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William Diamond – Chron files
IFC and South Asia, 1970-09



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Files

September 30, 1970

William Diamond

INDONESIA

1. Sir William Rendell met with me Friday afternoon, September 25, to discuss the situation in Indonesia.
2. I brought him up to date on where the World Bank Group (including IFC) stood. He had received no news from the British Government concerning the course of events. I felt it inappropriate to give him a copy of our report on BAPINDO, but I gave him the references necessary to enable him to trace it in the Government.
3. Rendell had met earlier in the week with Governor Prawiro who had told him he was keen on the expansion of the Development Bank for Indonesia (DBI). He asked Rendell not only to participate in DBI, but also to make DBI the Commonwealth Development Corporation's exclusive channel for investment in Indonesia. Rendell did not react favorably to this proposal. Among other things, he said CDC's policy is to keep investments in development finance companies to a minimum; moreover, he felt that where CDC does enter into a development finance company it should normally be in a controlling position, which does not seem to be feasible in DBI. However, he told Governor Prawiro that CDC would be pleased to enter into joint ventures with DBI. Rendell also said that he was unhappy about the proposed DBI set up since it would be "open-ended", that is, each of the partners would be called upon to provide additional capital on a pari passu basis whenever a new DBI investment was approved. (I infer from this statement that Rendell is no longer happy with the kind of set up which CDC, itself, sponsored in Eastern Africa.) Prawiro told Rendell that changes in the proposed set up were under consideration but did not give Rendell any clue as to what the changes might be.
4. Rendell said that his representative in Indonesia had put together a long shopping list of possible projects for CDC to examine, but this did not include a possible investment in DBI itself.
5. Rendell would have had no clue, from his conversation with Prawiro, about the Government's (and Djocana's) wish that we proceed with the promotion of a new privately controlled company. I told him that we would continue our work on the new company without regard to what happened to DBI and I also

said that DBI was of not interest to the Bank or the IFC as a possible object of investment or recipient of a loan.

6. Rendell promised to keep in touch.
7. Mr. Davidson was present at the meeting.

cc: Messrs. Goodman
Jones
Powell
Sekse
Davidson

WDiamond:jmb

Al:

I am not sure I covered it all. Do you have anything to change or to add?

WD

September 30, 1970

Mr. Andre Postel-Vinay
Director General
Caisse Centrale de Cooperation Economique
233 Boulevard Saint-Germain
75 Paris 7e, France

Dear Mr. Postel-Vinay:

In my file, still unanswered, is your letter of August 7, concerning Mr. Akhras and the UNIDO questionnaire and proposals. I believe the letter no longer needs a specific reply, since we discussed the matter in Copenhagen. To sum up, I agree in general with your suggestions; and we agreed that we would be in touch with each other before the December meeting; perhaps in time to have a private meeting just before the official one takes place on December 10.

It was a great pleasure to see you in Copenhagen last week. I particularly appreciated our exchange of views on several important subjects, about which I shall be writing to you again before long.

With best personal regards,

Sincerely yours,

William Diamond
Director
Development Finance Companies

cc: Mr. Sekse

WDiamond:jmb

Mr. William S. Gaud

September 30, 1970

William Diamond

ADELA

1. You will recall that we sent to Ernst Keller in July a copy of our appraisal of ADELA. Attached is his analysis of their reaction to that report.

2. By and large, I think, we emerged pretty well.

Attachments

cc: Messrs. Paterson } w/attachment
Acevedo }

WDiamond:jmb

Mr. Acevedo: Please draft a reply for me.

WD

(Original letter sent to Mr. Nilsson c/o Corporacion Financiera de Caldas in Manizales, and copy c/o Corporacion Financiera Colombiana, Bogota).

September 30, 1970

Mr. Hans Nilsson
c/o Corporacion Financiera de Caldas
Apartado Aereo 460
Manizales, Colombia

Dear Hans:

When you go to visit Corporacion Financiera de Caldas, please make sure you ask for, receive and study the following:

1. The text of all Board minutes since April 1, 1970.
2. The text of all documents referred to in those Board minutes, including a letter from the Caldas Revisor Fiscal which became the subject of a special Board meeting and which resulted in a vote of thanks to the Revisor Fiscal.
3. The special report of the Superintendent of Banks on Caldas' situation.

In addition, please ask Mr. Ocampo to prepare and to give you while you are still in Manizales, a full report on all Caldas' operations in connection with Capitalizadora Caldas.

These papers may lead you to ask for other things. Do not hesitate to do so if you think it desirable.

You cannot possibly, in the time at your disposal, dig as deeply as you might like into the affairs of Caldas. But it will be very important for us to have your judgment, based on your five or six days in Manizales, on whether we should make special arrangements for a more extensive and intensive examination.

With best regards.

Sincerely yours,

William Diamond
Director
Development Finance Companies

cc Mr. Arango
Mr. Mathew
Mr. Acevedo
WDiamond:us

Mr. Einar Sekse

September 30, 1970

William Diamond

CONGO - SOCOFIDE

I received from Mr. Guetta the attached two papers: a copy of his Administrative Circular No. 1 concerning the organization of SOCOFIDE and a paper regarding the commitments which he expects SOCOFIDE to make over the coming year and one-half.

Attachments

WDiamond:jmb

Mr. Ladislaus von Hoffmann

September 30, 1970

William Diamond

GERMANY - DEB

In Copenhagen last week several people asked me if I would be attending IEG's meeting in Dusseldorf over the weekend; Mr. Karenberg also asked. I knew nothing about such a meeting, but learned subsequently that you had been invited and would be attending. I would be grateful to know what it was all about.

WDiamond:jmb

Mr. Ronald L. Powell

September 30, 1970

William Diamond

KOREA - KDFC Board Meeting

I shall be speaking to the KDFC Board at its meeting on November 12. Would you please prepare for me a text calling for no more than a ten minute presentation. It should contain matters of substance and not simply pleasantries and amenities.

WDiamond:jmb

Files

September 30, 1970

William Diamond

TURKEY

1. Mr. Ozal of the SPO met with me Friday afternoon, September 25.
2. He said he expected a substantial increase in demand for TSKB's capital as a result of the devaluation; in his opinion the devaluation had resulted in increasing the confidence of investors and had eliminated some of the uncertainties that had been overhanging the investment community. In consequence he felt that TSKB would need considerably more capital than had been visualized previously, in his opinion at least \$40 million for the next loan. (Yasici and Egeli had previously made the same point to Benjenk about raising the size of the next loan, but I understand they suggested \$80 million.) Ozal also said that the recently concluded survey of the textile sector had made it clear that there was a considerable scope for Turkish export of textiles, especially yarns. With the devaluation, export prices in Turkish Lira would be better than domestic prices and consequently he thought there would be considerable incentive for textile producers to export rather than to sell at home. However, this would require expansion of production. Ozal also referred to the prospects and the demand for capital for investment in the food and forestry sector, livestock and meat processing, mining and metals. Ozal referred to the system of providing "encouragement certificates" for export promotions (or for real import substitution), which, he said, were necessary in order to get a loan from TSKB but were not sufficient. He said specifically that the encouragement certificate contained ~~the legend~~ ^{contained} that the certificate was a necessary but not sufficient condition for a TSKB loan.
3. Ozal described at some length the privileges which export certificates entitled its holders to (freedom from import duty, deferred duty ~~payments~~, tax holidays, interest rebates, etc.). I did not take detailed notes of these as Ozal told me he had discussed them in some detail with Gustafson. But in their conversation with Benjenk, Yasici and Egeli conveyed some unclear or dubious information concerning the interest rate situation. (From what Ozal said, I believe Gustafson has the correct story.) Ozal asked whether it would be possible to include in the next loan contract a specific provision requiring encouragement certificates as a condition for ^{sub-} ~~the~~ loans. My off-hand reaction was that the loan contract was not the right place for such a reference and that if it were desirable at all, it should go into some related document. In any event, I said we would think about this.
4. He told me that the new bill authorizing the creation of an "export and development bank" was now before parliament and he expected it to pass soon. This export and development bank would be authorized not only to lend

directly to enterprise, but to invest in regional development finance companies in conjunction with private capital. He hoped that most of its activity would be in the latter area rather than in direct lending. The export and development bank would be a source of loan funds for development finance companies, as well as an equity capital for them.

5. Ozal also said that the Government was trying to press the commercial banks to take up term-lending in greater volume. He noted the fact that the commercial banks have little technical capacity in this area. He asked whether it would be possible for the World Bank to set up a crash training program in industrial project appraisal.

6. I told him that both the efforts to push the commercial banks into term-lending and the function of the export and development bank as an investor were reminiscent of institutional arrangements in India, calling to mind both the activities of the Industrial Development Bank of India and those of the Refinance Corporation for Industry. In response to his request I promised to send him some material on both of these institutions, and in particular the book issued by the Reserve Bank of India some years ago to serve as a guide for institutions engaged in term-lending. As for a training program, I promised to raise the matter with EDI, but I saw little prospect of the EDI, given the great pressures on it, being able to mount in short order a special program in Turkey. I suggested, as an alternative, that the Indians might be called on to do something along this line for the Turks. Ozal was not enthusiastic, but said he would consider it. We should follow up on this.

7. We touched on the question of TSKB's Turkish Lira requirements. Ozal said TSKB ought to issue bonds and I raised the interest rate problem in this connection and the difficulty of obtaining resources through bonds at a price that would permit re-lending under the present interest rate restrictions. Ozal said it was feasible, under present regulations, for the Government to provide a subsidy which would make it possible for TSKB to issue bonds at a satisfactory rate, that is, the Government could provide a portion of the interest required by investors in bonds. Ozal said he would pursue this matter with TSKB in Turkey.

cc: Messrs. Benjenk
Paterson
Gustafson
Sekse

Krishnaswamy
WDiamond:jmb

Files

September 30, 1970

William Diamond

UGANDA

1. The Governor of the Bank of Uganda thinks Uganda needs a development finance institution of a conventional kind, that is, one which provides term-finance to private businessmen. (He called attention to UGADEV, a banking subsidiary of UDC, which might be the basis for such an institution.) The Bank of Uganda would be prepared to help finance such an institution. He was familiar with the Bank's DFCs in Africa, and was thinking in particular of NIDB as a model for structure and perhaps for function.

2. The Governor particularly asked that the proposed mission to UDC, or any other group concerned with financial institutions, call on him.

cc: Messrs. Lejeune
Adomakoh
Sekse

WDiamond:jmb

Files

September 30, 1970

William Diamond

East African Development Bank (EADB)

1. Simba wants to send his chief legal officer (Nya Ka Bwa) to us for a period of training and then to some other institution in New York or London. I said I would discuss with Gene Webb an appropriate program, and then write to Simba.
2. Simba asked that a staff member visit EADB and take a quick look at its organization. I told him Sekse would visit him in November for a few days.
3. Simba thinks EADB will need a line of credit from the Bank around May or June of next year. I said Sekse's visit would provide an occasion for reviewing the state of EADB's resources, and laying on a plan for an appraisal of it.

cc: Messrs. Lejeune
Adomakoh
Sekse

WDiamond:jmb

Files

September 30, 1970

William Diamond

LEBANON

1. Khalil Salem visited me and presented an encouraging picture of the prospects for the proposed Lebanese development finance company. He saw me on the very day that Lebanon's new President was inaugurated. He told me that on the day before his departure for Copenhagen he had had a meeting with the President-elect to brief him on economic and financial matters and to obtain some concept of the new President's priorities.
2. Salem said that the President felt that the creation of a development finance company deserved high priority. Indeed, Salem said, the President had placed his priorities in the following order: development bank, education and irrigation.
3. Salem said that the new President would be able to wield considerably more influence in getting the development bank started because he was not committed to various business personalities in the way in which President Helou had been. In particular Salem said that Shaikh Boutros El Khoury had supported another presidential candidate and would therefore not be able to exercise much influence on the new President; moreover, Pierre Edde had sought the presidency, had failed, and was now without power or influence. Salem said that he thought he would be able to put together a private group without difficulty and without much loss of time.
4. I asked Salem whether, in the three and one-half years since we had worked up a proposal in Beirut, he had been lead to any modifications of our proposal as a result of changing circumstances. Salem said that for the moment he thought the proposal was sound as originally drafted and that was the line that he planned to pursue.
5. The ball is still in Salem's court. He hopes to be able to be back to us before long with a request that we enter into the picture again. I told him that we should be ready and happy to do so.

cc: Messrs. Benjenk
Adonkoh
Pollan
Sekse

WDiamond:jmb

William Diamond

YUGOSLAVIA - YIB

1. Mr. Smole visited me Thursday, September 24. He said that he had been fully briefed by Mr. Zelic on the discussions in Washington concerning the proposed line of credit to Yugoslavia. He said he understood and sympathized with our position and that he and the other Yugoslav authorities needed time to consider the various alternatives that might be used as a channel for World Bank funds to Yugoslav industry.
2. Meanwhile he had the following three points to make:
 - (a) He would like to have from us as detailed a statement as we could prepare on the criticisms that we had regarding the appraisal methods and criteria of the Yugoslav Investment Bank. He felt that this would be very helpful to him in bringing about improvements in the work of the YIB and in that of other investment banks in Yugoslavia. He said he had made a similar request of other departments in the Bank concerning appraisal methods in other sectors. (Note: Mr. Smole did not question our criticism of YIB. Nor did he suggest we consider YIB as a channel. I inferred that our critique was not a surprise, and that our conclusion was not unwelcome--at least it was sufficiently acceptable to produce no counter-attack. One reason may be the fact that use of the YIB would run contrary to the present drift of institutional development in Yugoslavia. See (c) below.)
 - (b) He asked whether we could help organize a training program in industrial appraisal for the YIB and other investment institutions. (Note: this is to be pursued with EDI et al.)
 - (c) He said, with respect to a recipient of a Bank line of credit, that he did not think the National Bank was appropriate. I explained to him that our reason for suggesting the National Bank as a possibility was that the proposal we had made was somewhat analogous to the rediscounting of commercial paper. Mr. Smole said he planned to give further thought to this, but doubted the feasibility of the proposal, given the role of the National Bank at present and the continuing stress on diminishing the role of federal institutions.
3. Meanwhile, however, he had in mind the possibility of using another institution in Yugoslavia, a Fund which was concerned with providing credits to Yugoslav industry for export. The name of the institution is Fond za Kreditiranje i Usiguranje Izvoznih Poslova. Its manager is a Mr. Baum (Croatia) who, Mr. Smole said, is a very competent person who has at his disposal a technically qualified staff. The Board of Directors of the Fund consists of representatives of the National Bank, the Finance Ministry, the Bankers' Association, etc. Mr. Smole said he would send me, after his return,

papers on the organization and activities of this Fund--which, incidentally, has capital of its own provided by the Finance Ministry. In any event, he wanted to think more about this possibility and about other alternatives. (Note: From other sources I've learned that Mr. Baum is an able administrator, but that his staff is probably mediocre. Moreover, use of the Fund for our purpose would call for a major revision of its purpose and activity. This is not to say the Fund is not the best base to build on.)

4. I told Mr. Smole that Mr. Miljkovic had suggested that I should stop in Belgrade for a few days after the meeting in Copenhagen. I told him that at best I could spend only a day or two in Belgrade but I felt, from this conversation with Mr. Smole, that such a visit would be premature and that it would be better to resume discussion after the Government had had more opportunity to consider the situation. Mr. Smole agreed. He said that my memorandum of early September had only just been translated when he left Belgrade, he thought a meeting in Belgrade would be more fruitful in November and he hoped I could visit Belgrade in November or December. I told him November was impossible but that I might be able to pass through Belgrade in December, if that was important.

