans with debtor countries.

The financial system is the Achilles heel of the world economy. Between mounting bank failures in the U.S., the LDC debt overhang, and unprecedented global economic imbalances, order in world financial markets is precarious at best. Given the stakes involved, a little preventive medicine seems in order. In any event, we taxpayers are already the implicit guarantors of the international monetary system. Participation in a debt facility mainly alters the form, not the substance, of this relationship.

Some type of credit enhancement on the remaining debt would promote financial stability by making the debt more marketable, helping banks to further clean house if their capital base permitted. Moreover, it would enhance the prospects that auditors and regulators would permit the recapture of 1987 reserves into stockholders' equity, strengthening U.S. bank balance sheets.

Hence, the real challenge is how to make the contingent taxpayer liability as prudent and cost effective as possible. As the Subcommittee is aware, there have been a number of debt relief proposals involving a public guarantee of restructured debt in one form or another. In addition to an IMF facility, they include:

- an outright U.S. government guarantee;
- creation of an international corporation funded by equity contributions of creditor countries (Robinson plan, House trade bill);
- purchase of zero-coupon bonds or annuities by debtor and/or creditor countries (Mexican-Morgan plan, the Japanese summit proposal, Sengupta, Bank of Nova Scotia); and
- a World Bank guarantee (Rotberg, Mistry, various proposals).

An IMF Special Facility (or a facility linked to IMF resources) makes the most sense from the taxpayers' perspective. The IMF has roughly \$30 billion in usable currencies in excess of its disbursed and undisbursed loan commitments, \$20 billion in hard currency lines of credit (General Arrangements to Borrow and Bilateral Arrangement with Japan) and \$40 billion in gold at market value. In addition, the IMF is now accumulating more reserves in reflows than it is lending out. Accordingly, a facility linked to the IMF's General Resources Account would need no start-up appropriation of capital (or new budget authority) to be implemented. Most creditor country governments are under great budgetary pressures as it is. We all appreciate the difficulty foreign aid bills have passing Congress. It makes little sense to fight this type of political battle if there is an alternative.

Moreover, money not appropriated to restructure old debt is money potentially available for new debt. A facility linked to IMF resources ties up neither the private investor appetite that exists for LDC debt nor the money that Japan, the U.S. and other developed countries are prepared to contribute to the multilateral development banks. Indeed, the improvement in LDC external finances accompanying debt relief should significantly reduce future demand for balance of payments lending by the IMF. As a result, the

next quota increase, scheduled for 1990, could be used in part to supplement the Special Facility, insuring further against a call on the taxpayers' guarantee.

Supplemental funding of the Facility could take one or more of the following forms:

- a new lending window;
- a pool of funds used to purchase deep discount bonds or annuities to collateralize principal or interest payments on the old debt; or
- a new allocation of Special Drawing Rights (SDRs) used either in the purchase of collateral or for drawing down only in the event of a call on the Special Facility.

From the U.S. taxpayer's point of view, this second stage funding of the Facility also would be highly cost-efficient. There are no outlays associated with an IMF quota subscription or line of credit (i.e., General Arrangements to Borrow) since the U.S. receives a corresponding increase in its IMF drawing rights. Accordingly, supplemental funding of the Facility would not conflict efforts to meet the Gramm-Rudman-Hollings deficit reduction targets. Depending on the legislative context in which it is considered, it may or may not have to contend with other foreign aid programs for budget authority.

Some oppose placing the taxpayers' contingent liability in the IMF on the grounds that any potential costs to taxpayers ought to be as transparent as possible. This suggests that direct creditor country guarantees ought to be applied. But why ask strapped U.S. taxpayers to authorize funds twice for essentially the same purpose? IMF resources have been appropriated by taxpayers over the past forty years for use in safeguarding the international monetary system against balance of payments problems, large and small. Moreover, for any solution to be systemic, it must be multilateral; it is easier to implement and to limit this type of guarantee through an international institution like the IMF than by asking each creditor government to issue a guarantee for its "fair share" of the debt. Transparency is a laudable economic goal, but it should not necessarily take precedence over budgetary and other practical considerations.