5. Mr. Smole said it was very important to him that we should continue the dialogue on industrial financing institutions so that we would in due course work out an effective and satisfactory mechanism for lending to that sector.

cc: Messrs. Benjenk
Paterson
Gustafson
Sokse

WDiamond:jsb

Files

September 29, 1970

William Diamond

CENTRAL AMERICA - Central American Bank for Economic Integration (CABEI)

KfW sent a mission to CABEI a few months ago, to appraise it for a loan. We ought to get its report.

cc: Messrs. Gutierrez
Paterson
Mirski
Sekse

WDiamond:jmb

Files

September 29, 1970

William Diamond

EGYPT

Mr. Benjenk has promised an early visit to the Industrial Bank of Egypt, to explore the possibility of a loan in the future.

cc: Messrs. Benjenk
Adomakoh
Sekse

Draft

Back ground

1. The U.A.R. attach great importance to the expansion of the of the industrial sector.
2. Established in 1949 the Egyptian Industrial Bank is the main specialised institution which provides medium and long term financial credits for the industrial enterprises in the U.A.R. Working in the spirit of development banks, the E.I.B. has helped in setting up new companies, expand and renew existing ones, and taking active measures in solving different problems which face its customers. It's market researches, and cost analysis are examples of such activity.
3. Since its inception, E.I.B's credits and loans exceeded 15 Million pounds. However, in the year 1969 its credits reached 5.9 Million pounds out of which 75% went to the private enterprise in the U.A.R. and 50% are in the form of medium and long term credits.
4. In the past the E.I.B. helped to finance a wide range of industries and its customers are covering a vast area and producing a variety of goods among them are textile manufactures, medical supplies, building materials, food and agriculture products, mining etc.

The Proposal

5. All of E.I.B. resources are in local currency and they have reached over 16 million pounds. Its capital is 1.5 million pounds and 14.8, ^{million pounds} represent loans from the Central Bank and other commercial banks. Recently its activities rose sharply and its loans in 1969 rose by 49.4% compared with 1968,

and with the continued expansion in the industrial sector the bank expects a rising volume of business in the coming years. However, an expansion in its operations in futur depends mainly on its ability to make commitments in foreign exchange which is now in short supply and likly to remain so for a long period.

6. Therefore, the U.A.R. requests the assistance of the World Bank in providing the E.I.B. with the foreign exchange it will need for loans and credits for the industrial projects in the U.A.R.

September 29, 1970

Professor Sidney M. Robbins
50 Overlook Road
Ossining, New York 10562

Dear Sidney:

I have just returned to Washington and have found your letter of September 3, written from Bangkok. Thank you for it and for the clipping from The Bangkok Post.

In Copenhagen I saw Sommai at some length. Naturally, we talked mostly about IFCT's problems, but we also referred to your work. I was very pleased to learn that it has been very well received in Thailand and that you have set in train a series of studies and actions which are bound to have important results. I am sure the Thais are grateful and I am particularly happy, for reasons that you know.

Incidentally, I have not received a copy of the final version of your report. If you know where copies can be found, I should appreciate your sending several to us.

If you are back in New York, or whenever you do return, please get in touch; it would be good to have a long talk with you.

Sincerely yours,

William Diamond
Director
Development Finance Companies

cc Mr. Goodman
Mr. Powell

WDiamond :us

Files

September 29, 1970

William Diamond

AUSTRIA - IVK - Discussions with Mr. Teufenstein

1. Mr. Teufenstein visited me Friday, September 25, to say that Mr. Lang had reported to him on our conversations the previous Saturday and that he was content to leave things as agreed so far.

a. He is pleased with our conclusion on the debt/equity ratio. He said he was ready to write to us formally on the subject. I told him that it was possible his previous letter to Mr. Gustafson was sufficient, in which case we could simply write to him accepting the proposal. If not, I would write to him suggesting the draft of a more formal letter to us.

b. As for the negative pledge, he was content to leave things as they are, at least for the time being. He felt that the 10% exemption was sufficient for the time being, but he might come back to us with the problem sometime in the future.

2. I told him I had been unable to give Mr. Lang a response to the question Mr. Lang had raised about the possibility of raising the 10% exemption to 20%. I said we felt that this would be equivalent to giving a waiver to the negative pledge, and that we felt it would be necessary to take the matter to our Board of Directors if we were to pursue the course Mr. Lang suggested. Mr. Teufenstein said he understood the position and would not want us to take such a course.

cc: Messrs. Benjenk
Paterson
Gustafson
Selke

WDiamond:jmb

Files

September 29, 1970

William Diamond

BOTSWANA

1. Mr. Hermans of Botswana asked for a staff member to take a look at the development bank there and to advise on its policies, procedures and operations. I told him this was impossible, but that I would find him some one from outside the Bank, if the Bank considered the matter of importance. Subsequently, he raised the question with Mr. Lejeune, who reportedly agreed. I therefore told Mr. Hermans we would try, promptly.
2. Mr. Parekh is prepared to make Mr. Medhora available.

cc: Messrs. Lejeune
Adomakoh
Sekse

WDiamond:jnb

Files

September 29, 1970

William Diamond

KUWAIT

1. Messrs. Sheeib and Benjenk promised the Kuwaitis that the Bank would take a look at industrial finance after the proposed survey of the industrial sector.

a. When will that survey mission go?

b. Will one of the DFC staff be in the area at that time, in which event he could stop for a few days of exploration?

cc: Messrs. Benjenk
Paterson
Gustafson
Sekse

WDiamond:jnb

Files

September 29, 1970

William Diamond

SPAIN - BANDESCO

Marques de Deleitosa did not show up in Copenhagen. He is apparently failing and his resignation from BANDESCO and BANESTO is imminent. Brosa and Marzo spoke openly of this.

cc: Messrs. Benjenk
Paterson
Gustafson
Sekse

WDiamond:jmb

Mr. Douglas Gustafson

September 29, 1970

William Diamond

GREECE - NIBID

1. Mr. Linder has asked whether we ought not to consult NIBID's New York shareholders (Chase and Manufacturers Hanover) on occasion, in preparation for taking a position on a NIBID project.
2. I used to do this with Walter Davies on BANDESCO projects, from time to time. Have we ever done it on NIBID proposals? I have mixed feelings about this. What are the pros and cons?

WDiamond:jnb

Mr. Douglas Gustafson

September 29, 1970

William Diamond

TRINIDAD AND TOBAGO

1. Mr. Rampersad of Trinidad asked for a meeting and then did not show up. Write to him.
2. What happened at the meeting of Gutierrez and Prevatt?

WDiamond:jmb



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Additional Comments		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.</p> <table border="1"><tr><td>Withdrawn by Ann May</td><td>Date 03-Feb-16</td></tr></table>	Withdrawn by Ann May	Date 03-Feb-16
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September 29, 1970

Dr. Paul Krebs
Assistant General Manager
Deutsche Bank A.G.
Junghofstrasse 5-11
Frankfurt-Main,
Germany

Dear Dr. Krebs:

I returned to my office from Europe this morning and found waiting for me your letter of September 15, concerning the visit to Washington of Mr. Werner Blessing. Let me say at once that I look forward with great pleasure to meeting him. Would you be good enough to let him know that I would be happy not only to see him but also to arrange for a visit with IFC and to have him for lunch. If you could let me know as soon as convenient when we can expect him in Washington, I shall make the necessary arrangements. (Incidentally, I shall be leaving the country on October 31.)

I know that you were in Copenhagen and I am terribly sorry that we did not have the opportunity to meet. The meetings this year seemed more hectic than usual and, when I left the city, I realized that I had missed seeing many old friends.

With best personal regards,

Sincerely yours,

William Diamond
Director
Development Finance Companies

cc: Messrs. Gaud
H. Koch } w/copy of incoming

WDiamond:jbm

September 29, 1970

Dr. Willi F. L. Engel
Director of Department for
Development Banks
Kreditanstalt für Wiederaufbau
Palmengartenstrasse 5-9
6 Frankfurt-am-Main
Germany

Dear Willi:

I was very sorry to have been so close to Frankfurt and still not to have had an opportunity to see you. There are many things that we could have usefully discussed, among them the plans for the UNIDO meeting in Vienna in December. I hope to see you at that time and I am, therefore, taking this occasion, on my first day back in the office, to write to you on only one subject.

I understand from Mr. Colindres, the President of the Central American Bank for Economic Integration, that KfW recently had a mission to examine the operations of CABEI. As you may know, we are just about to send a mission (which will, in fact, leave next Monday) to study the industrial outlook in Central America. Its duties will be to review the condition of industry in Central America, advise on an industrial strategy for the area, consider how the Bank can be helpful in financing industry or in helping organize its finances and review financial institutions in the area, especially CABEI. A team of seven people will do this job and I hope that by the end of the year we will have a much better view of the situation than we do now.

It occurs to me that it will be very helpful to us if we could have a copy of the KfW staff report on CABEI. Would this be possible? I hope so, and hope you will be able to send it to me right away so that I can pass it on to our mission.

With best personal regards,

Sincerely yours,

William Diamond
Director
Development Finance Companies

cc: Messrs. Gulhati
Mirski

WDiamond:jmb

Files

September 29, 1970

William Diamond

CYPRUS

1. The delegation from Cyprus, including the Finance Minister and the General Manager of the Cyprus Development Corporation visited me this morning (September 24, 1970), at the request of Mr. Liefertinck to ask about the prospects of a loan to the Corporation. According to the General Manager, the Corporation needs to borrow £ 1.25 million in order to be able to finance the greatly increased level of operations which is expected in the next four years. (Loans have already increased by more than 200% between 1967 and 1969.) The expected operations would be about 60% for manufacturing, 30% for tourism, and 10% miscellaneous.

2. I asked the Finance Minister how a loan for the Corporation would rank in priority in relation to other requests for financing which Cyprus has before the World Bank. Although he was disturbed at the thought of having to make choices, he said that financing for private manufacturing and tourism would rank high. I told the delegation that I would discuss with my colleagues the prospects of including a loan for the Corporation in the Bank's program for Cyprus. If the conclusion was positive, I would then arrange, as early as feasible, for an exploratory visit from this Department to become familiar with the Corporation and its environment. I also said that I might possibly stop for one day in Cyprus in December. I promised to write to the Minister and the Corporation in the next week or two.

3. We discussed the history of the Corporation, with which the Bank is familiar.

4. The General Manager asked whether we were interested in tourism, and I said we were very much interested. He asked about the possibility for an IFC investment, and we agreed that this was not possible while the Corporation's ownership remains as at present. However, I pointed out the possibility and desirability of joint operations with IFC and arranged to introduce the manager to Mr. Paterson

cc: Messrs. Benjenk
Paterson
Gustafson
Sekse

WDiamond:jmb

September 28, 1970

Memoranda Mr. Diamond to Files
re Jean Tilot

See DFC Personnel Files

wj's pf

I N C O M I N G C A B L E

DATE AND TIME
OF CABLE:

SEPTEMBER 25, 1970

LOG NO.:

TELEX VIA FUND/25

TO:

INTBAFRAD

FROM:

COPENHAGEN

R O U T I N G	
ACTION COPY:	MR. MATHW
INFORMATION COPY:	<i>Clayton</i>
DECODED BY:	

TEXT:

C-6 FOR PM MATHW

PROCEEDING GENEVA NX BUT NOT BELGRADE. GUETTA MAY COME GENEVA SEE ME
AND IF SO WILL STAY EXTRA DAY RETURNING MONDAY. WILL CONFIRM TOMORROW

DIAMOND

 AS RECEIVED

FAMILY NOTIFICATION BEING MADE

MT

WD's PF

INCOMING CABLE

DATE AND TIME OF CABLE: **SEPTEMBER 25, 1970** 2210
LOG NO.: **ITT 2/26**
TO: **MATHEW INTBAFRAD**
FROM: **KOEBENHAVN**

ROUTING	
ACTION COPY:	MR. MATHEW
INFORMATION COPY:	<i>Clayton</i>
DECODED BY:	

TEXT:

STAYING GENEVA TO SEE GUETTA. LEAVING MONDAY VIA LONDON TO
FRIENDSHIP ON SR810 AND PA61

DIAMOND

FAMILY NOTIFICATION BEING MADE.

MPB

COMMUNICATIONS
204 52 15 SEP 26 1970

TYPED

SEP 26 12 46 PM 1970
COMMUNICATIONS

363

UNRECORDED COPY

RECEIVED

RECEIVED ON 09/26/70

RECEIVED FROM THE DIRECTOR GENERAL SECRETARY GENERAL

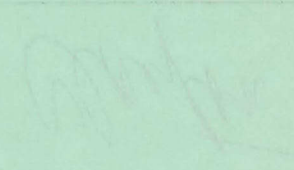
TO:

FROM: DIRECTOR

TO: DIRECTOR GENERAL

TO: DIRECTOR

DATE: 09/26/70

DECODED BY:	
CALL:	
INFORMATION:	
ACTION COPY:	NO. 11/11/70
MORNING	

TELETYPE UNIT

OFFICE MEMORANDUM

R. J. ...

TO: Mr. Ravi Gulhati

FROM: Alexander Stevenson *AS*

SUBJECT: Proposed Study of the Textile Situation

DATE: September 24, 1970

I am afraid there is no easy or short answer to the questions raised in your memorandum of September 3. Indeed, the whole question of the competitive situation in textiles is a fairly complicated one.

As you know, Mr. Varon of the Trade Policies and Export Projections Division, is participating in the Korean economic mission concentrating mostly on Korean textile exports. He should, I think, be able to meet your needs as far as Korea is concerned. But because of the priority of other work he will not be able to devote his attention to the Chinese and Hong Kong industries in this fiscal year.

You will recall that I mentioned to you at the Economic Committee that some studies of the textile industry in developing countries are being carried out in the Economics of Industrialization Division. A paper on Exports of Cotton Textiles from Developing Countries to the U.K. and E.E.C. 1958-1967 was completed by Mr. Geoffrey Shepherd, a Consultant to the Bank, in September 1969, and issued as Economics Department Working Paper No. 52. Miss Keough is working on a complementary paper on textile exports from developing countries to the United States, and Mr. Shepherd has completed a draft of a paper on comparative costs in textile production. The practical implications of these papers will be developed in a fourth paper by Mrs. Hughes discussing investment guidelines for textile industries in developing countries. This is scheduled for completion about the end of this calendar year.

I should think these papers, and particularly the last two, will address some of the questions which may be worrying you. I would, therefore, suggest that you get together with Mr. Macone and Mr. Bohr to formulate more precisely the questions you have in mind and see what has been or might be done to meet your needs.

If, at that point, you need additional work in a hurry I am afraid we would have to look to the possibility of consultants doing it, in which case you would have to help us find the money since we have practically none left for "new starts".

AStevenson:js

cc: Messrs. Diamond ✓
Kamarck
Macone
Bohr

FORM NO. 75
(2-60)

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

*No action
needed 10/2/70*

INTERNATIONAL FINANCE
CORPORATION

INTERNATIONAL DEVELOPMENT
ASSOCIATION

ROUTING SLIP	Date 9/30/70
---------------------	------------------------

NAME	ROOM NO.
	D827

To Handle	Note and File
Appropriate Disposition	Note and Return
Approval	Prepare Reply
Comment	Per Our Conversation
Full Report	Recommendation
Information	Signature
Initial	Send On

REMARKS

Please treat as original if not
previously received

From

Communications Section- C 219

Mr. William Diamond

Alfred H. Matter

Charge for personal cable

Djakarta
August 20, 1970

Letter No. 432

Referring to your letter No. 385 of August 13, the personal cable was sent from Djakarta on May 27 and was addressed to Mrs. Lois Diamond at your home address in Washington, D.C.

ls

File: Cable account

September 23, 1970

Mr. Vicente C. Lavidés of Laguna Lake Development Authority of the Philippines called today to say that he was in Washington and would have liked to have dropped by to see you. However, he is returning to the Philippines on Friday the 25th and asked that you be let know that he was here with Mr. da Silva.

September 28, 1970

Argentine Ambassador is giving luncheon on Monday, October 5, at 1 p.m. at the residence and would like Mr. Diamond to attend.

OK
Call da Silva
No. 57

Invitations :

Wed. October 7. Ambassador of Colombia Reception 7 p.m.
RSVP 387-5828 1520 - 20th St.

Friday, October 9. Ambassador of Uganda: Reception 7 - 9
RSVP Regrets only. 726-7100, ext. 27. 5009 Loughboro Rd. NW.

Also Fri. Oct. 9 the Hanemans Reception to say goodbye. Ratio of
World Bank Building. Regrets only 477.2295.

Friday, October 2, Mr. Robert Nathan's Reception for Amb. Robert
Newmann. RSVP. 393.4900.

Accepted
Regret
Regret

Ursula:

Now Oct. 26.

Mr. Diamond asked me to make the appointment for his annual physical on the Friday before he left. He asked that it be made on a Wednesday or Thursday with Dr. Scott at Johns Hopkins. Dr. Scott only sees patients on MONDAYS at HOPKINS -- Therefore, I made the appointment for Monday, October 12, 1970 -- See attached confirmation.

URGENT

Mr. Mathew's note attached re setting up meeting this Wednesday with Gulhati group going to Central America -- Paterson to be included. Got this on Friday have made no arrangements.

Letter and note attached for WD or re Dr. Salma coming here on Nov. 5 or 6 and wants to see Diamond.

WD will be coming.

To Paterson

For you and Mr. Diamond's information Mr. Norman Poser is coming in from New York on Friday, October 2 and will be seeing Mr. Mathew at 9:00 or 9:30 a.m. Mr. Diamond may want to see him.

RI

Blue copy

BOOK OF FOUR

OCTOBER 16, 1979

MARC WALLENBERG JR
NITTON
STOCKHOLM
(SWEDEN)

JOHN WAAGE
MANTRUST
NEW YORK

ITF

LAPIDI
AFRICAN DEVELOPMENT BANK
ABEDJAN
(IVORY COAST)

DAVIDSON
CORINTHIN
PARIS
(FRANCE)

FOLLOWING CABLE SENT TODAY TO SIR HENRY PHILLIPS QUOTE DAVIDSON HAS PASSED ON YOUR MESSAGE CONCERNING SIFIDA SPONSORS' MEETING LAST WEEK IN LONDON AND YOUR HOPE FOR SUBSCRIPTION IN NOVEMBER STOP IN VIEW OF NINE MONTHS LAPSE SINCE WE FIRST CABLED OUR INTEREST IN PRINCIPLE IN CONSIDERING SIFIDA COMMA OUR UNCERTAINTY ABOUT HOW PROPOSED MANAGEMENT STRUCTURE WOULD WORK COMMA AND THE QUESTIONS I HAVE PREVIOUSLY RAISED WITH YOU COMMA INCLUDING DEVELOPMENTS IN THE IFC BOARD COMMA WE FEEL WE MUST REVIEW ENTIRE PROPOSAL AFRESH STOP FOR PURPOSES OF THIS REVIEW WE WOULD LIKE TO ARRANGE DETAILED STAFF DISCUSSION WITH YOU AND OTHERS REGARDING POLICIES COMMA STRUCTURE OF COMPANY COMMA MANAGEMENT COMMA BUSINESS PLANS AND FINANCIAL OUTLOOK STOP REGRET TO SAY THIS CANNOT BE COMPLETED IN TIME FOR NOVEMBER SUBSCRIPTION STOP IN VIEW UNCERTAINTY OUR

(over)

Mr. William Diamond
Director
Development Finance Companies

WDiamond/WGaud:cbm

PAGE TWO

TIMING COMMA SPONSORS MIGHT WISH SET UP COMPANY IN ADVANCE OF OUR
DECISION STOP WE SHALL CABLE YOU DETAILS OUR PLANNED REVIEW IN A FEW
DAYS STOP AM SENDING COPIES THIS CABLE TO DAVIDSON WALLEMBERG LARIDI
AND WAAGE UNQUOTE REGARDS

GAUD

For Mr. Gaud
Mr. Einar Sekse
Operations Officer
Development Finance Companies

cc: Messrs. Diamond
Adonakoh
Sekse

WDiamond/WGaud:cbm

September 16, 1970

Mr. Nelson Schaenen
Smith, Barney & Co. Inc.
1345 Avenue of the Americas
New York, New York 10019

Dear Nelson:

I am just leaving the office for Copenhagen and so someone else will sign this for me, but I had not wanted to leave without telling you that I had a very pleasant visit two days ago from Herbert Bernenko. He struck me not only as a very civilized person who it was a pleasure to meet but also one who can I think be of use to us sometime in the future in connection with specific assignments in the capital markets field. There are some parts of this very broad field in which he obviously has a tremendous amount of experience to offer. You will be interested to know that I arranged for him to meet Mr. Gaud who had the same impression that I had and who has put Mr. Bernenko down on his list of people to maintain touch with for the future.

I am grateful to you for telling me about Mr. Bernenko and I hope you will remember us should other possibilities occur to you.

With best wishes,

Sincerely yours,

William Diamond
Director
Development Finance Companies

cc: Mr. Gaud
Mrs. Stone
WDiamond/smb

Mr. Neil J. Paterson

September 16, 1970

William Diamond

Colombia - CALDAS

1. You are aware of the rumors that we have heard concerning problems in CALDAS, which lead, among other things, to the resignation of three Vice-Presidents. We have not, in the past, had any hard information and one Director and Ocampo, with whom Arango met simultaneously in Bogota last month, left with Arango the impression that the rumors were not founded. I have now heard from various sources enough information to cause me considerable worry. Enough to justify giving thought to arranging for a special and particularly intensive investigation of the affairs of CALDAS. I have discussed this with Arango and he is in agreement that something like this should be done. I shall be back in touch with you in due course. But I wanted to put you on notice now, so that you would not take any action to complete IFC's new investment in CALDAS until we are satisfied with the company. I can tell you also that, if what I have heard closely resembles the truth, there is not much likelihood of CALDAS' participation in the next Bank loan and, indeed, we shall have to think about whether action is appropriate.

2. I propose to continue these enquiries privately in Copenhagen, and will tell you more there.

cc: Messrs. Arango
Acevedo
Hughes

WDiamond/smb

Mr. Neil J. Paterson

September 16, 1970

William Diamond

Central America

1. You are aware that the memorandum I wrote to you and Gutierrez sometime ago about dealing with Central America is being acted upon, following its approval by all concerned, up to the President. The mission to consider the problems of the industrial sector will be leaving next month. It is being supervised by the Industrial Projects department but this Department has contributed three members to it, including its head. In general the mission is going the job proposed in my original memorandum and agreed by all concerned.
2. Except for one thing: I proposed that the mission include someone technically qualified to advise on the feasibility of the establishment of a Central American stock exchange. I have now learned that this proposal has been dropped, partly because of the conviction that such a technical job would be better done later, after the more general findings of this mission were available, as a framework within which to consider the more narrowly technical aspects of a stock exchange. I am unhappy about this, but I can't disagree with it.
3. I understand that your staff have been aware of this, and I imagine therefore that you are too. But I thought I ought to call it to your attention since it does depart from the recommendation I once made, with which you had agreed.

cc: Messrs. Gulhati
Mirski

WDiamond/smb

AKHRAS
UNIDO
VIENNA

SEPTEMBER 15, 1970

LT

AUSTRIA

REURC/B SEPTEMBER 4 CAN ARRANGE JOIN YOU VIENNA DECEMBER 10 AND 11

STOP EXPECT ARRIVE 9TH AND LEAVE 12th REGARDS

DIAMOND

WILLIAM DIAMOND
DIRECTOR
DEVELOPMENT FINANCE COMPANIES

September 15, 1970

The Honorable Hiram Leong Fong
United States Senator
Room 1313
New Senate Office Building
Washington, D.C.

Dear Senator Fong:

I enjoyed very much meeting you yesterday afternoon, and the opportunity to talk to you about the work of the World Bank Group in promoting and providing finance to development banks around the world.

You asked for some literature about such institutions in the Pacific Area. I take pleasure in enclosing herewith copies of the Annual Reports of the five development banks in that part of the world to which we are providing finance. They are the Korea Development Finance Corporation, China Development Corporation, Private Development Corporation of the Philippines, Industrial Finance Corporation of Thailand and Malaysian Industrial Development Finance, Limited. I am also enclosing a brief descriptive memorandum about each of the companies, and the names and addresses of their chief executive officers.

We talked about the possible interest of investors from your State in that part of the world generally, and in such institutions in particular. I am confident they have much to offer as contacts for investors and businessmen in those countries. I would like to repeat my offer to introduce you or any of your constituents whom you commend to those development banks.

Mr. Wiczorowski's visit and mine, and our discussions, might have raised questions in your mind. If so, please do not hesitate to call me.

With best wishes,

Sincerely yours,

William Diamond
Director
Development Finance Companies

Attachments

cc: Mr. Wiczorowski
Mr. William Clark

OFFICE MEMORANDUM

TO: Mr. Neil J. Paterson

DATE: September 14, 1970

FROM: William Diamond

SUBJECT: GREECE - NIBID

1. As you know, Cominos turned a cold shoulder to our offer of finding a new arrangement among NIBID's shareholders; and we have (that is, I hope you have) turned down Waage's request to participate in a canvas of the Foreign Shareholders to determine their views. Nevertheless, we need to settle our views on what should be done when the present Shareholders' Agreement expires: first, because we need to be ready to react to proposals from them, and second, because I imagine our views will carry weight with other interested parties.
2. Attached is a proposal for your consideration.
3. It should be reviewed with the following in mind.
 - (a) The present Shareholders' Agreement will expire, and NBG will then automatically run the show. There is no way to force NBG to abdicate this position, if it does not wish to.
 - (b) The proposal is a conventional arrangement, but calling for proportional voting in selecting a Board and providing for decision-making in the Assembly and Board by more than a majority vote on only a small number of crucial issues, including selection of a manager.
 - (c) It provides for the Board to give powers to the manager, rather than the Chairman alone.
4. Under this set-up, IFC is not automatically assured a seat on the Executive Committee. Such assurance could come only through a shareholders' agreement. This could be done by the Foreign Shareholders alone, but I think IFC should accept designation only if NBG is party to the agreement.
5. What's to be done now? The attached paper is a proposal to all shareholders, not to the foreigners alone. It might be wise - if you agree with the substance - to try it out on Cominos and two or three foreign shareholders in Copenhagen. The one very delicate matter to be dealt with is the position of IFC. I'm not sure IFC should propose for itself a sure seat on the Board and Executive Committee; on the other hand, I think IFC should be on both.
6. Let's discuss this Monday or Tuesday. I leave for Copenhagen Wednesday evening.

Attachment

cc: M/s. Linder, Gustafson, Grayson
WDiamond:bda

Proposed New Structural Arrangements for NIBID

1. NIBID's Shareholders' Agreement is about to expire. It was entered into, almost 8 years ago, when NIBID was set up, in order to establish an environment of stability and confidence among the shareholders in which NIBID could develop into a sound and effective financial institution. That objective has been well served. NIBID has become a strong and respected institution, thanks to the continued support of its shareholders, to the financing provided by the NBG, the World Bank, and the Bank of Greece, and above all to the skill of its manager in developing NIBID as an autonomous financial institution.
2. In considering future arrangements among the shareholders, two related objectives should predominate.
 - a. NIBID should look forward to broadening (rather than further concentrating) its ownership, both by progressive sale of holdings by present shareholders, and by sale at the earliest feasible moment of new shares, to new investors.
 - b. NIBID's management structure (including its Board and Executive Committee) should reflect the real ownership of NIBID and should assure a fair participation to minority shareholders.

Neither the Articles nor an agreement among the shareholders should contain any provision which might frustrate these aims. If possible, the functioning of NIBID should be determined entirely by its Articles, without reliance upon a side agreement among shareholders.

3. Accordingly:
 - a. Shareholders should be free to buy or to sell all or any of their shares.
 - b. The foreign shareholders should not have any position in the composition of Board and Executive Committee beyond those to which the number of their shares entitle them, nor should any other shareholder or group of shareholders.
 - c. The Consultative Meeting of Shareholders should be abolished.
 - d. The Board should be chosen by the shareholders on the basis of proportional representation (except, possibly, IFC, as in 5 below).
 - e. The Executive Committee should mirror the Board.
 - f. All matters voted upon in the Assembly, Board and Executive Committee should be decided by majority vote, except that:
 - (i) As presently provided for in Article 15 of NIBID's Articles, 3/5 plus 1 of those present at a shareholders meeting should be required to change NIBID's nationality or objectives, to increase or decrease its capital, to issue bonds, to modify profit distribution and to merge, extend or dissolve NIBID.

(ii) A 3/4 vote of the entire Board should be required for the selection of the General Manager.

- g. The General Manager elected by the Board, should receive his power from and be responsible to the Board and should be NIBID's chief executive officer.

Such provision establishing NIBID along more conventional corporate lines, would permit free movement of shares, would assure a management structure responsible to the majority shareholder (or shareholders) while giving the minority shareholder (or shareholders) a fair chance to express views, and would call for a reasonable consensus among both groups on a very few crucial issues.

4. It should be possible to provide for the forgoing in the Articles. Only one matter calls for a special arrangement among the principle shareholders, within the framework referred to in 3e: that is, the composition of the Executive Committee. Given the present composition of shareholdings (and consequently of the proposed Board), it would be reasonable to have an Executive Committee of 6 or 8 persons, half of them selected by the National Bank of Greece and the other half, by the other shareholders.

- a. An agreement among the shareholders, including NBG, would be needed to fix this arrangement - "until the composition of ownership substantially changes".
- b. An understanding among the shareholders other than NBG would be needed to assure an orderly distribution (rotation) of their half of the Executive Committee.

5. IFC is in a peculiar position: it is represented on NIBID's Board, by the wish of both Greek and foreign shareholders. There would be important advantages to its continuing to be on the Board and to its being on the Executive Committee. This could be achieved, however, only by agreement among the shareholders. IFC would want NBG to be party to such an agreement, which would thus be included in the document which reflects 4a above.

6. These arrangements would work best if the Executive Committee met more frequently than is now the case. On the other hand the full Board need not meet more than 2 to 4 times a year.

7. Thought should be given now to the feasibility of increasing NIBID's ownership as soon as possible and in particular, the timing and amount of an expansion of NIBID's share capital by sales to new investors and to the implications of such a step.

Extra

AKHRAS
UNIDO
VIENNA

SEPTEMBER 15, 1970

LT

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REURCAB SEPTEMBER 4 CAN ARRANGE JOIN YOU VIENNA DECEMBER 10 AND 11

STOP EXPECT ARRIVE 9TH AND LEAVE 12th REGARDS

DIAMOND

WILLIAM DIAMOND
DIRECTOR
DEVELOPMENT FINANCE COMPANIES

LOG (Mr. Diamond o/r - copies to Ursula and Jeri)

8/17 Mr. Hoffman (x2173) called today to inquire if you could attend the EDI luncheon during the Annual Meetings -- Wednesday, 23rd of ~~1~~Sept.--Formal invitation will be forthcoming--(note IFC reception and luncheon is on this date). *no.*

8/18 Formal invitation to the IFC reception and luncheon received.--September 23rd at 12:30 p.m. in Copenhagen (invitation attached). *? invitation card*

8/19 Proposed itinerary for your travel to Copenhagen received and attached.

8/20 Invitation to WH Delegations' luncheon to annual meetings received and attached-- Monday, Sept. 21 at 12:30 p.m.

Mr. Melvin McCall of the African American Institute called today re a meeting sometime during the month of September between you and the Msgr. Tharcisse Tshibangu (whom you apparently met in the Congo). The subject of this meeting would be assistance to the University. We gave him your schedule for Sept. Mr. McCall will call back to try to set up such a meeting.

Mr. Nowack (AID) would like you to call 632-9122

Mr. Grayson stopped to say that Mr. Vallenilla would like an appointment to see you during the Annual Meetings. He will be in Copenhagen between the 22nd and 25th of September.

The tax and retirement office called--

Your own personal traveler's checks ~~xxxx~~ for your trip to Copenhagen will have to be purchased through American Security and Trust Company.

8/24 Mr. Earl Smith called -- would like a call when you return.

Mr. Wiczorowski's secretary called--asked for a time on Tuesday, Sept. 15 (very tentatively) for a meeting with him and Senator Fong of Hawaii. I told her that this was Board day and that from 10:00 a.m. until 3:00 p.m. you were usually tied up. She said she would keep the time frame in mind when talking with the Senator's office and she will call us back.

*ok?
Rice
will
confirm
9/14*

8/25 Mr. Humberto Esteve of A. D. Little called--will call you after the 31st.

September 14, 1970

Dr. Gerhard Rohmfelder
855 Forchheim Ofr.
Nurnberger Str. 9
West Germany

Dear Mr. Rohmfelder:

Please forgive the mix-up which led to my cable to you, last week. As you now know, it is we who erred; your letter hadn't reached me. I'm sorry.