Others demur on the use of the IMF for a debt facility on the grounds the IMF's general use condition, which requires equality of access for all members, should not be violated. However, the IMF has departed from this principle in the past. In 1963, the Compensatory Financing Facility was created to help developing countries cope with year to year fluctuations in commodity export earnings. In the 1970s, the proceeds of gold sales were used to support loans to low-income countries through another special facility.

Finally, some argue that involving the IMF in the debt crisis in this way would fundamentally change the character of the institution. But the IMF is the one institution charged with the responsibility to address structural international monetary problems, specifically balance of payments problems. If the developing country debt crisis does not constitute a

structural balance of payments problem and a threat to the international monetary system, I do not know what would. In any event, as its principal founder, the United States has a responsibility to ensure that the IMF adapts and remains relevant to the major monetary problems of the day.

It should be stated for the record that the two major competing options --- collateralization of remaining debt through the purchase of bonds and a World Bank guarantee --- have serious relative disadvantages. Relying exclusively on collateralization limits the amount of debt relief that can be delivered to the countries to the extent of reserves on hand to purchase them. And, in any event, even if adequate reserves for a systemic debt relief program were available, why unnecessarily tie them up in the restructuring of old debt?

As for a World Bank guarantee, the Bank's mission is to fund economic development, not balance of payments adjustment. Also, because the Bank borrows heavily in private markets, it has statutorily-prescribed capital to loan guidelines. The commitment of World Bank capital to a restructuring scheme would likely have the ultimate effect of reducing the amount of lending available otherwise for economic development. Unlike the IMF, the World Bank is not in a net surplus position. Again, we should be looking to leverage, not trade off, existing financial resources available to finance Third World economic growth.

III. The Debtor Countries

The debtor countries, of course, stand to gain enormously by a debt relief program linked to their ability to pay and grow at pre-debt crisis rates. But the need to insure creditor country taxpayers against a potential call on their guarantee suggests that there must be quality control exercised over the economic policies of the debtor countries. Nearly everyone, from Baker Plan supporters to debt relief advocates --- calls for conditionality. Few seem to have explored the deeper question of what type of conditionality is necessary (to insure U.S. taxpayers) and appropriate (to promote LDC economic development).

The conditionality of the 1980s has been driven largely by the unrealistic debt burdens of the LDCs. Consumption has been purposely slashed and resources have been shifted into export-related industries in order to generate as much foreign exchange as possible. While many of the economic reforms in these packages stand on their merits, others conflict with the basic needs and aspirations of the inhabitants of these poor countries. It should not be heresy to observe that maximizing foreign exchange reserves is not necessarily synonymous with promoting balanced economic development and eradicating poverty. Indeed, most economists believe that developing countries should be net capital importers, not exporters.

The primary aim of debt relief is to lift this unrealistic burden, to eliminate or at least to reduce significantly the foreign exchange imperative that has driven debtor country economic policy in recent years. If you eliminate this imperative, you eliminate the justification for suppressing consumption and marshalling all available resources for exports. In short, you eliminate the need for this type of conditionality.

A perverse argument is sometimes made that the debt crisis is good for Latin America because it forces countries to rationalize their economies (i.e., slash bloated public finances, rationalize inefficient industries, introduce price reform, etc.). But while economic reforms are surely needed, and in many cases the political capacity in these countries to effect change is limited, it is callous and perhaps warped to suggest that this warrants more deprivation for poor people.

Conditionality is necessary and appropriate in the context of a debt relief program. However, the conditionality often prescribed by the IMF and World Bank in recent years certainly would not be. I do not mean to imply that the the IMF and IBRD are institutionally incapable of adapting their conditionality to suit the changed economic circumstances of a post-debt relief world. I simply express a healthy skepticism that they will do so in the absence of specific direction from outside. The stakes for people in debtor and creditor countries alike are too high to leave this matter to chance or to deferential faith in these institutions. Again, as their founder, it is up to the United States to point the way.