I'm even more sorry about your decision - even though it came as no surprise to me. However, good luck!

Please do stay in touch. There may very well be occasions on which you can be of some help to us - perhaps on an ad hoc consulting assignment. Would that interest you?

Incidentally, I note that you have developed some ideas on your tour. If they concern development banks, I'd be grateful to discuss them. I would also be grateful for your observations on any such institutions you visited during your trip.

With all good wishes,

Sincerely yours,

William Diamond
Director
Development Finance Companies

WDiamond/msb

Mr. Christopher Lethbridge

September 14, 1970

William Diamond

Pakistan -- Timing of PICIC Mission

I have seen your draft memorandum on this subject.

Let us proceed with the appraisal mission as scheduled, which, I believe, is for October, despite the change in the date of the elections. In view of the time required for completing the appraisal report and processing it here, with luck we will be able to proceed to a loan without any delay. If there should be a delay for whatever reason, we can worry then about what measures, interim or otherwise, ought to be taken.

The Area Department is in agreement with this view. You ought to lay on your mission arrangements accordingly.

cc Mr. Wiehen

WDiamond:us

MAMEU

SEPTEMBER 14, 1970

TELEX: AFRICABANK 215
KINSHASA

FR

DEMOCRATIC REPUBLIC OF THE CONGO

WOULD APPRECIATE CABLED REPLY BY CABLE SEPTEMBER TWO SUGGESTING
9:00
1100 A.M. WEDNESDAY SEPTEMBER 23 FOR MEETING IN COPENHAGEN REGARDS

DIAMOND

William Diamond
Director
Development Finance Companies

cc: Messrs. Sekse
Clayton

WDiamond:jmb

POSTEL-VINAY

SEPTEMBER 14, 1970

TELEX: 20750 (CAISCOOP)

FR

PARIS

(FRANCE)

THANKS URLET SEPTEMBER 8 STOP WOULD 10:30 a.m. WEDNESDAY SEPTEMBER 23
BE CONVENIENT QUERY PLEASE CONFIRM STOP LOOKING FORWARD SEEING YOU
REGARDS

WDIAMOND

William Diamond
Director
Development Finance Companies

cc: Messrs. Sekae
Clayton

WDiamond:jmb

*W P
Edson*

OFFICE MEMORANDUM

TO: Mr. Neil J. Paterson

DATE: September 14, 1970

FROM: William Diamond

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- a. An agreement among the shareholders, including NBG, would be needed to fix this arrangement - "until the composition of ownership substantially changes".
- b. An understanding among the shareholders other than NBG would be needed to assure an orderly distribution (rotation) of their half of the Executive Committee.

5. IFC is in a peculiar position: it is represented on NIBID's Board, by the wish of both Greek and foreign shareholders. There would be important advantages to its continuing to be on the Board and to its being on the Executive Committee. This could be achieved, however, only by agreement among the shareholders. IFC would want NBG to be party to such an agreement, which would thus be included in the document which reflects 4a above.

6. These arrangements would work best if the Executive Committee met more frequently than is now the case. On the other hand the full Board need not meet more than 2 to 4 times a year.

7. Thought should be given now to the feasibility of increasing NIBID's ownership as soon as possible and in particular, the timing and amount of an expansion of NIBID's share capital by sales to new investors and to the implications of such a step.

★ P.M. Mathew

September 11, 1970

Khun Sommai Hoontrakool
General Manager
The Industrial Finance Corporation
of Thailand
101 Naret Road
Bangkok 5, Thailand

Dear Khun Sommai:

Many thanks for your letter of August 31, 1970 addressed to Mr. Diamond. He is at present away from the Bank but will be back next week when your letter will be shown to him. Mr. Diamond will of course be discussing with you at Copenhagen matters concerning IFCT and our end-use mission will only be sent thereafter. Meanwhile, we are holding our mission in readiness to start work at IFCT on October 19 should this timing prove convenient to you.

With best regards,

Sincerely yours,

P. M. Mathew
Deputy Director
Development Finance Companies

S Gupta:cbm

cc: Mr. Diamond (o/r)

cc: Messrs. Gibbs

Stepahnsen

September 9, 1970

TO: Messrs. Cope, Chadenet, Gabriel, Cancio
FROM: William Diamond
SUBJECT: Revision of Operational Memorandum on Development
Finance Companies

Here is a rough draft revision of O.M.5.11, and a draft memorandum about it. I should be grateful for an early reaction to it. Thereafter I shall arrange for a wider circulation and review of the draft.

cc: Messrs. Mathew
Gulhati
DFC Division Chiefs

WDiamond:jmb

DRAFT
September 9, 1970

TO:

FROM: William Diamond

SUBJECT: Revision of Operational Memorandum on Development Finance Companies

1. Attached is a draft revision of O.M. 5.11. The March 31, 1968 version has been changed to reflect:
 - a. R68-99 of June 11, 1968 regarding Bank support to government-controlled DFCs;
 - b. R68-204 of November 1, 1968 on various aspects of Bank Group policy regarding DFCs and R68-39 and IFC/68-13 of November 25, 1968 setting forth the Directors' decisions on R68-204;
 - c. the shift of the DFC Department from IFC to the Bank;
 - d. the memorandum of May 2, 1969 from the Director of Administration regarding the handling of **sub-projects** under loans to DFCs;
 - e. Administration Circular of May 6, 1969, on "Responsibility of Development Finance Companies Department for Financial Intermediaries";
 - f. SecM70-149 of April 8, 1970 on interest rates charged by DFCs and on government privileges accorded them.

The revision also contains cross-references to other Operational Memoranda, so as to make it clear--as the previous version may not have done clearly enough--that DFCs are dealt with within the normal framework of Bank policy

2. Although this revision is based primarily on existing policies and practices, particular attention is drawn to the following matters:

- a. Paras. 1-5. The definition of DFC set out in the Administrative Circular of May 6, 1969, has been followed except that:
 - (i) Agricultural credit banks are called DFCs, but are said to be subject to a separate regime in the Bank;
 - (ii) International or multinational institutions are not necessarily excluded from the definition.

If these are agreed, O.B. 1.12 needs revision.

- b. Para. 14. Housing is explicitly included as a possible object of Bank financing through a DFC.
- c. Paras. 15-16. While the Bank continues to insist that a DFC's business be primarily the financing of private investment, it does not rule out some financing of state enterprises.
- d. Para. 17. The Bank is said to prefer a privately owned and controlled company, but will not let ownership alone stand in the way of a loan.

- e. Paras. 19-21. The Bank's most recent views on government privileges and subsidies to DFCs are recorded.
- f. Paras. 25-28. So also are the latest views on interest rates charged by DFCs.
- g. Paras. 30-31, 33, 48. These reflect the increasing concern with the DFC's contribution to economic growth.
- h. Para. 37. A two-year period remains as the normal period for a typical Bank loan; but the reference to a shorter period in the case of very large loans to companies with high free limits, has been dropped.
- i. Para. 44. The current practice of immediate crediting of the Loan Account, is recorded. (And the reference to the Bank's interest rate has been dropped, since the Bank's standard practice is now followed.)
- j. Paras. 54, 61. A DFC with which the Bank has had a long and satisfactory experience, may be allowed a fixed amortization schedule. The Bank may also accept its certification, rather than conventional documentation, as a basis for disbursement.
- k. Para. 55. The requirement of prior Bank approval for all investment projects calling for the use of a Bank loan for investment in share capital, has been dropped.

1. Para. 57. Reference to use of a loan to a DFC to finance foreign or domestic expenditures, has been explicitly made to conform to the Bank's standard practice.
- m. Para. 60. The loan may be used to finance technical assistance, in accordance with the Bank's general practice.
3. While revising O.M. 5.11, various issues or questions emerged, not all of them new, about existing policy and practice. Thus:
 - a. Our dealing with debt/equity ratio needs review, e.g., degree of subordination justifying inclusion in the borrowing base; exclusion of certain maturities of "quasi-equity" from the borrowing base.
 - b. Objectives of an "aggregate free limit."
 - c. Need for the present kind of covenant "protecting the Bank's interest."
 - d. Covenants on subsidiaries and on exchange risk.

Some of these (and others) might affect O.M. 5.11; some would only affect practice. But all need careful thought. However, since O.M. 5.11 is badly out of date, I thought it best to proceed with the revision before following through on outstanding issues. When they are resolved, O.M. 5.11 can be revised again.

WDiamond:jmb

(O.M.5.11 Revised)

DEVELOPMENT FINANCE COMPANIES

	<u>Paragraph</u>
I. <u>General</u>	1- 5
Definition	1- 2
Off-Shore and International Companies	3
Agricultural Credit Institutions	4
IFC	5
II. <u>Characteristics of DFCs Eligible to Receive Finance from the Bank</u>	6-34
Objectives	6- 7
Conditions for Assistance to DFCs	8
Characteristics of Eligible DFCs	9-28
General	9-10
Policy Orientation	11-12
Management	13
Scope of Operations	14
Focus on Private Investment	15-16
Ownership	17-18
Government Support	19-21
Return on Capital	22-24
Interest Rate	25-28
Guidelines for Appraisal	29-34
Economic Environment	30-31
Institutional Performance	32
Economic Performance	33
Conditions for a Loan	34
III. <u>Types of Assistance to DFCs</u>	35-40
Promotion	36
Finance	37
IFC	38
Technical Assistance	39-40

	<u>Paragraph</u>
IV. <u>Main Features of Loans to DFCs</u>	41-68
General	41-42
Project Description	43
Withdrawal from Loan Account	44-46
Approval of Investment Projects	47-50
Commitment Fee	51
Amortization	52-54
Use of Loan for Share Capital	55
Use of Loan to Finance Working Capital	56
Use of Loan to Finance Imports	57
Use of Loan to Refinance Previously Incurred Expenditure	58-59
Use of Loan for Technical Assistance	60
Disbursement	61
Foreign Exchange Risk	62
Period of Commitment and Disbursement	63
Supervision	64-65
Debt/Equity Ratio	66
Audit	67
Procurement	68
V. <u>Organization and Responsibility</u>	69-71

DRAFT

September 9, 1970

(O.M. 5.11 Revised)

DEVELOPMENT FINANCE COMPANIES

Part I. General

1. Definition. Many widely different types of institutions call themselves development banks or development finance companies. In the World Bank Group, these terms, which are used interchangeably and will henceforth be referred to simply as DFC, are applied to financial intermediary institutions whose principal function is to provide medium- and long-term finance for investment in private enterprises. Included are financial institutions which specialize in particular sectors of the economy (e.g. manufacturing, agriculture, tourism, housing, etc.) as well as multipurpose institutions which combine the financing of two or more economic sectors.

2. Some types of intermediaries have as their main function the provision of financial and other advisory services. They may also provide financial resources but that is a secondary aspect of their operations. Such institutions are not considered DFCs.

3. Off-Shore and International Companies. A company which meets the Bank's definition of DFC may not in fact be resident in the member country in which it operates. On the other hand, such a company, whether or not resident in a member country and whether inter-governmental or private, may be established to operate in several member countries. So long as an off-shore or an international company fits the definition set out in paragraph 1, it will be considered a DFC and will be dealt with in accordance with this Memorandum.

4. Agricultural Credit Institutions. Agricultural credit institutions are DFCs but are excluded from consideration in this memorandum. They are subject to a different regime in the World Bank, and are dealt with separately in O.M. 5.30.

5. IFC. The International Finance Corporation also deals with DFCs. Its role in dealing with such institutions in the Bank Group is spelled out in paragraph 38. In general, IFC's policy with respect to DFCs is the same as that of the Bank except where IFC's special nature calls for differences. Although this memorandum concerns Bank policy, it is generally applicable to IFC, except as specifically noted.

Part II. Characteristics of DFCs Eligible to Receive Finance from the Bank

Objectives

6. The Bank is interested in promoting, strengthening and financing DFCs. Its principal objective in doing so is to help build strong and effective investment institutions which can channel domestic savings and external capital into productive private investment, thus contributing both to the growth of those enterprises and to the development of the capital market in its member countries. A corollary benefit is that, by making loans to DFCs, the Bank can provide capital to enterprises which, for whatever reason, it cannot finance directly. The Bank's policies towards, and relations with, DFCs aim at building institutions which will contribute to financial and economic development. In considering support for a DFC, therefore, the Bank must examine (a) the DFC's management, policies,

operations and financial position and prospects, with a view to determining whether it is, or can become, a strong, viable, independent financial institution, (b) the DFC's ability or potential ability to mobilize savings on market terms and to allocate them in a manner conducive to sound economic growth, and (c) whether the economic environment and the government's policy are conducive to the promotion of the types of productive enterprise financed by the DFC as the background against which to judge the DFC's past performance, prospective performance and ability to help influence the environment in which it works. Consideration of the government's policies regarding productive investment and of the measures that may be needed to revise those policies, are important in this connection because Bank financing of DFCs is its principal device for assisting directly productive activities.

7. Circumstances peculiar to a member country sometimes require the use of an official financial intermediary to finance projects which the Bank has itself appraised and which it would prefer to finance directly. Such has, for example, been the case of the Bank's loans to the Japan Development Bank and to the Yugoslav Investment Bank for the benefit of particular industrial enterprises or the Bank's loans to CORFO of Chile and to Nacional Financiera of Mexico for infrastructure projects. In such cases, the intermediary is only an incidental object of the Bank's interest. This memorandum is not concerned with such intermediary institutions, which are simply conduits for Bank funds, nor with the loans made through them.

Conditions for Assistance to DFCs

8. In looking at a request to help establish, reorganize, finance or otherwise assist a DFC, the Bank will be governed by the following principal considerations.

a. The government must be pursuing policies, which the Bank considers sound, to stimulate investment and growth in the sector or sectors which a DFC finances, or plans to finance.

b. The encouragement of productive private investment must be among the member country's over-all aims, and there must be a climate conducive to the growth of enterprise.

c. There must be opportunities for a substantial volume of private investment in the sector or sectors concerned, and hence good prospects for a continuing demand for medium- and long-term loans and for equity capital.

d. Institutional arrangements for providing medium- and long-term capital must be deficient and a DFC must be capable, partly or fully, of compensating for the inadequacy; or, if the request concerns an existing DFC, it must, on its record, be capable of using capital effectively.

e. The creation, expansion or reorganization of a DFC must be a matter of relatively high economic priority in the member country concerned.

Characteristics of Eligible DFCs

9. General. The kind of DFC which the Bank prefers to finance is one which is owned by a broad range of investors, foreign and domestic, but with a clear domestic majority; has government support but is not the object of government intervention or influence in its operational decisions; is active in the mobilization of private domestic savings and in raising resources abroad; provides finance primarily to privately controlled enterprises; is active in the identification and promotion of new projects; assists entrepreneurs in formulating and carrying out investment projects; makes its investment decisions after careful appraisal, on the basis of sound economic and financial criteria; is empowered to make medium- and long-term loans, invest in share capital, underwrite securities, provide guarantee or to provide finance in any other form suitable to the needs of enterprise; combines financial prudence with a willingness to take risks; earns a reasonable return on its capital; makes a demonstrable contribution to the economic development of the member country.
10. Not all companies have all these features and many can be acquired only after a substantial period of experience. Moreover, not all these characteristics may be appropriate or sought for in every case, for a DFC has to fit the needs and suit the conditions of the country in which it operates. Ownership, capital structure, scope of operations, policy orientation and other aspects of a DFC may differ widely depending on the interests of its sponsors and the conditions and needs of the country

concerned. But several characteristics are crucial to the Bank: the capacity to use capital effectively, the maintenance of a sound financial position and the potential to contribute to the development of the member country.

11. Policy Orientation. The Bank needs to be confident that the DFC's objectives are, and that its behavior will be, consistent with the Bank's own objectives and with the developmental objectives of the member country in which the DFC is located. Such confidence emerges from intensive discussions with the sponsors of a new DFC or with the board and management of an existing one (and, where appropriate, with the government); and it is usually reflected in a formal statement of operational and financial policies which spell these out in somewhat more detail than is feasible or appropriate in a charter or articles of association. Such statements vary from one DFC to the next, but they usually contain certain items, including a declaration of the DFC's developmental objective; a specification of the sectors in which it proposes to work; the kinds of investments and other operations it plans to undertake; the principal criteria on the basis of which it will make investment decisions; its views regarding diversification of risk (e.g., maximum and minimum size of investments and maximum exposure in equity); other aspects of prudent financial policy (e.g., debt limits, provisions, reserves); staff development plans, etc. This statement is intended to provide, not inflexible regulations, but general guidelines from which the DFC may depart in appropriate circumstances, after due deliberation.