HR 4130 manifests this "healthy skepticism" in an alternative conditionality scheme. The bill seeks to satisfy the bottom line concerns of both creditor and debtor countries. Americans want to be assured that debtor countries will maintain economic polices conducive to the timely servicing of debt. Debtor countries want to retain as much autonomy over these policies as possible.

Under the bill, debt relief would be linked to negotiated agreements on balance of payments targets (since this is what indicates if the country has enough foreign exchange to pay its debts), capital flight policies and a framework of principles to which the domestic economic policies selected by local authorities must conform. These agreements would be negotiated by an IMF/World Bank team of country specialists.

If the country failed to service its debt, strayed from its capital flight policy or framework agreement, or missed in two consecutive years its balance of payments targets, it would be required to submit to the more intrusive, traditional conditionality. In other words, the country's government would be given the latitude to find its own way to meet the necessary balance of payments targets until it demonstrated that it could not. At that point, creditor country taxpayer interests would require a more hands-on assertion of quality control over the country's policies and finances. Once the country returned to compliance for two consecutive years, it could revert to the original conditionality. In this way, creditor and debtor country concerns could be balanced as fairly as possible.

IV. Conclusion

For some time, many of us have felt on a gut level that debt relief is both in the national interest and feasible. I have tried this morning to demonstrate that this is so on a practical level as well.

The major legitimate, lingering questions about comprehensive debt relief relate to problems of new lending and implementation. Indeed, the

primary argument levelled against debt relief is that it would eliminate present and future access of the countries to the private credit markets. Although the countries should be the ones most worried by this prospect, they rarely express this concern for obvious reasons. There is precious little voluntary lending now. The few loans that are made are extended more out of fear and coercion than out of studied credit evaluations and a healthy profit motive. It is no wonder the countries disregard warnings about new lending; they have little to lose.

In fact, debt relief based on the countries' ability to pay and grow should improve the prospects for new private lending. A bank which takes a hit in a Chapter 11 workout often maintains a lending relationship with its client after the restructuring. A sovereign debt workout should be no different. Moreover, my bill would purge bank balance sheets of virtually all term LDC debt. What other use would the big banks then make of their entrenched presences in these countries? The international financial community might coax this process along by bringing new private credits under the conditionality (but not the seniority) of international development institution credits through some type of cofinancing or other arrangement.

As for implementation, there is no question that implementing a multilateral, negotiated, country-by-country workout would be quite a task. The difference between success and failure lies in forthright U.S. leadership. I can only hope the next Administration comes to the same conclusion.

Thank you very much.

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

BARBER B. CONABLE
President

October 18, 1988

Dear George:

Thank you for your letter of September 9, 1988 introducing Mr. Arnold Varney, and bringing our attention to his fuel efficient stove. I am sorry that my response has been somewhat delayed, but I just returned from Europe, and our Annual Meetings in Berlin.

The World Bank has investigated and field tested a great many fuel efficient stoves. We are always interested in expanding our contacts with those outside this institution doing similar work in this area. We share your belief that the dissemination of more fuel efficient stoves can play a significant role in helping to combat deforestation and promote sustainable development.

I suggest that you ask Mr. Varney to contact Mr. Willem Floor of the Bank's Household Energy Unit. Mr. Floor has been responsible for many of our improved stove projects, and he would be delighted to meet with Mr. Varney to discuss his stove. Mr. Floor can be reached at (202) 473-3251.

Thanks very much for bringing this matter to my attention. All best wishes.

Sincerely,

(Signed) Barber B. Conable

The Honorable George E. Brown, Jr.
House of Representatives
2188 Rayburn House Office Building
Washington, D.C. 20515

Log No. 880913018

JMaguire:dl

bcc: Messrs. Hopper (SVPPR), Floor (IENHE)
Mmes. C. Perera (EXC), G. Wilcox (EXTDR)

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

2000
A/H

CORRESPONDANCE DATE : 88/09/09

DUE DATE : 88/10/07

LOG NUMBER : 880913018

FROM : George Brown

SUBJECT : Arnold Varney: Introducing project, energy efficient stove, which he has designed and asking whether WB staff would meet w/him.

OFFICE ASSIGNED TO FOR ACTION : Mr. Hopper (D-1202)

ACTION:

- _____ APPROVED
- _____ PLEASE HANDLE
- _____ FOR YOUR INFORMATION
- _____ FOR YOUR REVIEW AND RECOMMENDATION
- _____ FOR THE FILES
- ✓ _____ PLEASE DISCUSS WITH _____
- _____ PLEASE PREPARE RESPONSE FOR BPC'S SIGNATURE
- _____ AS WE DISCUSSED
- _____ RETURN TO _____

COMMENTS :Attention Mr. Hopper's Office: Pls. clear final resp. with Mr. Aguirre-Sacasa prior to submission for Mr. Conable's sign.
cc: Mr. Aguirre-Sacasa

Atorw Chubiza
10/10/07
CP

BROWN, JR.
HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-6161

COMMITTEES:
SCIENCE, SPACE, AND TECHNOLOGY
AGRICULTURE
CHAIRMAN, DEPARTMENT
OPERATIONS, RESEARCH AND
FOREIGN AGRICULTURE
TECHNOLOGY ASSESSMENT BOARD

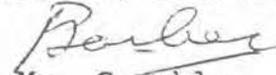
Congress of the United States
House of Representatives
Washington, DC 20515

36TH DISTRICT OF
CALIFORNIA

- DISTRICT OFFICES:
- 657 LACADENA DRIVE
COLTON, CA 92324
(714) 825-2472
 - 3600 LIME STREET, SUITE 116
P.O. Box 71
RIVERSIDE, CA 92501
(714) 686-8863
 - 337 N. VINEYARD, #304
ONTARIO, CA 91764
(714) 988-5105
 - WASHINGTON OFFICE

September 9, 1988

The Honorable Barber Conable
President
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433


Dear Mr. Conable:

As you know I am concerned with the interrelationship of environmental degradation and sustainable economic development. One of the most severe global problems is the dramatic effect of deforestation not only on the quality of earth's atmosphere, but also on the ability of people to provide for their basic human needs, such as food and shelter.

I am very pleased with the progress of institutions such as the World Bank toward solving these interrelated problems. Private citizens are also contributing. One such person is a long-time friend and fellow Californian who has had a distinguished career as an inventor, innovator, and analyst--Arnold Varney. He and his brother, Frederick, have designed an energy efficient stove that combines elements of the World Bank's program to promote small businesses at the village level. If properly disseminated, the stove could provide a start at solving the growing problem of firewood shortages in developing countries around the world.

I have studied the project closely and have seen this remarkable stove perform. The Varney cooker and accompanying tool-making devices are an important innovation in efforts to deal with deforestation in developing countries, and at the same time, help people provide for themselves in more energy efficient ways.

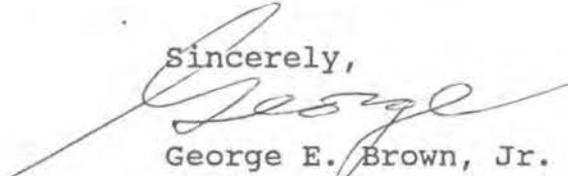
The Varneys have patented this device, but have donated it to the public domain for foreign use. They financed its development and tested it with their own funds. Additional field testing is currently underway in Mexico.

I would like to ask your help in introducing Arnold Varney to people in your organization for a presentation of both the

concept and the hardware which includes the stove and the ingenious, small tools for its simple production at the village level.

I deeply appreciate your help in this matter. The energy efficient Varney stove may be one way to help decrease deforestation and increase the quality of life for many people throughout the globe, while helping to protect the environment for all.

Sincerely,

A handwritten signature in cursive script, appearing to read "George", written in dark ink. The signature is fluid and extends across the width of the typed name below it.