12. Confidence in the policy orientation of the DFC is always important to the Bank; but it is especially important when the Bank has been instrumental in obtaining private investors, foreign or domestic, to whom the policy statement may have provided substantial reassurance. In any case, the DFC's behavior is continuously judged against the background of the agreed policy statement or, where there is no formal declaration, of the understanding with respect to general policy orientation.

13. Management. Satisfactory management is of fundamental importance to the success of a DFC. It must be well run, in accordance with sound business principles, by experienced management capable of holding the confidence of the company's shareholders and creditors, private or governmental, and of resisting pressure to make decisions on any other basis. The Bank will not lend unless it considers management satisfactory or, if it needs strengthening, unless arrangements have been made to provide management with experienced advisors, senior staff or others. The quality of management remains under continuing scrutiny, and is basic to a decision to continue to finance the company.

14. Scope of Operations. Most of the DFCs supported by the Bank specialize in financing industry or agriculture, and usually not the two sectors together. However, those that focus on the manufacturing sector are often engaged in other sectors as well, such as large-scale agriculture and tourism. The Bank is prepared to finance both a specialized DFC and a DFC serving several sectors, so long as it meets all the other criteria.

It will consider financing DFCs specialized in tourism, housing or other important activities.

15. Focus on Private Investment. In most member countries, the bulk of productive enterprise is undertaken privately and DFCs are the only significant instruments through which the Bank can assist, on a broad front, the directly productive sectors of economic activity. The Bank therefore finances only DFCs whose business is financing private enterprises. Experience suggests that a DFC, even a private one, which combines investment in the private sector with the financing of state enterprises, sooner or later tends to favor the latter to the detriment of the former. Many such DFCs, recognizing this fact, and the pressures it leads to, establish for themselves, from the outset, a clearcut policy which precludes the financing of enterprises in which the state holds a substantial share.

16. In some member countries the financing of state enterprises is a matter of priority and a DFC can serve an important purpose by assisting them. Sometimes, too, such business can help assure the viability of a DFC, which would otherwise have insufficient demand for its capital and services. The Bank is therefore ready to allow a DFC it finances to assist state enterprises (and to use the proceeds of a portion of a Bank loan for such enterprises), so long as they are the subject of particularly careful scrutiny by management and board and so long as it is clear that the main business of the DFC continues to be financing private investment.

17. Ownership. The Bank prefers a DFC which is owned by a broad range of investors, foreign and domestic. It also prefers that private investors be in a controlling position, because such control helps assure continuity of sound policy and experienced management and the conduct of the DFC's business on the basis of sound economic and financial, rather than political criteria. However, the Bank does not exclude from financial assistance a DFC which is government-owned or controlled, so long as management is technically competent and so long as the Bank has solid assurance of its continuity and freedom from interference in carrying out its task. In either case, whether the DFC is privately controlled or government-controlled, the Bank tries to assure itself that government policy is to allow the DFC adequate autonomy to carry on its day-to-day operations, and will not intervene in the DFC's business decisions by virtue of government ownership, special benefits government has given the DFC, or general authority and influence.

18. The Bank encourages foreign participation in the ownership of DFCs, so as to facilitate the introduction of experience in investment banking and contacts with foreign business, both technical and financial. But the Bank will not support a DFC unless there is some domestic participation, private or governmental, and prefers that domestic participation be in the majority in order to assure that the DFC is identified with the member country and to facilitate the governmental support which the DFC is likely to need. Sometimes, conditions in the member country require

that the DFC appear to have a national identity, and hence a domestic majority. In some such cases, IFC has been accepted by the government and the sponsors of a DFC, not as a foreign investor but as a domestic institution, by virtue of the fact that the country concerned is a member of IFC and that IFC has been willing to restrict its sales of the DFC's shares to local private investors. IFC's investment in the DFC may then provide the requisite de facto "domestic" majority.

19. Government Support. Government support, in one form or another, is generally needed by a DFC. For instance, a government guarantee is required for a Bank loan. In many instances, the government is the only domestic source of capital available to the DFC. Beyond this, however, a DFC may need special privileges (beyond those normally given in the country to financial institutions or to new enterprises) if it is to be financially viable. This is particularly so if it is designed to be attractive--eventually, if not immediately--to private investors. For it is rarely easy to attract private investors into a DFC, given the returns from alternative investment opportunities, and governments therefore provide subsidies to induce private investors to subscribe to the share capital of a DFC. Government-owned or controlled companies may also be accorded the same types of privileges, in order to help establish their financial viability.

20. Governments accord privileges to DFCs in various forms, including tax concessions on income or capital gains, freedom from competition from government credit institutions, guarantees for Bank and other loans, pro-

tection against foreign exchange risk, special rediscounting facilities from the central bank, and provision of capital in one form or another. One common form of subsidy is a low-cost (sometimes interest-free) long-term loan, which is especially significant if it is also subordinated, in the event of liquidation, to the DFC's other debt or even to its share capital. Such a subordinated loan provides a subsidy to the shareholders and better debt-service coverage to other creditors. Other creditors may also view such a loan as part of the base on which, together with equity, senior creditors would be prepared to lend; this "quasi-equity" thus improves the leverage on share capital and enhances profitability.

21. However, the achievement of viability as the result of special government privileges, especially if they take the form of cheap capital, may have undesirable results. It may expose a DFC to political pressure and may deprive it of the discipline of raising capital on market terms, thus diminishing its potential role as a mobilizer of private savings. Accordingly, such concessions should be the minimum necessary to assure financial viability and, in the case of a private company, to induce private investors to subscribe to a DFC's share capital. Low-cost subordinated government loans are considered appropriate only when a new financial institution is being established, but not as a necessary feature in all such cases. After the initial period, further injections of cheap or subordinated capital are carefully scrutinized for their justification and may not be supported by the Bank. Indeed, the continued existence of

low profitability will be a signal for a general re-assessment of the adequacy of the interest rate and other charges for the DFC's capital and services.

22. Return on Capital. The DFC must be earning, or give promise of being able to earn, a satisfactory return on its capital. This might not be important if the Bank's only objective were providing its own capital for productive investment, provided the solvency and liquidity of the DFC and repayment of the Bank's loan were assured. The Bank is, of course, concerned with the aggregate internal economic return of the projects financed by the DFC, in order to be sure that a Bank loan constitutes a desirable use of resources; (and means are now being explored to devise a way to bring such analysis to bear in appraisals of loans to DFCs). But the Bank's aim is also to build a strong financial institution capable of an autonomous financial life. The DFC must therefore be capable, by virtue of its own financial position and earnings prospects, of attracting new capital, on market terms from both lenders and investors. (For a discussion of the difference between economic and financial return, see O.M. 5.05.)

23. One common financial test is the return on the investment of an entity. This test, which relates net annual income (before financial expenses but after taxes) to total capital employed, permits a comparison with the cost of capital. However, this test is of limited usefulness for assessing the financial position of a financial intermediary, as contrasted with a producer of goods. Another common financial test

is the net return on equity. Although this test may be of greater interest to a private shareholder-owned company, it is a useful test for any DFC, private or public, which must justify its existence by its ability to attract share capital and to obtain debt. In evaluating financial return, account must be taken of inflationary conditions in the country, i.e., the real, not simply the nominal return, must be satisfactory. Account must also be taken of the fact that governments give some DFCs (especially government-controlled companies) developmental functions considered to be in the national interest which involve costs to the DFC and for which charges (or at least full charges) are not, or cannot be, made, thus adversely affecting the DFC's financial return. These functions should be financed whenever possible from special sources, such as direct budgetary allocations, and not from the DFC's own capital or at its risk. In any case, the Bank expects the DFC's accounts to be kept in such a way as to permit accurate costing of its special development activities, so that its normal financial functions may be assessed and the earnings of those activities accurately measured.

24. The financial viability of a DFC is not, however, appraised by any simple test. An aggressive company heavily involved in promotion and in equity investment may be sacrificing current earnings in the expectation of substantial dividend income and capital gains later. A new company with high administrative costs in relation to portfolio is likely to have, initially, fairly low returns. The trend of change of the financial return is also relevant, as is the degree to which the return depends on

subsidy. The financial return should therefore not be allowed to obscure the basic factors generally underlying a DFC's earnings, which are managerial competence, administrative efficiency and the appropriateness of the interest rate.

25. Interest Rate. The interest rates a DFC charges are of major concern to the Bank. As already noted, the DFC must earn a satisfactory financial return; it must be able to cover its costs and provide satisfactory provisions for losses, and must earn a surplus beyond this, if it is to succeed in raising fresh capital from private sources, both from lenders and investors. Of course, interest on medium- and long-term loans does not constitute all of a DFC's earnings. The return on short-term investment is also important (especially in the earlier years of a DFC, when it is likely to have substantial liquid funds), as are service fees, commissions on underwritings and other services, dividends on equity investments, capital gains, etc. The margin which a DFC needs to have between its borrowing costs and relending rates is affected by its income from such sources as these. However, lending continues to be the predominant business of DFCs, income from other sources is in general relatively small, and thus the interest rate takes on critical importance.

26. The interest rate also has an economic aspect, which is of concern to the Bank. The rate should bear a reasonable relationship to the real cost of capital in the country concerned. When a DFC's lending rate is too low, allocation of resources will not take place in the most economic manner and its capital might be used to finance uneconomic projects.

While this may or may not be a matter of concern to the shareholders of a DFC, it always concerns the Bank as a provider of capital; and it is also an important issue to the government as both a provider and guarantor of financial resources. The boards, and sometimes the principal sponsors, of DFCs financed by the Bank, are committed by policies agreed with the Bank to give attention to the economic use of their resources. The Bank might, exceptionally, agree that a DFC subsidize its borrowers through low interest rates despite the risk of consequent misuse of resources; but this would have to be explicitly justified.

27. In considering the DFC's lending rate, account should be taken of the rates at which it borrows, including the cost of Bank and other external loans. Sometimes it receives capital from government on concessional terms; and sometimes external loans are extended on a concessional basis. While such concessions may be desirable early in a DFC's existence, they may ultimately result in an unnecessary windfall to the shareholders and may create a disincentive to the DFC's resort to the market, both at home and abroad, to mobilize financial resources. In such circumstances, the Bank might act to increase the effective cost of its loans to a DFC, for instance by asking the government to charge an appropriate guarantee fee or by lending to the government for relending to the DFC at a higher interest rate. Account should also be taken of the prevailing interest rate structure, and of the DFC's competitive position in the financial community. For a DFC cannot raise its interest rates without taking account of the interest rates of other suppliers of capital.

28. Accordingly, the Bank will, in every case of support of a DFC, review the adequacy of interest rate levels in the light both of the financial requirements of the DFC and of their relation to the economic situation of the country; it will insist on changes when appropriate; and it will make a judgment on the suitability of the Bank's prevailing lending rate in the particular case.

Guidelines for Appraisal

29. Attention is called to the aims and principles of project appraisal in the Bank, as set forth in O.M.5.02. These are generally relevant and applicable in appraising a DFC, modified principally by the fact that the Bank is interested both in the DFC as an institution and in the ultimate uses to which the proceeds of Bank loans are put. Accordingly, appraisal of a DFC focuses principally on an assessment of relevant aspects of the economy of the member country, institutional aspects of the DFC, and the economic significance of the DFC's operations.

30. Economic Environment. Like any other object of Bank financing, a DFC must be appraised in the context of the environment in which it operates. The appraisal must provide the minimum background about the national economy and must highlight the conclusions of the Bank's country economic and sector reports, needed to permit understanding of the DFC's activities, problems and prospects. In particular, due regard must be given to the Bank's judgment of the soundness of the government's policies in the sectors which the DFC finances. A DFC can do little to mobilize private savings or to allocate resources effectively, if government policy

is not conducive to these objectives; nor can it go far to counteract the distorting effect on resource allocation of government policies without undermining its position as a financial institution. Accordingly, an appraisal of a DFC implies also an assessment of government policies which affect allocation of resources in the sector (e.g., exchange rates, protection, interest rates, and other incentives to invest) and its policies for resource mobilization.

31. As the Bank's knowledge of the sectors in which a DFC operates in a particular country grows (through general economic and sectoral missions), the Bank may use the occasion of loans to a DFC to review national sector policies and, where appropriate, to seek to modify them. Accordingly, close coordination is required among all the Bank's departments dealing with relevant matters, in particular the Development Finance Companies Department, the Area Departments, the appropriate Projects Department and the Economic Department.

32. Institutional Performance. The heart of a DFC appraisal is an evaluation of the institution itself: its policies, management and staff, procedures, decision-making process, operations, financial performance, and operational and financial prospects, all with appropriate regard to conditions in the country concerned. Of particular importance are the soundness of the appraisal process, the quality of the portfolio, the financial position, and a judgment of overall performance in relation to the DFC's policies and expectations.

33. Economic Performance. The appraisal must assess the degree to which the DFC is contributing to the execution of policies which the Bank has agreed with governments (or which it judges to be suitable) for development. In particular, it must examine whether the DFC is doing what can reasonably be expected in the circumstances to mobilize financial resources and to choose investments which contribute to the sound growth of the sector concerned and of the economy generally. Judgments in this regard must be based on a knowledge both of the relevant aspects of the economic environment (paragraphs 30-31) and of the activities of the DFC (paragraph 32).

34. Conditions for a Loan. Examination of the economic environment, the institutional performance of a DFC and of the economic impact of its operations should lead directly, not only to a judgment of its suitability for a Bank loan, but also to recommendations of specific conditions for a loan. Such recommendations might involve raising interest rates or adopting new sector policies (environment), strengthening staff or increasing provisions for bad debts (performance), or instituting new appraisal procedures to stress one or another type of industry (impact).

Part III. Types of Assistance to DFCs

35. The Bank promotes, makes loans to, and provides technical assistance to DFCs.

36. Promotion. The Bank is prepared to work with governments or private sponsors in the creation of a new DFC, or in the reorganization of an

existing one. This involves making studies and surveys of the need and justification for a DFC, working out the basic capital structure, policies and organizational framework of the company and, where appropriate, finding investors to take up its share capital.

37. Finance. The Bank lends to help meet the capital requirements of a DFC. Normally the amount provided at any one time is the sum which, taking account of other available funds, the company needs, within the limits of prudent borrowing policy, to meet the expected demand for capital over a period of about two years. In some situations, such as dissatisfaction with aspects of relevant government policy or with some aspects of the condition or prospects of the DFC, a sum for a smaller period might be provided; the amount of a loan may also be limited by the Bank's lending program in the country concerned. Although the Bank does not consider itself a one-time lender, but rather a continuing provider of the capital requirements of the DFC, the Bank will continue to lend only if it is satisfied that the DFC is trying to diversify its sources of capital and to obtain finance from conventional sources.

38. IFC. In the World Bank Group, the Bank and IFC play complementary roles in financing DFCs. While IFC may lend as well as subscribe to share capital, its principal role vis a vis DFCs is that of investor, either by direct subscription or by standby or underwriting arrangements for shares. In general, it will consider a loan to a DFC only in unusual circumstances, such as when a government guarantee to the DFC is not, for acceptable reasons, forthcoming. An IFC loan or investment can be made, in accordance

with IFC's Articles of Agreement, only to a privately owned and controlled DFC; and it is made within the framework of IFC's general policies. Among others, IFC will not normally subscribe more than 25 percent of a DFC's shares; it prefers to subscribe less. It will sell its holdings when it can do so on reasonable terms, and when it considers that the purpose of its original investment has been achieved. IFC normally takes a seat on the board of directors of a DFC in which it holds a share investment.

39. Technical Assistance. Aside from advising on the organization or reorganization of DFCs in forms suitable for finance from the Bank, the Bank provides various services to DFCs. Staff: It is prepared to help find management, advisors and senior staff. It will not normally share the cost of such personnel. However, the cost of expatriate personnel may, in appropriate circumstances, be financed from the proceeds of a Bank loan. Training: The Bank arranges training for DFC staff, in modest numbers, in EDI, IFC, the Bank or other development finance institutions. Information: The Bank provides data considered to be of value in a DFC's operations. It will also provide ad hoc advice on issues or questions raised by DFCs. General: Such technical assistance is generally available only to DFCs which are the recipients of Bank loans or IFC investments or which give promise of becoming eligible for such finance in due course.

40. In general, the Bank seeks to establish a close and continuing relationship with the DFCs it finances, acting not simply as a creditor but also as a provider of advisory services of various kinds. As a

result, the Bank is better able, strictly from a creditor's viewpoint, to keep its fingers on the pulse of the DFC; equally importantly, it helps strengthen the DFC's capacity to do its job.

Part IV. Main Features of Loans to DFCs

41. General. In making loans to DFCs the Bank relies fundamentally (a) on the presence of qualified and experienced management, (b) acting in accordance with sound financial and investment standards and practices and (c) within the framework of agreed policy. Management, policy and practice are kept under continuing scrutiny. Although there will normally be no contractual obligation to do so, a DFC is expected to consult the Bank when a change in management is contemplated. As for policy, if there is an agreed policy statement, amendment of it will be needed from time to time, in the light of the development of the DFC and of changing conditions in the country, and will require Bank approval.

42. In general, the terms of loans to DFCs are similar to those of loans to other borrowers. However, such loans have some peculiar features which are referred to below.

43. Project Description. The purpose of the project for which the loan is made is to assist a DFC to carry out its business of financing the development of (generally) private productive facilities and resources. The sectors in which the proceeds of the loan may be used are those in which the DFC is allowed by its charter and its policy to operate. If the law under which it operates, or its charter, or its policy, allows

operations considered inappropriate, the Bank will (a) require the DFC to withdraw from such activity or (b) will prohibit use of the Bank loan for them.

44. Withdrawal from Loan Account. The entire amount of a loan is credited to the Loan Account, in the normal manner. However, authorization to withdraw from the Loan Account is linked to specific investment projects and is specifically granted for each investment project.

45. Although the Bank expects a DFC to apply high standards in the appraisal of its investment projects, it reserves the right to approve all investment projects before portions of the loan may be used for them. The degree to which the Bank exercises this right depends on its experience with the DFC. The Bank normally allows a certain degree of freedom. In general, the Bank starts with a new DFC by authorizing withdrawal without prior approval for an individual project calling for up to a specified limit (called the "free limit") and up to an aggregate total of around 25 percent of the total loan. As the DFC's staff and experience develop, and as the Bank's confidence in the DFC grows, the "free limit" is increased until, in practice, few if any projects need to be submitted for prior approval. The Bank may change the "free limit" at its discretion.

46. Authorization to withdraw for a project is given upon request of the DFC, in the case of a loan below the free limit, following submission of a summary description of the project containing the basic data needed to permit disbursement and to keep the Bank informed of the end-use of its funds. In the case of a project over the free limit, authorization to

withdraw is given when the Bank approves the project, following review of the project, a description of which must be submitted in a form and with a content which the Bank determines. In order to minimize the work of the DFC, the Bank will accept for this purpose the documentation that is submitted to the DFC's board of directors, if that is adequate. In both cases, the Bank requires in addition the relevant amortization schedule and the terms and conditions of the loan made by the DFC with the proceeds of the Bank's loan.

47. Approval of Investment Projects. The requirement of approval is largely a device for introducing DFCs to the methods and practices of project appraisal, raising their appraisal standards and familiarizing the Bank and the DFC with each other. It is not primarily designed to assure that particular projects and investment decisions are sound and that the Bank's funds are being properly used in particular projects, or to remove decision-making on particular investment projects from the DFC to the Bank. In a sense, therefore, the Bank's review constitutes an appraisal of the appraisal rather than an appraisal of the investment project, a check to see that the DFC is considering all factors relevant to a sound decision, in deciding on its loans and investments. The responsibility for the investment decision remains with the DFC.

48. In reviewing projects, the Bank may stress one or another aspect of appraisal, depending on its assessment of the quality of the DFC's staff and methods and on the economic situation in the country. One particular aspect of appraisal is often given insufficient attention by DFCs: the

economic viability of its investment projects, as contrasted to their financial profitability. Prior project review is an occasion to give some guidance to DFCs in this area, and to give the Bank some confidence that its funds are going into economic, as well as profitable investments. DFCs which are Bank borrowers are expected gradually to improve their techniques for measuring the international competitiveness of investment projects, if circumstances are such that the profitability itself does not provide an adequate measure.

49. The larger the investment project, the greater the care with which the DFC should have appraised it, and the greater the care with which the appraisal will be reviewed by the Bank, for prior approval of the project. In the case of a project which is unusually complex and large in relation to the DFC's assets or net worth, the Bank may go more deeply into the substance of the project and may even undertake a field appraisal of the project. Moreover, the Bank expects the DFC, in such a case, to seek partners, including IFC, to share the risk of financing the project.

50. Generally the Bank reviews only projects which are to be financed from the proceeds of a Bank loan. Since, however, the risk to the DFC is the same whether Bank funds or other funds of the DFC are used, there may be a case for review by the Bank of all large or complex projects, without regard to the source of the funds the DFC provides. The Bank has, on several occasions, required prior approval of projects other than those using Bank funds. (See paragraph 54.)

51. Commitment Fee. The Bank applies to DFCs its standard policy with respect to commitment charges. However, the Bank is prepared to consider concessional treatment in special circumstances, such as the case of a new DFC or one which has not had an opportunity to build up its business to an adequate level. Concessional treatment means applying the commitment fee only when the Bank authorizes a sum for withdrawal with respect to a specific investment project, and only to the amount authorized.

52. Amortization. A loan to a DFC is repaid in approximate conformity with the repayments received by the DFC from its own borrowers. The amortization schedule of the Bank's loan is the composite of the amortization schedules agreed with the DFC for all the investment projects it has financed with the proceeds of the loan. In order to simplify the administration of this policy, a single amortization schedule is agreed during negotiations, on the basis of reasonable estimates regarding the commitment of the proceeds of the loan. This pro forma schedule, which approximates the composite of the repayment schedules of loans to be made with the proceeds of the loan, is modified from time to time to bring it into approximate conformity with the amortization schedules of the loans actually made by the DFC. Such modification will usually take place when the entire amount of the loan has been authorized for withdrawal and again when the loan is fully disbursed; but it may take place more frequently, if the aggregate of the DFC's repayment schedules is diverging substantially from the Bank's pro forma amortization schedule. If the DFC receives a prepayment from one of the enterprises it has financed from the

proceeds of a Bank loan (or if it sells an equity investment it has made with those proceeds), it must prepay the Bank correspondingly. On the other hand, if the amortization of a loan to an enterprise is rescheduled by the DFC, its repayment schedule to the Bank is correspondingly modified.

53. The repayment to the DFC of each individual project should be scheduled to reflect the nature of the investment project and the condition of the enterprise. However, the loan agreement between the Bank and a DFC specifies that the repayment period of any individual investment financed with its proceeds shall not exceed a certain maximum period, usually 15 years.

54. In the case of a DFC in which the Bank has had a satisfactory experience over an extended period of time and which has thus given evidence that it is a strong and mature institution, the Bank is prepared to be more flexible. The Bank will provide for a fixed amortization schedule and the free limit will be fixed at a high level and with respect, not to the amount of the Bank loan to be used for a particular project, but to the total amount of the DFC's loan to the project in relation to the DFC's resources (even though only a part of it comes from the Bank's loan).

55. Use of Loan for Share Capital. The loan may be used to finance the DFC's investments in share capital as well as its loans, although in practice few DFCs use Bank funds for this purpose. However, this is permitted only under a prudent policy agreed with the Bank, with respect to the DFC's total holdings of equity investments. When the Bank's loan is used to finance an investment in share capital, an arbitrary amortization

schedule is agreed with the DFC for repayment of this part of the loan to the Bank, spread over a period of years not more than the maximum allowed in the loan agreement.

56. Use of Loan to Finance Working Capital. The loan may be used to finance not only fixed assets, but also the initial stock of raw materials and supplies needed for the commencement of operations, or the increase in such stock needed for the expansion of operations, of an investment project.

57. Use of Loan to Finance Imports. The proceeds of a loan to a DFC, as to any other borrower, will normally be available only for imported goods (whether paid for abroad or purchased from domestic distributors) or for domestic goods to the extent they incorporate imported material and components. In exceptional circumstances, the proceeds of a Bank loan to a DFC may be used to finance some domestic expenditures. (See O.M.2.03.)

58. Use of Loan to Refinance Previously Incurred Expenditure. Ordinarily the loan may not be used to cover expenditures incurred more than 90 days before receipt of the request to the Bank for approval (or, where approval is not required, before receipt of the request for permission to withdraw from the loan account). This is designed to encourage a DFC to enter into the planning and financing of an investment project at an early stage. However, in the circumstances in which many DFCs operate, this is very difficult to achieve. Where there are good reasons, therefore, the Bank will consider waiving the restriction in the case of specific investment projects.

59. Although the Bank does not encourage a DFC to engage in refinancing operations, which may often be required by an enterprise because of poor financial planning or poor management, the Bank does not object to a DFC's using the proceeds of the Bank loan for refinancing if the investment project concerned has been carefully appraised and merits finance. For example, the refinancing of permanent working capital, in order to achieve a properly balanced financial structure, is often particularly important. Such cases, when considered suitable, are dealt with as an exception to the normal restriction on financing expenditures already incurred.

60. Use of Loan for Technical Assistance. The proceeds of a loan may be used to finance staff or studies directly related to the purpose of the loan and the execution of the project. Thus provision can be made for payment for expatriate staff, programs for training national staff abroad, or for certain types of studies or consulting services. (See O.M.7.01.) Where a portion of a loan to a DFC is used for these purposes, an arbitrary repayment schedule will be agreed with the Bank for such amount.

61. Disbursement. Disbursement takes place generally in accordance with principles referred to in O.M.6.05. That is, disbursement is usually on the basis of a list of goods for each individual project financed with the proceeds of the loan. The DFC is responsible for assuring the suitability of the list of goods and the reasonableness of their prices. The list is received when the withdrawal authorization is requested; where prior Bank approval is required, the list is submitted together with the

project. A request for disbursement must be accompanied by the usual documentation. However, in the case of a mature DFC, with which the Bank has had a satisfactory experience, the Bank is prepared to consider relying, not on documents submitted, but on certification of the DFC. Use of such a procedure depends on confidence in the DFC's disbursement system.

62. Foreign Exchange Risk. The Bank will assure itself that the development finance company can and will adequately protect itself against exchange risk. There are various methods by which this can be done, the simplest of which is to pass it on to the DFC's borrowers.

63. Period of Commitment and Disbursement. The Bank sets a time limit for the submission of investment projects for withdrawal authorization. The time limit is set by reference to the roughly two-year period needed to commit the loan, as referred to in paragraph 37; it is subject to extension by mutual agreement. In fixing the Closing Date, an additional one to two years is allowed for completion of disbursements.

64. Supervision. The Bank obtains the rights to receive information it requests concerning the operations and financial condition of the DFC, and to visit it. All the operations of the DFC are scrutinized, and not simply those financed with the proceeds of the Bank loan. The information and regular visits are used to maintain a continuing reappraisal of the performance, position and prospects of the DFC.

65. The Bank also requires that the DFC obtain from its clients who receive finance from the proceeds of a Bank loan, certain contractual rights on behalf of the Bank, including the right of independent access to the individual investment projects with the DFC's representatives.

66. Debt/Equity Ratio. The loan agreement carries a limit on the term debt with the DFC may incur. Its purpose is to assure both that the Bank's loan is adequately secured and that the DFC borrows prudently. The limit used is usually expressed as a multiple of the equity of the DFC. The Bank may, at its discretion, include in the equity (and exclude from debt) borrowings of the DFC which are adequately subordinated to the DFC's senior debt, including the Bank's loan. At the beginning of its experience with a development finance company, the Bank normally fixes the ratio at three. It is prepared to review and revise that ratio in the light of (a) the DFC's loss record, the quality of its portfolio and its prospects, (b) the economic outlook of the country and (c) other relevant factors.

67. Audit. The DFC must retain a firm of independent auditors acceptable to the Bank, to audit the DFC's accounts annually, and to do so in accordance with generally accepted accounting principles and in form and detail satisfactory to the Bank. The DFC is required to transmit those reports to the Bank, together with any related letters addressed to it by the auditor. When a loan is made to an existing DFC, the Bank requires a satisfactory audit before the loan is made.

68. Procurement. As noted in O.M.5.08, the Bank requires its borrowers to obtain goods through international competition. However, it is not practicable to require a DFC's borrowers to procure goods under international competitive bidding arrangements. The Bank does expect, however, that the DFC, in appraising investment projects, will satisfy itself that the goods and services to be purchased are suitable to the investment

projects and are reasonably priced. In the case of unusually large investment projects, the DFC is expected to go further and ensure that its clients have canvassed the main sources of supply and are purchasing from the most advantageous source or, if the expense is not prohibitive and unless the nature of the project forbids it, are basing procurement on international bidding, in accordance with the Bank's standard procedure.

Part V. Organization and Responsibility

69. The Development Finance Companies Department is the focal point, in the Bank Group, of work on DFCs; except for work on agricultural credit institutions. (See Organization Bulletin 1.12.) Accordingly it is responsible for the formulation, study and promotion of arrangements for the establishment of new, or the reorganization and expansion of existing DFCs; for the appraisal of DFCs in connection with proposed Bank loans; for the recommendation of operational policies, managerial services, technical assistance, and terms and conditions of Bank loans; for dealing with sub-projects on behalf of the Bank^{1/}; and for the continuing review and reappraisal of the DFCs to which loans have been made. For the purpose of making and administering IFC investments, the Department acts as technical adviser to IFC; it therefore appraises proposals, recommends to IFC the action it should take, and the conditions thereof; reviews sub-projects; provides support for IFC's representatives on the boards of DFCs; and is responsible for supervision. The Department is also responsible for advising on all aspects of the Bank Group's DFC work.

^{1/} See memorandum of May 2, 1969 from the Director of Administration, regarding the handling of sub-projects.

70. A loan to a DFC is arranged and negotiated in accordance with the regular procedure, described in O.M.6.01, 6.02 and 6.09. If an IFC investment is being made jointly with a Bank loan, arrangements should be made for simultaneous negotiations; and, subsequently, a joint meeting of the Boards of the Bank and of IFC will consider the loan and investment proposal.

71. In carrying out these responsibilities, the Department must work in close collaboration with other departments of the Bank and IFC. In particular, it obtains assistance from the Bank's Projects Departments and from the Engineering Department of IFC in reviewing technical aspects of investment projects submitted for Bank approval.

INTERNATIONAL DEVELOPMENT
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INTERNATIONAL FINANCE
CORPORATION

FINANCE
ION

9/8

Max

Jim Cotten, at present working part-time with Eugene Adams, Emerging Economies Corporation, in town for two days, called to talk to Mr Diamond but was unable to reach him. (Introduced to us by Mr. Aguirre-Sacasa through Eugene Adams).

Mr. Cotten would appreciate a few minutes with Mr. Mathew; to talk about what the Emerging Economies Corporation has done since our last talk with them. (Mr. Diamond saw Mr. Adams some months back).

OK
AM

Mr. Cotten is coming in to town for a meeting tomorrow at 10.00 a.m. and will call after this meeting to see if there is a chance to see Mr. Mathew after lunch some time.
us

Mr. Jones

I saw him for a half hour. We talked about Mr. Adams' work relative to etc's.

→ E.T.D.
Thanks sent '9

3315 Garfield Street, N. W.
Washington, D.C.20008

September 8, 1970

His Excellency
Augustin Papic
Permanent Representative of Yugoslavia
to the United Nations
12 rue R. de Traz
1208 Geneva, Switzerland

Dear Augustin:

Thank you for your letter of July 23.

Forgive me for not having answered sooner. There were two reasons: the two-week holiday in Cape Cod (which was not long enough) and uncertainty about my plans for Europe. The first is finished. The second I have tentatively decided on. So I can now write.