George E. Brown, Jr.
Member of Congress

GEB:sdo

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

BARBER B. CONABLE
President

October 17, 1988

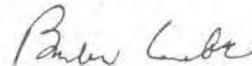
Dear Congressman Frank:

Thank you for your personal interest in the efforts of the Service Employees International Union (SEIU) to organize janitors in the area.

Please accept my personal assurance that Bank Management continues to make every effort to ensure that all those working on our premises have acceptable working conditions and that their concerns are met. We also fully support and insist on fair labor practices.

With regard to the campaign to organize the janitors, I can confirm that the Bank stands ready to cooperate in an appropriate manner, bearing in mind that, as noted by you, the people who clean our buildings are not Bank staff. They are employees of our contractor, General Maintenance Company. The issue of unionization is out of the Bank's control. However, we have indicated to the Justice for Janitors Organizing Committee that, should the employees wish to organize themselves through a government-supervised (National Labor Relations Board) election process, the Bank would not stand in the way. We have also instructed General Maintenance Company that it should not interfere with the rights of the janitors working in our buildings to decide whether or not to join a union. General Maintenance management has assured us that the company is complying with this request.

Sincerely,



The Honorable Barney Frank
House of Representatives
1030 Longworth Building
Washington, D.C. 20515

FORM NO. 75
(6-83)

THE WORLD BANK/IFC

ROUTING SLIP		DATE:
		October 17, 1988
NAME		ROOM NO.
Mr. Conable		
APPROPRIATE DISPOSITION	NOTE AND RETURN	
APPROVAL	NOTE AND SEND ON	
CLEARANCE	PER OUR CONVERSATION	
COMMENT	<input checked="" type="checkbox"/> PER YOUR REQUEST	
FOR ACTION	PREPARE REPLY	
INFORMATION	RECOMMENDATION	
INITIAL	<input checked="" type="checkbox"/> SIGNATURE	
NOTE AND FILE	URGENT	
REMARKS:		
Letters to Messrs. Frank and Shays are cleared with Mr. Cosgrove and Ms Maguire		
FROM:	ROOM NO.:	EXTENSION:
Harinder S. Kohli	H-2081	32064

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

CORRESPONDENCE DATE : 88/09/26 DUE DATE : 88/10/11
LOG NUMBER : 880929024 FROM : Barney Frank
SUBJECT : Re--unionizing the janitors who are assigned in the Bank.

OFFICE ASSIGNED TO FOR ACTION : Mr. Wapenhans (D-1250)

ACTION:

____ APPROVED
____ PLEASE HANDLE
____ FOR YOUR INFORMATION
____ FOR YOUR REVIEW AND RECOMMENDATION
____ FOR THE FILES
____ PLEASE DISCUSS WITH _____
____ PLEASE PREPARE RESPONSE FOR BBC's SIGNATURE
____ AS WE DISCUSSED
____ RETURN TO _____

COMMENTS :cc: Mr. Aguirre-Sacasa
Nancy Lindsay, LEG

*Sue checking.
10/12
CP*

*CP → 10/14 — , send it back
to re-ds -
See unrectone!
m*

BARNEY FRANK
4TH DISTRICT, MASSACHUSETTS

COMMITTEES:
GOVERNMENT OPERATIONS
BANKING, FINANCE, AND
URBAN AFFAIRS
JUDICIARY
CHARIMAN,
ADMINISTRATIVE LAW AND
GOVERNMENTAL RELATIONS
AGING

Congress of the United States
House of Representatives
Washington, DC

September 26, 1988

WASHINGTON OFFICE
1030 LONGWORTH BUILDING
WASHINGTON, DC 20515
(202) 225-5931
DISTRICT OFFICES:
437 CHERRY STREET
WEST NEWTON, MASSACHUSETTS 02165
(617) 332-3920
10 PURCHASE STREET
FALL RIVER, MASSACHUSETTS 02722
(617) 674-3551
140 PARK STREET
ATTLEBORO, MASSACHUSETTS 02703
(617) 226-4723

Mr. Barber Conable
President
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433

Dear Mr. Conable:

Barber

I am told that there is some discussion now about the right of janitors who work at the bank to belong to a union if a majority of them so choose. I hope you will be doing whatever you can to make sure that this is the case. While I understand that you do not employ these people directly but rather work through a contracting service, it would seem appropriate for me, given the large amount of public funds that help with the bank's work, that it be made explicit at the very least that the employees or any contractor be given full rights to decide whether or not to join a union without any coercion or interference from the employer.

An announcement by the bank that it would be perfectly happy if the employees of one of its contractors decided to unionize would, it seem to me, be an appropriate statement.

BF
BARNEY FRANK

BF/pah

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

BARBER B. CONABLE
President

October 17, 1988

Dear Congressman Shays:

Thank you for your personal interest in the "Justice for Janitors" campaign organized by the Service Employees International Union (SEIU).

Please accept my personal assurance that Bank Management continues to make every effort to ensure that all those working on our premises have acceptable working conditions and that their concerns are met. We also fully support and insist on fair labor practices.

With regard to the SEIU campaign, I can confirm that the Bank stands ready to cooperate in an appropriate manner, bearing in mind that the people who clean our buildings are not Bank staff. They are employees of our contractor, General Maintenance Company. Therefore, the Bank is not and can not be a party to the issue of unionization. As indicated by us to the Justice for Janitors Organizing Committee, should the employees wish to organize themselves through a government-supervised (National Labor Relations Board) election process, the Bank would not stand in the way.

Sincerely,

Barber Conable

The Honorable Christopher Shays
House of Representatives
1630 Longworth Building
Washington, D.C. 20515

Closed with: [unclear]

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

Handwritten initials

CORRESPONDENCE DATE : 88/09/02 DUE DATE : 88/10/07
LOG NUMBER : 880915019 FROM : Christopher Shays
SUBJECT : Justice for Janitors - letter supporting their cause.

OFFICE ASSIGNED TO FOR ACTION : Mr. Wapenhans (D-1250)

ACTION:

- _____ APPROVED
- _____ PLEASE HANDLE
- _____ FOR YOUR INFORMATION
- _____ FOR YOUR REVIEW AND RECOMMENDATION
- _____ FOR THE FILES
- ✓ _____ PLEASE DISCUSS WITH _____
- _____ PLEASE PREPARE RESPONSE FOR *OBC's* SIGNATURE
- _____ AS WE DISCUSSED
- _____ RETURN TO _____

COMMENTS :



CONGRESS OF THE UNITED STATES

September 2, 1988

Mr. Barber Conable
President
Int'l Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington, D.C. 20016

Dear Mr. Conable:

This letter supports the 'Justice for Janitors' campaign currently being waged by the Service Employees International Union, Local #525 to secure fair pay and benefits for the janitorial staffs of commercial offices in Washington.

As a worldwide leader in the fight against poverty, the International Bank for Reconstruction and Development could and should stand as a shining example of fair labor practice and employment policy in our nation's capital and around the globe. Your protection and support of worker's rights by advocating a similar policy among your contractors is essential.

I urge you to support the efforts of the Service Employee's International Union, and to endorse the goals of the employees of the General Maintenance Corporation. Your advocacy will emphasize the consistency of the World Bank's proactive work against poverty, not only around the world, but at home in our nation's capital.

Christopher Shays
Fourth District Connecticut
Offices

915 Lafayette Boulevard
Bridgeport, CT 06604
579-5870

888 Washington Boulevard
Stamford, CT 06901
357-8277

50 Washington Street
Norwalk, CT 06854
866-6469

1630 Longworth Building
Washington, D.C. 20515
202/225-5544

Sincerely,

A handwritten signature in cursive script that reads "Christopher Shays".