May I come to see you on Saturday, September 26? Although I cannot be absolutely sure, I am planning to fly from Copenhagen to Geneva Saturday morning, see you in the afternoon, spend the night in Geneva and then fly home Sunday morning. If this is convenient to you. Please let me know if it is not.

My reason for this visit is not only the pleasure of seeing Ksenija and you again. It is also my wish to ask your advice on a problem I have in Yugoslavia.

I am leaving Washington for Copenhagen on Wednesday, September 16. I hope I'll hear from you by then. If your reply is delayed, perhaps you could send it not only here, but also to the Tre Falke Hotel, 9 Falkoner Alle, Copenhagen.

With best wishes.

Sincerely yours,

William Diamond

WDiamond:us

September 8, 1970

His Excellency
Duck Woo Nam
Minister of Finance
Ministry of Finance
Republic of Korea
Seoul, Korea

Dear Mr. Minister,

Thank you very much for your letter of August 27; not only for your kind remarks about my small role in the creation of the Korean Development Finance Corporation, but also for your generous invitation to Mrs. Diamond and myself to visit Korea again.

I have been looking forward to a visit to Korea, both to see at first hand the progress your dynamic country has made and its growth potential, and also to see KDPC - which, when last I was in Seoul, was only a gleam in the eyes of its many sponsors and well-wishers.

In the light of your invitation, Mrs. Diamond and I plan to visit Seoul in the second or third week of November. I imagine it will be in the third week. Perhaps we can meet in Copenhagen and make definite plans. Meanwhile, I shall write to C. H. Kim, who will no doubt be in touch with you about the arrangements.

I am looking forward with great pleasure, not only to seeing you in Copenhagen, but to seeing Seoul again.

With all good wishes,

Sincerely yours,

William Diamond
Director
Development Finance Companies

cc: Messrs. Goodman }
Takaramura } (with incoming letter)

WDiamond:mvr

September 8, 1970

Mr. Felix S. Y. Chang
President
China Development Corporation
Taipei, Taiwan

Dear Felix,

I have read with interest and pleasure your letter of August 28, and its attachment, about your appointment as a Vice Chairman of the Cultural and Economic Enterprise Management Committee of the KMT. I am sure the appointment reflects the high esteem in which you are held by the Chinese Government and I am sure you will contribute significantly to the Committee's work.

I am pleased to know, too, that you did not take up the new post until you felt confident that it would not interfere with your work for CDC.

I am looking forward to seeing you soon in Copenhagen.

With all good wishes,

Sincerely yours,

William Diamond
Director
Development Finance Companies

cc: Messrs. Goodman }
 Y.L.Chang } with copy incoming letter
 Powell }

WDiamond:mvr

Sept. 8, 1970

TAX LEGISLATION IN CENTRAL AMERICA

Copy of Mr. Greenebaum's memo sent
to Mr. Gulhati - "to read".

September 8, 1970

Diamond to Greenebaum

See letter on DFC personnel

Files.

September 8, 1970

Mr. Stewart Mason
at Bloque No. 10
Pine Beach Estates
Autopista de Castelldefels
15.8 km. Gara
Barcelona, Spain

Dear Stewart:

Please, when you are in (or near) Barcelona, do three favors for me :

1. Visit the Picasso museum.
2. Make a systematic tour of Gaudi's houses, offices, park and Church. (You may need a drink after this tour, in which case bill me.)
3. If there is a Miro exhibit, see it.

Then send me some Picasso, Gaudi and Miro postcards.

After your holiday in Spain, where do you go and what are your commitments for the next six months?

Hope you are well. Lois joins me in best wishes.

Sincerely yours,

William Diamond
Director
Development Finance Companies

cc Mr. Clayton

WDiamond:us

SEPTEMBER 8, 1970

GERHARD ROHNFELDER
855 FORCHHEIM OFR.
MURNBERGER STR.9
(WEST GERMANY)

LT

HAD EXPECTED YOUR REPLY ABOUT INDONESIA SOON AFTER
AUGUST ONE STOP MATTER IS NOW URGENT AND I WOULD
APPRECIATE HEARING FROM YOU SOONEST

DIAMOND

William Diamond, Director
DFC/IBRD

cc Mrs. Stone
DFC Personnel Files

WDiamond:us

September 4, 1970

Letter tMr. Postel-Vinay

and memo to Personnel Files

re Mr. Claude Blanchi

-- see under DFC Personnel Files

TEUFENSTEIN

SEPTEMBER 4, 1970

INVESTCRED

LT

VIENNA

(AUSTRIA)

APPRECIATE YOURCAB STOP HAVE INFORMED SAID AHMED STOP BANK
FUND HEADQUARTERS IN COPENHAGEN WILL INFORM YOU OF MY OFFICE
STOP LOOK FORWARD SEEING YOU

DIAMOND

William Diamond, Director
DFC/IBSD

cc Mr. Gustafson
Mr. Sekse
Mr. Clayton

WDiamond:us

~~SECRET~~

SEPTEMBER 4, 1970

POWELL
INTBAFRAD
DJAKARTA

(INDONESIA)

2

WE HAVE LEARNED THAT LOCAL TECHNICAL ASSISTANCE COORDINATING
UNDER
GROUP EM BAPINAS AEGIS MIGHT BE ~~THE~~ ^{APPROPRIATE} LOCUS FOR BAPINDO
DISCUSSION AND GOODMAN HAS ASKED BELL CONSIDER THIS STOP
PLEASE CONSULT WITH HIM

DIAMOND

William Diamond, Director
DFC/IBRD

Cleared with and cc to
Mr. Goodman
Mc Takayama
WDiamond:us

SAID AHMED

PICIC ORP

KARACHI

(PAKISTAN)

SEPTEMBER 4, 1970

IBF GOV.

TEUFENSTEIN OF IVK SAYS HE WILL BE HAPPY TO SEE
YOU IN VIENNA AS SCHEDULED

DIAMOND

William Diamond, Director
DFC/IBRD

cc Messrs. Gustafson
Sekse
Clayton

WDiamond:us

SAID AHMED

SEP

SEPTEMBER 3, 1970

PICICORP

IBF GOV.

KARACHI

(PAKISTAN)

REURCAB STOP WOULD THREE P.M. TUESDAY
SEPTEMBER TWENTYTWO BE SATISFACTORY QUERY
PLEASE CONFIRM

DIAMOND

William Diamond, Director
Development Finance Cos. IBRD.

cc Mr. Sekse
Mr. Lethbridge
Mr. Clayton

WDiamond:us

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

September 1, 1970

Mr. Diamond:

Mr. Birla will be here at 3:30 p.m.

on Thursday, September 3, 1970. With him will be

Mr. T. C. Saboo - Managing Dir. Birla

Mr. Mandelia - Special Advisor to Mr. Birla.

Jeri

Cancelled Appt. 9/3/70.

INTERNATIONAL BANK FOR
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INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

8/31

Telephone call came in from Wilmer, Cutler

and Pickering, Attorneys, Washington D.C.
(Gloria Loss, secretary phone 296-8800) requesting
an appointment with you as follows:

for Mr. G. D. Birla, President
Hindustan Aluminium Corporation
(Birla Industries of India)
Bombay, India and

Mr. T. C. Saboo - Birla's Managing Director

Mr. Birla will be in Washington Sept. 1, 2
and 3 (he has appointments for the period between
10:00 a.m. and 11:00 a.m. on each of these days)

The secretary knew little about the discussion
topic but agreed with me that it would probably
be industry in India--further details if needed
re this can be procured from Mr. J. Roderick
Heller of the above law firm.

Can you see him on any of these days??

Jeri

Mr. Diamond :

INTERNATIONAL BANK FOR
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INTERNATIONAL FINANCE
CORPORATION

8/31

Mr. Diamond:

G D. Birla's secretary called again --

Will you be able to see him while he is here??

Jeri

Jeri

nothing was done

on this.

Mandela = Sp advisor
to Birla
Cohn

Saboo.

Pareek

cc: Mr. Klossow
Mr. Halbe

September 3, 1970

Mr. Serge Guetta
Director General
Société Congolaise Financière
de Développement SOCOFIDE
Boite Postale 1148
Kinshasa 1
Democratic Republic of the Congo

letter n° 14

Dear Serge:

Thank you for your letter of August 24, from Paris. The note you sent with it (on your talk with President Bourguiba) has been passed on to Mr. Benjenck, as you requested.

You ask: Should SOCOFIDE explore the possibility of obtaining a line of credit from FED?

I see no reason why not. We have wanted, and want, SOCOFIDE to be an effective intermediary for suitable external capital into productive investment in the Congo. In the long run, if all goes as well as we expect it to, I visualize that SOCOFIDE will be drawing its external loan capital from many sources, international as well as bilateral.

This being said, maybe it would be wise, for the time being, to proceed with a certain caution in the matter of resources. SOCOFIDE is at the very beginning of its active life, and a few sharp edges and rough spots will probably have to be smoothed out over the next year or so. There is also yet no sure saying what SOCOFIDE's actual requirements for funds will be over the next couple of years, although I imagine you are beginning to get a somewhat clearer idea about this. I therefore see no particular urgency to the question of obtaining potential new resources of capital abroad, particularly as we -the World Bank- stand ready to discuss and negotiate a new line of credit as soon as there is a need for it. However, the various possibilities of other external loan resources should certainly be looked into, evaluated, and compared, when an opportunity to do so offers itself.

With best regards,

Sincerely yours,

William Diamond
Director
Development Finance Companies

ESekse:cb

3315 Garfield Str., N. W.
Washington, D. C.

September 2, 1970

The Washington Post
1515 L Street, N. W.
Washington, D. C. 20005

Gentlemen:

Attached is my check for \$20.50. This covers the six month period shown in your attached bill, less a credit of \$2.00 for the 16 days, August 16 - 29, during which we have no deliveries.

Sincerely yours,

William Diamond

Attachment

3315 Garfield Str., N. W.
Washington, D. C.

September 2, 1970

The Prudential Insurance Company
of America
2413 Blueridge Avenue
Wheaton, Maryland 20902

Gentlemen:

I have received your "Notice of Dividends", a copy of which is attached. Am I suppose to do anything about this? Is this sum added to my account with you or am I to receive a check?

Please forgive me for having to ask.

Sincerely yours,

Lois W. Diamond

Attachment

HIS EXCELLENCY M'HAMED BARGACH
BADEMAROC
RABAT

SEPTEMBER 2, 1970

LT

MOROCCO

REURLET AUGUST 27 LOOK FORWARD SEEING YOU STOP WOULD 4:00 P.M. Monday

SEPTEMBER 21 BE SATISFACTORY QUESTION PLEASE CONFIRM REGARDS

DIAMOND

WILLIAM DIAMOND
DIRECTOR
~~RECU~~
~~XXX~~ DEVELOPMENT FINANCE COMPANIES

cc: Messrs. Sekse
Pollan
Clayton

HIS EXCELLENCY MOHAMMAD AMAN
FINANCE MINISTER
KABUL

SEPTEMBER 2, 1970

LF

AFGHANISTAN

DELIGHTED TO LEARN WE SHALL MEET IN COPENHAGEN WHERE WE CAN RESUME
DISCUSSION YOU HAVE BEGUN WITH ZENICK STOP WOULD IT BE CONVENIENT
FOR US TO MEET 9:00 A.M. SEPTEMBER 22 STOP PLEASE CONFIRM

REGARDS

DIAMOND

WILLIAM DIAMOND
DIRECTOR
DEVELOPMENT FINANCE COMPANIES

cc: Messrs. Rafik
Eschenberg
Lethbridge

WDIAMOND/smb

DECLASSIFIED

FEB 03 2016

WBG ARCHIVES

3315 Garfield Street, N.W
Washington, D.C. 20008
September 2, 1970

PERSONAL AND CONFIDENTIAL

Mr. Serge Guetta
Directeur Général
Société Congolaise de Financement
du Développement
Boîte Postale 1148
Kinshasa 1,
Democratic Republic of the Congo

Dear Serge:

On my return last week-end from vacation, I found your hand-written letter of August 19 about the Alhadeff paintings. I am most grateful to you for the trouble you took. I am also happy that Mr. Alhadeff was pleased with my request. I shall be writing to him personally again. Incidentally, I do not mind in the least that extra paintings were added. I shall decide what to do about them when I see them.

I also found that the paintings themselves had arrived via Air France and were in customs in Dulles Airport. I am now in the process of getting them; I hope to have them before the end of this week and I shall write to you at that time. Also, I owe you some money for the air freight and will reimburse you. It is enough that you took the trouble of making the selections and of carrying them all the way to Paris.

I shall write again shortly.

Meanwhile, best wishes to Gaby and to you,

Sincerely yours,

William Diamond

WDiamond:jmb

DECLASSIFIED

MAY 12 2023

WBG ARCHIVES

3315 Garfield Street, N.W.
Washington, D.C. 20008
September 2, 1970

PERSONAL AND CONFIDENTIAL

Mr. Serge Guetta
Directeur Général
Société Congolaise de Financement du
Développement
Boite Postale 1148
Kinshasa 1,
Democratic Republic of the Congo

Dear Serge:

I received your hand-written letter of July 28. Unfortunately, it did not arrive in time to have permitted carrying out the suggestion you made.

No one here had an opportunity to speak to any officials who were here, during the time of the official visit. But they returned later on, after my departure from Washington. In a judicious way a question was raised and we were given the distinct impression that the situation may not be as sad as your letter suggested. The thought given us was that the President of SOCOFIDE is firmly in his job and will remain so. Also, that other duties will not be allowed to become so burdensome that they could interfere with the presidency of SOCOFIDE.

I am sorry I shall not see you in Copenhagen, but I am looking forward very much to seeing Edouard and to having an opportunity to get up to date on him and on the affairs of SOCOFIDE.

Your same note referred to Neil. I was pleased to learn that you had made no commitment to him.

With best wishes,

Sincerely yours,

William Diamond

DECLASSIFIED

MAY 12 2023

WBG ARCHIVES

September 2, 1970

PERSONAL AND CONFIDENTIAL

Mr. Serge Guetta
Directeur Général
Société Congolaise de Financement du
Développement
Boite Postale 1148
Kinshasa 1,
Democratic Republic of the Congo

Dear Serge:

Yesterday two matters arose which should, I think, have your attention.

First of all, several of us interviewed Mr. Tilot. I will send you our conclusions about him (and his conclusions about the Congo) later today or certainly before the end of this week. But you should know now that Mr. Tilot was given the impression in Belgium that he was being proposed as the man to run SOCOFIDE--perhaps now, but in any event after your expected departure. I have had to tell him that I did not know what the long-term future for SOCOFIDE's management was, but that we were not considering him for a managerial post either today or tomorrow and that in his thinking about SOCOFIDE he would be wrong to assume that he would be the next Director General.

I am not sure what if anything you can do, and probably you can do nothing, about correcting in Brussels the impression which Tilot had. But I think you should be aware of the situation because it will affect the recommendations of staff that are made from Brussels.

The second matter is that I received yesterday a letter from Mr. Bonvoisin of Belgolaise who told me that he had talked to you about a "third financial adviser of Belgian nationality" and says that he is "in a position to find the right man" because he knows the qualifications and the work that will have to be done by this man. Mr. Bonvoisin added that he would like to know whether we will "positively rely" on him for the choice of this man.

Of course I must write to Mr. Bonvoisin today that we cannot "positively rely" on him and that we would have to review the qualifications of and interview his candidate together with many others. I shall send you a copy of the letter I write to him. Here, again a false impression exists which I wish could be dispelled.

Mr. Serge Guetta

September 2, 1970

In connection with these two points, I note the reference in your letter of July 31 to the fact that you would like to hire persons connected with your shareholding companies and I also note that you want to leave the choice of the third man entirely to us. I am aware, of course, that you are thus able to tell the Belgian shareholders that you cannot make a choice among them for a candidate and that we will have to make the choice.

"Tels sont les éléments essentiels intervenus à ce jour dans cette question délicate."

Sincerely yours,

William Diamond
Director
Development Finance Companies

cc Mr. Lohr
WD Diamond: jake
DFC Personnel Files

yellow to Stone w/ incoming

September 2, 1970

Mr. Serge Guetta
Directeur Général
Société Congolaise de Financement due
Developpement
Boite Postale 1148
Kinshasa 1,
Democratic Republic of the Congo

Dear Serge:

In my absence Einar has acknowledged three letters that you sent to me. He will be writing to you in detail about our views on the important issues you raised in two of the letters. However, I want to take the occasion of Cherif Hassan's visit to you to mention one very important point about which Einar already cabled to you last night.