Christopher Shays
Member of Congress

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

BARBER B. CONABLE
President

July 28, 1988

Dear Don,

Thank you for your letter of July 7, 1988 regarding Mr. Elmer Gates' letter of June 24 and for your suggestions in this matter.

In my letter of July 14 to Mr. Gates (copy attached), I explained the Bank's role in the procurement by our borrowers of goods and services financed under Bank loans and credits. I informed Mr. Gates also that an investigation conducted by the Bank concluded that there were no irregularities in the procurement process involving the India Cement Project and that the Bank is satisfied that the bid evaluation conducted by the VAC Cement Factory, under the Hungary Industrial Energy Diversification Project, complied fully with Bank Procurement Guidelines.

I am happy to note that Mr. Gates retains his interest in the Bank's work and I hope that he will continue to participate in Bank-financed procurement proceedings.

Sincerely,

Barber Conable

Enclosure

The Honorable Don Ritter
Member of Congress
Congress of the United States
House of Representatives
Washington, D.C. 20015

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

BARBER B. CONABLE
President

July 14, 1988

Mr. Elmer D. Gates
President
Fuller International, Inc.
2040 Avenue C
P. O. Box 2040
Bethlehem, Pennsylvania 18001-2040

Dear Mr. Gates:

Thank you for your letter of June 24, 1988 regarding Fuller International's contentions that World Bank Procurement Guidelines were not properly followed in two recent cases involving bids from Fuller.

In the first case cited by you, the India Cement Projects, the Bank conducted an investigation and concluded that there were no irregularities in the bidding process and subsequent evaluation. The second case, reconstruction of the VAC Cement Factory, is part of the Hungary Industrial Energy Diversification Project. In this case your questions relating to the evaluation of your bid were forwarded to VAC for detailed comment to you, with a copy for review to the Bank. As you note in your letter, VAC has now corroborated their evaluation and conclusions. The Bank has carefully reviewed the VAC letter to you, is satisfied with its content, and has reached the conclusion that VAC's evaluation complied fully with Bank Procurement Guidelines.

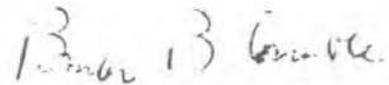
We share your concern that the Bank must ensure that its Procurement Procedures are followed and that its rules of evaluation are clearly communicated and applied to all bidders. To this end, the Bank has since its inception required its project staff and management to carefully review procurement procedures of its borrowers. Bank staff are also instructed to address all questions or complaints brought to their attention. Depending on the complexity of the issues raised, the Bank may also retain consultants and other experts to help in this regard. If the Bank does determine that the bidding process did not follow approved procedures, thereby denying fair opportunities to potential suppliers or leading to inefficient procurement, the borrower will be asked to correct these deficiencies. In the rare event that the issue is not satisfactorily resolved the Bank will withdraw financial support for the contract in question.

July 14, 1988

The Bank's procurement policies are clearly defined in its procurement guidelines. These guidelines carry formal obligations as they are, by explicit reference, part of all Bank Loan or Credit Agreements. Also, Bank's procedures for review and resolution of procurement disputes are of long standing, responsive and respected. They are at the same time sufficiently flexible, allowing dialogue to be conducted, so as to avoid unnecessary confrontation and project delays. There is, therefore, in our judgment no need for additional procedures.

Thank you again for your letter. I hope that Fuller International will continue its interest in participating in World Bank projects.

Sincerely,



Barber B. Conable
President

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

BARBER B. CONABLE
President

July 11, 1988

Dear Congressman Wheat:

Thank you for your letter of June 1, 1988 concerning Black and Veatch International, and their long-outstanding bill of some US\$8,000 for services rendered to the Government of Punjab, India.

We very much regret that this matter has not been resolved. We brought this issue to the attention of the Indian Executive Director at the World Bank about one year ago; at that time, we strongly urged that every effort be made to find a solution to this problem. Unfortunately, little if any progress appears to have been made since then.

The circumstances surrounding this dispute give us relatively little leverage for intervention. First, the states in India have considerable sovereignty, limiting the extent to which even the central government can intervene in a matter such as this. Second, the proper amount of the bill appears to be disputed by the Government of Punjab. Finally, the IDA credit for the project under which the contract was made, has been legally closed since September 1985. Nevertheless, we share your concern and your desire to have the matter resolved fairly and finally. We have again asked the Government of India to encourage the Government of Punjab to reach an agreement with Black and Veatch.

I take this matter very seriously. I have asked my staff to see that this issue continues to be given particular attention. We will keep you informed of any future progress in these discussions.

All best wishes.

Sincerely,

(Signed) Barber B. Conable

Barber B. Conable

The Honorable Alan Wheat
House of Representatives
1204 Longworth Building
Washington, D.C. 20515-2505

Log No. 880606004

JMaguire:dl

bcc: Messrs. Qureshi (SVPOP), Stanton (EXC)
Mmes. Perera (EXC), Wilcox (EXTDR)

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

Judith Piquero
Logged 7/7
Draw

CORRESPONDANCE DATE : 88/06/01 DUE DATE : 00/00/00
LOG NUMBER : 880606004 FROM : Alan Wheat
SUBJECT : Re: Black & Veatch International project in India for the
World Bank.
OFFICE ASSIGNED TO FOR ACTION : Mr. Aguirre-Sacasa(E8065)

ACTION:

- _____ APPROVED
- _____ PLEASE HANDLE
- _____ FOR YOUR INFORMATION
- _____ FOR YOUR REVIEW AND RECOMMENDATION
- _____ FOR THE FILES
- _____ PLEASE DISCUSS WITH _____
- _____ PLEASE PREPARE RESPONSE FOR _____ SIGNATURE
- _____ AS WE DISCUSSED
- _____ RETURN TO _____

COMMENTS :cc: Mr. Qureshi (to coordinate response with EXT)
Please let JWS have the facts when known. I may want to call
this Congressman. (JWS)

*Please prepare a formal letter for BBC's
signature based on present information -*
J.W.S.

Log No. 880606007

HEAT
OF MISSOURI
MEMBER
COMMITTEE ON
RULES
SELECT COMMITTEE ON
CHILDREN, YOUTH,
AND FAMILIES



1204 LONGWORTH BUILDING
WASHINGTON, DC 20515-2505
(202) 225-4535
811 GRAND AVENUE, #935
KANSAS CITY, MO 64108-1997
842-4545
301 WEST LEXINGTON, #221
INDEPENDENCE, MO 64050-3724
833-4545

Congress of the United States
House of Representatives
Washington, DC 20515-2505
June 1, 1988

The Honorable Barber Conable
President
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington, D.C. 20433

Dear President Conable:

Enclosed please find a copy of a letter I recently received from Mr. Allen Acheson, the president of an international corporation headquartered in my District, outlining an experience his corporation, Black & Veatch International, had while working with the World Bank in India.

As you will note, a member of Mr. Acheson's engineering firm was asked to participate in a World Bank mission to the Government of Punjab. In spite of a corporate policy to avoid projects in India, the company agreed to provide a member of its staff to the mission in light of the participation of the World Bank. The mission was cancelled before the members even reached India, and Black & Veatch was not compensated for \$8,000 in travel expenses incurred by the engineer involved.

Mr. Acheson stated that the issue was not the \$8,000 which, as he recognizes, is a relatively small amount of money which he had written off as a loss earlier this year. However, I share his indignation when a nation to which we loan millions of dollars annually does not, as Mr. Acheson stated, "pay its bills".

I understand that you initiated an inquiry into the circumstances of this situation last year. Any information you could provide regarding the status of the investigation and any recommendations which have arisen from the information obtained would permit me to provide my constituent a more complete response to his concerns.

I look forward to hearing from you about this matter and appreciate your willingness to seek a solution to the problems encountered by Black & Veatch. If I can provide any additional information which would assist you in this matter, please don't hesitate to call on me.

Sincerely,

Alan Wheat
Member of Congress