In your letter of July 31, in response to my letter of July 16, you did not include the job descriptions of the people whom you are getting from the UN. These are absolutely vital to us, not only in helping us select the right people, but also in keeping the record straight with the UN on whose behalf (in a technical sense) we are doing the recruiting. It is not enough for us to refer simply to people expert in the preparation of dossiers, or to say that one man will be especially concerned with financial operations. Either of those descriptions would include very junior people and very senior people and also the first of those descriptions would include an economist or a financial analyst or an engineer, as well as a "general investment officer" type. We think we know what you mean and what you want, but I hesitate to act on our guess without knowing that we are right.

It may be that by the time you receive this letter you have cabled a response to Mr. Sekse's question of yesterday. In any case, I am enclosing a copy of a typical job description of an IFC investment officer which, I imagine, comes close to what you have in mind. Whether or not you have sent a response to Sekse, you might wish to cable or to mail your modification of the attached IFC job descriptions. Needless to say, it would be necessary for you to indicate the level of experience you are expecting or want.

Mr. Serge Guetta

September 2, 1970

You may think I am being bureaucratic on this point, but I feel that this is necessary if we are to do our duty both to you and to the UN.

As you will appreciate, we need the job descriptions not only for the men still to be hired, but also for Gratry and Caldarola.

With best wishes,

Sincerely yours,

William Diamond
Director
Development Finance Companies

Attachments

cc: Mr. Sekse
DFC Personnel Files
yellow to Mrs Stone

WDiamond:jmb

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

OPERATIONS OFFICER

DEVELOPMENT FINANCE COMPANIES DEPARTMENT

In general the Department acts as the focal point, in the World Bank Group of work on development finance companies. Its principal responsibilities are:

FUNCTIONS

- (a) To keep informed on all matters concerning the policies, procedures and problems of development finance companies and provide advice and guidance to the Bank Group generally on these matters;
- (b) To appraise proposals for Bank loans to, or investments made by the International Finance Corporation in, development finance companies, and to make recommendations on their suitability to receive, and the amount and conditions appropriate for, such loans and investments;
- (c) Where such proposals involve the creation of a new development finance company or the reorganization or expansion of an existing institution:
 - (i) to study and make recommendations for each such proposal for suitable capital structure, organization and operating policies,
 - (ii) to prepare a program for obtaining the capital needed, and
 - (iii) to supervise the carrying out of the program;
- (d) To participate in negotiations of the Bank or the Corporation, as the case may be, for investments and loans;
- (e) To evaluate management of the development finance companies with which the Bank Group is associated and, where appropriate, assist them in obtaining needed senior management personnel;
- (f) To assist development finance companies with which the Bank Group is associated to obtain training for senior staff: in the Economic Development Institute, in other development finance companies, or in the operating Departments of the Bank Group;
- (g) To keep in close and continuous contact with all development finance companies assisted by the Bank Group, through correspondence and periodic visits, to identify problems as they develop, and to formulate and carry out programs to help those companies improve their performance;

- (h) To advise the Corporation Departments in their work of supporting the Corporation's representatives on the boards of development finance companies;
- (i) To review appraisals of projects submitted by development finance companies for financing under loans which they have received from the Bank; to deal with all matters relating to such projects including approval or rejection; to advise the Corporation on approval or rejection of such projects under loans which development finance companies have received from the Corporation; and to prepare correspondence relating thereto.

QUALIFICATION REQUIREMENTS

- (a) Age 35 - 45 years.
- (b) Broad university and post-graduate education with outstanding intellectual qualities essential. Experience should be in one or more of the following fields: investment analysis and selection; corporate finance; economics; banking.
- (c) Fluency in English and either French or Spanish.
- (d) Candidates must be in good health and able to pass a prescribed medical examination.
- (e) Since staff members must work in close cooperation with persons of various nationalities within the organizations and their member countries, it is important that candidates have congenial personalities and a sense of tact and diplomacy. Appropriate personal characteristics will be given considerable weight in selection.

SALARY

Salaries of staff stationed in the United States are paid in U.S. dollars and are net of income taxes. Salary rates will be determined on the basis of age, experience and qualifications. The Bank offers, in addition, staff benefits such as retirement plan, group life and major medical insurance, home leave privileges for expatriates, etc.

POSITION AND DUTIES OF AN INVESTMENT OFFICER

The Investment Officer is appointed to a geographically defined division in which he works under the jurisdiction of the head of the division who is himself an Investment Officer. The division in itself is responsible to the Director of Investments for the wider geographic area in which that division falls.

The Investment Officer is charged with, and within his own sphere, is responsible for:

- (i) the promotion and analysis of new investment proposals and enquiries, being mindful of the economic and political situation in the country or countries for which he is responsible and including promotional visits in the field during which he will call upon senior government officials, officers of banks or investment institutions and representatives of the industrial community;
- (ii) the development of eligible investment proposals to the start of completed investment and in which the investment officer will himself be responsible to a large extent for the required attention to the financial, managerial, marketing, corporate, legal, engineering and general economic aspects of the proposed investment - all of which will later be embodied in a written report for oral presentation of satisfactory projects, firstly to the Staff Investment Committee and thereafter to the Executive Board of the Corporation.
- (iii) the investor-control of existing International Finance Corporation investments involving a responsibility for obtaining and evaluating all information received by the Corporation under the Investment Agreement and also for instituting a field review of the project so that the International Finance Corporation Management are kept aware of any particular problems confronting the investment and advised of suitable courses of action;
- (iv) the supervision within the provisions of the relevant International Bank loan agreements of the use made by development banks of International Bank Funds.
- (v) In the course of his duties, an Investment Officer is expected to keep himself informed in respect of his area with its general economic conditions, developments on the capital markets, legislation on tax corporates or any other factor affecting the investment climate from the point of view of local or foreign private investors and thereupon to advise the head of his division of any significant development which may affect the soundness profitability and general economic justification of new investment proposals; make recommendations for negotiations on conditions and terms of future investment; and also to recommend action necessary with regard to existing International Finance Corporation investments.

September 2, 1970

Mr. E. Bonvoisin
L'Administrateur-Delegue
Banque Belgo-Congolaise
Bruselles 1, Belgium

Dear Mr. Bonvoisin:

I write to thank you for your letter of August 28,
concerning (SOCOFIDE).

I am delighted to know that you are in a position to suggest
a candidate for one of the positions available in SOCOFIDE, to be
financed under arrangements with the United Nations. I take the
liberty of enclosing a Personal History Form which I hope your
candidate will complete so that we can have a basis to begin con-
sidering him.

You asked, in your letter, whether we can "positively rely"
on you for the choice of the man. While I have every confidence
that you would recommend only a fully qualified person, I am sure
you will appreciate the fact that we must satisfy ourselves through
personal investigation and by comparison with other candidates before
we can make a recommendation to SOCOFIDE and to the United Nations.
We have already begun to interview candidates whose curriculum vitae
seemed appropriate and would be happy to consider your candidate as
well.

As for the terms of his employment, these would be determined
by the United Nations and, if you wish, I shall obtain them and pass
them on to you.

With best wishes,

Sincerely yours,

William Diamond
Director
Development Finance Companies

Enclosure

ccL Mr. Guetta
Mr. Sekse
Miss Powell

WDIAMOND/skh

Mr. Thomas A. Blinkhorn

September 2, 1970

William Diamond

Here is the material from Mr. Kanapathy about an article for the Malaysian Management Review, about which I spoke to you yesterday. I have given up hope for any result from the arrangements I have previously made. I will be very grateful for your suggestions and help.

Attachments

WDiamond:cbm

cc: Mr. Powell

September , 1970

Mr. Serge Guetta
Director General
Société Congolaise Financière
de Développement SOCOFIDE
Boite Postale 1148
Kinshasa 1
Democratic Republic of the Congo

Dear Serge:

I take the liberty of enclosing for your information three papers (English original and French translation) reflecting Bank policies and operational guidelines which I believe will be of interest to you.

The first is a statement of policy presented to our Executive Directors in April on two important subjects: our views on interest rates charged by development finance companies to their clients, and our attitude towards quasi-equity and other concessions given by governments to development finance companies. These subjects are of interest to you, and I think you should be fully aware of the Bank's posture regarding them.

The other two papers provide guidelines for the work of the staff of this Department. As you know, we have for sometime been very much concerned about the economic aspects of the work of the development finance companies associated with us. One of the papers, entitled "Appraisal Reports," suggests to the staff of this Department some of the factors beyond the normal institutional and financial factors, which they ought to take into account in evaluating the performance of development finance companies. The other, entitled "Economic Appraisal of Development Finance Companies' Projects," provides some guidelines for ascertaining the amount of protection received by industrial enterprises being financed by development finance companies. This second paper is, I believe, a constructive approach to a complex subject which we will want to find an early occasion to discuss in detail with your staff. If, in the meantime, you have any thoughts or reactions to it, we would very much appreciate receiving them, for we have no doubt

that modifications and refinements will prove to be necessary if you and we are to develop a useable format for this type of analysis.

I thought you would want to have these papers at least as background for the kinds of questions which you are bound to be receiving with increasing frequency from my colleagues.

With best wishes,

Sincerely yours,

William Diamond
Director
Development Finance Companies

Attachments

WDiamond:cb

KAMBU
SOCOFIDE
KINSHASA

SEPTEMBER 2, 1970

LT

DEMOCRATIC REPUBLIC OF THE CONGO

DELIGHTED TO LEARN YOU WILL BE IN COPENHAGEN STOP WOULD IT BE
CONVENIENT TO MEET WITH ME WEDNESDAY MORNING SEPTEMBER 23 AT
9:00 A.M. STOP PLEASE CONFIRM REGARDS

DIAMOND

WILLIAM DIAMOND
DIRECTOR
DEVELOPMENT FINANCE COMPANIES

cc: E. Sekse
R. Clayton

WDiamond/ssb

LUIS VALLENILLA

SEPTEMBER 2, 1970

CAVENDES

LT

CARACAS

(VENEZUELA)

REUR CONVERSATION WITH GRAYSON WOULD TWO THIRTY TUESDAY SEPTEMBER
22 BE CONVENIENT TO MEET WITH ME QUESTION PLEASE CONFIRM REGARDS

DIAMOND

William Diamond
Director
Development Finance Companies

cc: Mr. Clayton
Mr. Acevedo
Mr. Grayson
Mr. Sikes

WDiamond:mbj

C H KIM

SEPTEMBER 2, 1970

KODEFINCO CARE CHEONG BANK

LT

SEOUL

(KOREA)

WHEN WILL YOU ARRIVE COPENHAGEN STOP IN ANY EVENT WOULD TWO THIRTY
PM MONDAY SEPTEMBER 21 BE OK FOR FIRST MEETING STOP PLEASE
CONFIRM

DIAMOND

William Diamond
Director
Development Finance Companies

cc: Mr. Clayton
Mr. Powell
Mr. Sekse
Mr. Y. L. Chang
Mr. Kraske

WDiamond:mb

SAID AHMED

SEPTEMBER 2, 1970

FIGICORP

LT

KARACHI

(PAKISTAN)

HAVE FOUND URLET OF AUGUST 17 ON MY RETURN TO WASHINGTON STOP
YOUR AGENDA IS FINE STOP WHEN DO YOU EXPECT ARRIVE COPENHAGEN STOP
CAN ARRANGE FIRST MEETING SATURDAY IF YOU ARE THERE STOP IF NOT WILL
ADJUST TO YOUR CONVENIENCE STOP PLEASE CABLE STOP MEANWHILE HAVE
CABLED TRUPENSTEIN OF IVK ABOUT YOU AND HAVE ASKED FOR CONFIRMATION
REGARDS

DIAMOND

William Diamond
Director
Development Finance Companies

cc: Mr. Clayton
Mr. Lethbridge
Mr. Sekse
Mr. Cunningham

WDiamond:nbj

TEUFENSTEIN
INVESTCREO
VIENNA

SEPTEMBER 2, 1970

LT

AUSTRIA

ONE

RE LETTERS FROM BENJENK AND GUSTAFSON COMMA WILL BE HAPPY MEET YOU
IN COPENHAGEN AT 10:30 A.M. SATURDAY SEPTEMBER 19 IF CONVENIENT STOP
PLEASE CONFIRM IF YOU CAN MAKE IT STOP

TWO

SAID AHMED MANAGING DIRECTOR OF PAKISTAN INDUSTRIAL CREDIT AND INVESTMENT
CORPORATION WHOM YOU KNOW PLANS VISIT VIENNA OCTOBER 9 AND WOULD LIKE TO
CALL ON YOU AND VISIT IVK STOP I HOPE YOU WILL BE THERE STOP PLEASE CONFIRM
IF DATE CONVENIENT SO THAT I CAN LET HIM KNOW STOP HIS PRESENT PLAN IS TO
ARRIVE FROM PRAGUE AT 11:45 HOURS BY CZECH AIRLINES STOP

REGARDS

DIAMOND

WILLIAM DIAMOND
DIRECTOR
DEVELOPMENT FINANCE COMPANIES

cc: Messrs. Benjenk
Sekse
Gustafson
Clayton

WDiamond/smb

GUSTAVO LIEVANO
CORFINANSA
BUCARANANGA

SEPTEMBER 2, 1970

LT

COLOMBIA

SORRY DELAY REPLYING URLET AUGUST 6 STOP WILL BE HAPPY MEET YOU AND
YOUR CHAIRMAN IN WASHINGTON STOP MAY I SUGGEST 4:00 P.M. SEPTEMBER
15 STOP PLEASE CONFIRM STOP

REGARDS

DIAMOND

WILLIAM DIAMOND
DIRECTOR
DEVELOPMENT FINANCE COMPANIES

cc: Messrs. Sekse
Acevedo
Clayton

WDiamond/smb

Mr. Vladimir Ceric

September 2, 1970

William Diamond

Appointment for Meeting

LT

This is to confirm that I shall be happy to meet Mr. Smole at the time you suggested, 3:30 p.m. Thursday, September 24, 1970 in Copenhagen.

cc: Messrs. Sekse
Gustafson
Clayton

WDiamond/smb

SOMMAI HOONTRAKOOL
IFCTHAI
BANGKOK

SEPTEMBER 2, 1970

LT

THAILAND

DELIGHTED WE SHALL MEET IN COPENHAGEN STOP WOULD 11:30 A.M. TUESDAY
SEPTEMBER 22 BE CONVENIENT QUESTION WE CAN MAKE ADDITIONAL PLANS
THEREAFTER STOP BEST WISHES

REGARDS

DIAMOND

WILLIAM DIAMOND
DIRECTOR
DEVELOPMENT FINANCE COMPANIES

cc: Messrs. Sekse
Clayton
Powell

WDiamond/smb

W. D. Chron

September 1, 1970

Mr. M'hamed Bargach
President
Banque Nationale pour le Developpement
Economique
Boite Postale 407
Rabat, Morocco

Dear Mr. Bargach:

Please allow me to thank you for your letter of August 9, 1970, permitting us to use BNDE's operational ratios together with those of the other companies associated with the World Bank Group, and for the table of BNDE's ratios which you so kindly attached to it. I am extremely grateful to you for your decision.

I fully agree with your observation that differing conditions make strict inter-company comparisons difficult and this reservation is communicated to our companies when we circulate these ratios.

A revised version of the table, including BNDE's ratios, will be sent to you shortly.

Thank you again for your cooperation.

Yours sincerely,

William Diamond
Director
Development Finance Companies

cc: Mr. Pollan (with a copy of the
incoming).

VSanLin:er

September 1, 1970

Mr. Carroll G. Bowen
President
Franklin Book Programs Inc.
801 Second Avenue
New York, New York 10017

Dear Mr. Bowen:

Thanks for your letter of August 18, 1970.

I'm delighted to have been of use to you.

For my part, I was happy to meet you. If, in doing your homework, you think of some way in which I can be of further help, please get in touch.

With best wishes,

Sincerely yours,

William Diamond
Director
Development Finance Companies

cc: Davidson Sommers

WDIAMOND/skh